

# Statement of Accounts

## 2022/23



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# Head of Finance Narrative Report for the Statement of Accounts

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## Introduction

The 2022/23 financial year represented a challenging one for Newport City Council, like most other councils across Wales and the rest of the United Kingdom. Although the immediate impact of the COVID-19 pandemic lessened, a new challenge in the form of the cost of living crisis and high inflationary environment emerged. This directly impacted the Council by way of significantly increased costs for key supplies such as fuel, as well as higher than anticipated increases in employee pay. In addition to the direct impact, partners and service providers also experienced the same challenges, which resulted in further pressure on the Council's finances as those costs drove up the price the Council pays for services procured externally or provided on its behalf. As well as high inflation, demand for certain services, such as housing and children's social care, increased rapidly as a consequence of the long term impact of the pandemic. As with increasing costs, increasing demand for services also had a major financial impact. Despite these unprecedented financial challenges, the Council was able to manage its finances carefully and remain within its overall budget for 2022/23.

Aside from the challenging financial situation, 2022/23 was a more settled year, with the local elections in May 2022 returning the same administration and the recently introduced management structure embedding itself further. Following the election, a new corporate plan was developed and introduced, and the new transformation programme began to take shape. The new ways of working were implemented, with the year witnessing a gradual return of employees to office locations as part of the agreed hybrid working model. There was major progress in relation to some significant capital schemes, with both the Ysgol Gyfun Gwent Is Coed and Bassaleg Band B schools schemes nearing completion, as well as the commencement of the Transporter Bridge refurbishment and the near completion of the Devon Place active travel footbridge.

Heading into 2023/24, the financial pressures show no sign of easing quickly, with the costs of employee pay and services continuing to rise and demand for services showing no sign of abating. The medium-term outlook remains challenging, particularly against the backdrop of an extremely difficult recent budget round and the level of savings agreed for this financial year.

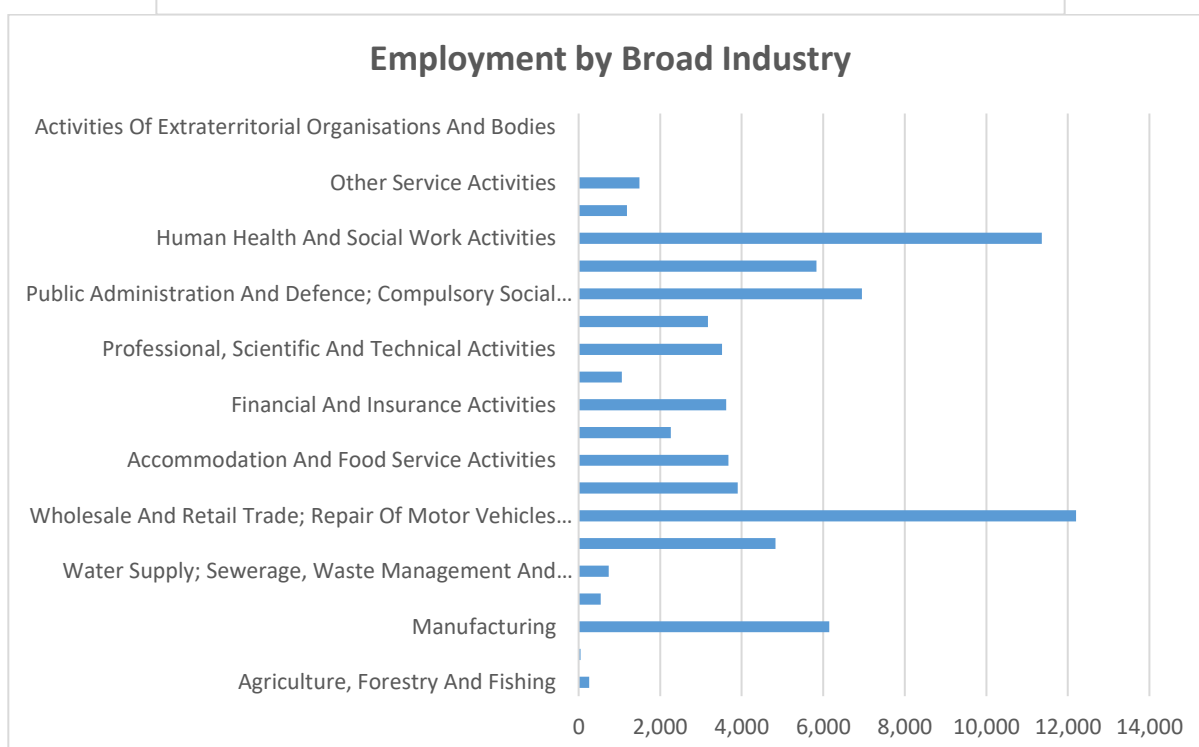
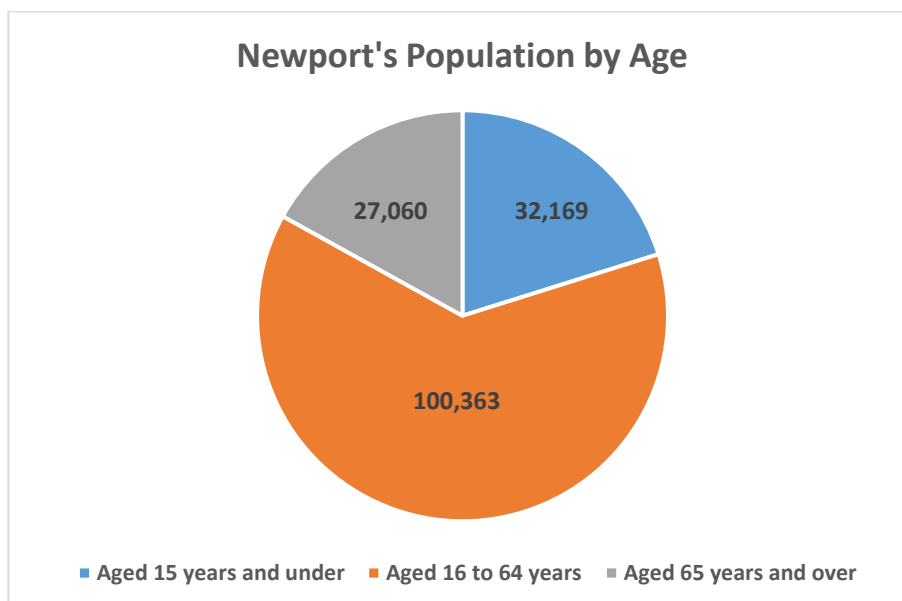
## 1. About Newport and the Council

Newport is a coastal city, covering a geographical area of just over 84 square miles. It has an urban hub with a rural hinterland and is home to one of Wales' most diverse and multi-cultural populations. The 2021 Census results showed that Newport's population increased by 9.5% from around 145,700 in 2011 to 159,600 in 2021. There is employment in the city of circa 73,000 across a broad range of industries.

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In November 2022, the Council approved its new [Corporate Plan 2022-2027](#) 'An ambitious, fairer greener Newport for everyone' which supports the Well-being of Future Generations Act. To deliver the Corporate Plan we have set four Well-being Objectives:

1. **Economy, Education and Skills** – Newport is a thriving and growing city that offers excellent education and aspires to provide opportunities for all.
2. **Newport's Environment and Infrastructure** – A city that seeks to protect and enhance our environment whilst reducing our carbon footprint and preparing for a sustainable and digital future.

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3. **Quality Social Care and Community Services** – Newport is a supportive City where communities and care are at the heart of what we do.
4. **An Inclusive, Fair and Sustainable Council** – Newport City Council is an inclusive organisation that places social value, fairness and sustainability at its core.

To support the delivery of the Corporate Plan, the Council has adopted the following principles which are aligned to the statutory duties of fairness, equality (including socio-economic duty), sustainability principles and Marmot / Fairness Commission principles:

- Fair and Inclusive
- Empowering each other
- A Listening Council
- Newport's Values

The Council employs approximately 6,000 members of staff (including teachers and other school-based staff) and 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 directly to services delivered in partnerships with a number of other organisations.

## 2. The Council's Performance and Achievements in 2022/23

During 2022/23, Newport City Council started to see the longer term impacts that the COVID-19 pandemic has had, and continues to have, on vulnerable and disadvantaged communities as well as the health implications following the easing of restrictions. These impacts affected many front-line services including housing, adult and children's social care, education and schools, and prevention and inclusion services. In addition to this, the cost of living crisis, inflation and impacts of the Ukrainian conflict have affected many households and businesses, as well as the Council itself. This includes high energy, fuel and food costs, but also increases to mortgage and rent payments. All of these impacts placed additional demand on Council front line services.

The Council's Housing service has faced many challenges throughout the year with increasing demand on the service and residents requiring temporary accommodation. The Council, through its Registered Social Landlords, has been tackling this pressure, delivering over £20 million to invest in more affordable housing units.

Throughout the winter period, Newport City Council, alongside community and religious groups, offered warm spaces for residents to use, access services directly and get necessary support to access services. The Council has also been working in partnership with Gwent Association of Voluntary Organisations (GAVO) to support community food organisations to ensure residents were able to access food and services.

The Council is continuing to see good performance, with its recycling and waste collections meeting the Welsh Government's target. To continue this work towards the Welsh Government's target, and to ensure services are delivered sustainably, the Council agreed to change residual waste collections to every three weeks from 2023/24. The Council also commenced its work in delivering its ambitious Climate Change Plan to become a net zero carbon council by 2030. This work includes continuing its shift towards electric vehicles, ensuring council assets become net carbon zero and working with partners and wider businesses to reduce their carbon emissions.

At the end of 2022/23, Newport did not have any schools in statutory measures and has continued to see improvements with the number of young people Not in Education, Employment or Training (NEETs). Across adult education, the Council, alongside other public sector organisations and the third sector, continued to provide opportunities for training to learn new skills and delivery of job fairs. Good examples included the success of the Newport Youth Academy and work and skills programmes.

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The Council's Public Protection and Regulatory services also continued to support businesses to meet regulatory requirements and delivered an effective enforcement programme against rogue traders and non-compliant organisations.

The Council is continuing its regeneration work, with work commencing on strategic developments such as the new Knowledge Quarter in the city centre and the Heritage Centre. It was disappointing not to obtain Levelling Up funding from the UK Government, however the Council was pleased to confirm over £30 million investment to support local initiatives and projects across the city's communities through the Shared Prosperity Fund.

Further detail and information on the Council's performance will be reported as part of the Council's end of year review of service area performance and as part of its annual Well-being and Self-Assessment report.

### **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 as at 31 March 2023. 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 2022/23, 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 reflects 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 is concerned 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 the 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.



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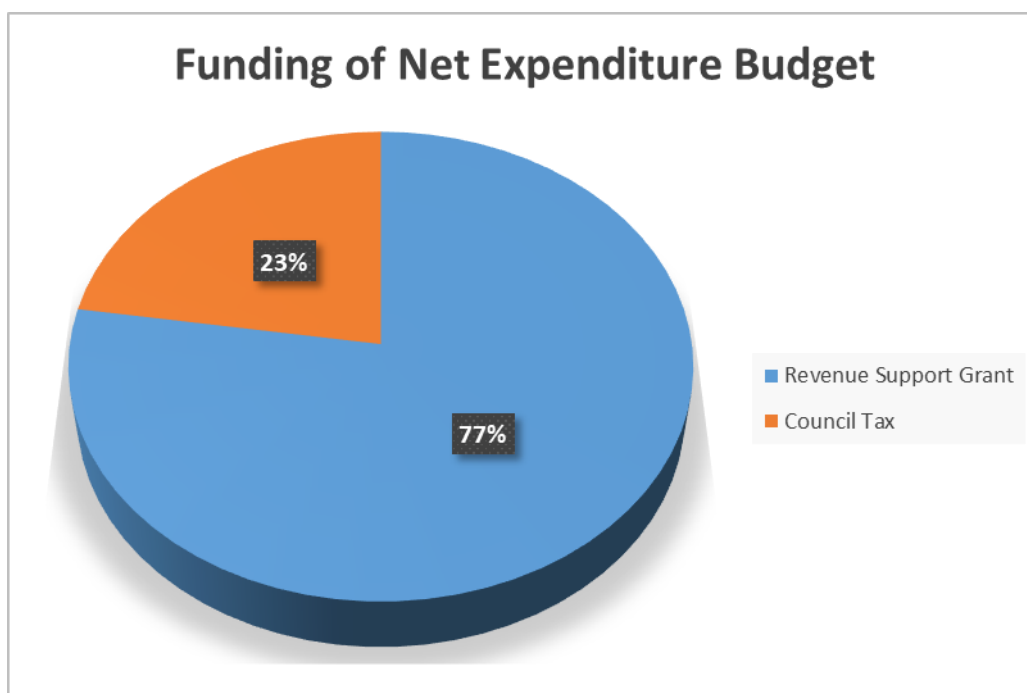
The narrative that follows this provides some informal commentary on the Council's financial performance, the balance sheet and future financial outlook.

## 4. Financial Performance 2022/23

### The 2022/23 budget and funding

The 2022/23 budget setting process was, as with the previous year, set against the backdrop of a positive funding settlement from Welsh Government, with a final increase of £24.914m (equating to 10.4%) being received. This final settlement was better than anticipated and allowed the Council, having already funded the identified inflation and demand pressures, to respond to the public consultation by reducing the increase in Council Tax to 2.4%, increasing the financial commitment to schools, and create an increased contingency provision in preparation for the uncertainty that the lasting impact of the COVID-19 pandemic could have.

The final approved net budget for 2022/23 was £343.0m, of which 77% was funded via WG Revenue Support Grant and redistributed non-domestic rates. The 23% balance was funded via Council Tax, set locally, as outlined in the graphic that follows. It should be noted that, as Council Tax is the only element directly under the Council's control, an overall 1% increase in funding requirement equates to a roughly a 4% increase in Council Tax. To exemplify this, the agreed 2.4% increase in Council Tax only contributed to a £2.3m increase in funding, compared with the WG funding increase of 10.4% which delivered an increase of £24.9m.



The net budget of £343.0m represented an overall increase of £27.1m on the net budget from 2021/22. The final budget included financial pressures in relation to inflation and increments totalling £10.4m, and budget investments amounting to £18.1m. The level of savings required was minimal (£812k) and there was a one-off use of earmarked reserves totalling £563k. The aforementioned 2.4% Council Tax increase was lower than the level assumed within the medium-term financial plan, although this meant that the Newport Council Tax rate, at £1,272 per Band D property, remained one of the lowest within Wales. This low ranking, coupled with the proportion of properties in the lower bandings, continues to present challenges to the authority, in terms of its

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funding generating ability when compared with councils across the UK, restricting the level of investment that can be made within services.

Partly aided by the more positive settlement received, the medium-term outlook, at the point of setting the budget, reflected a modest budget gap for the years 2023/24 to 2024/25. Welsh Government provided an indicative funding settlement for the following years, which aided planning. However, it was known that there were specific risks on the horizon, namely the looming cost of living crisis, which were likely to add to the medium-term challenge.

## Financial Performance – 2022/23

### Revenue budget

The 2022/23 revenue outturn produced a net underspend, after core budget contributions to/from reserves and provisions, of £5.1m against the £343.0m budget (1.5% variance). This variance has arisen for several reasons, outlined in more detail via an individual service analysis of key variances shown later in this report.

At a high level, the following explains the position:

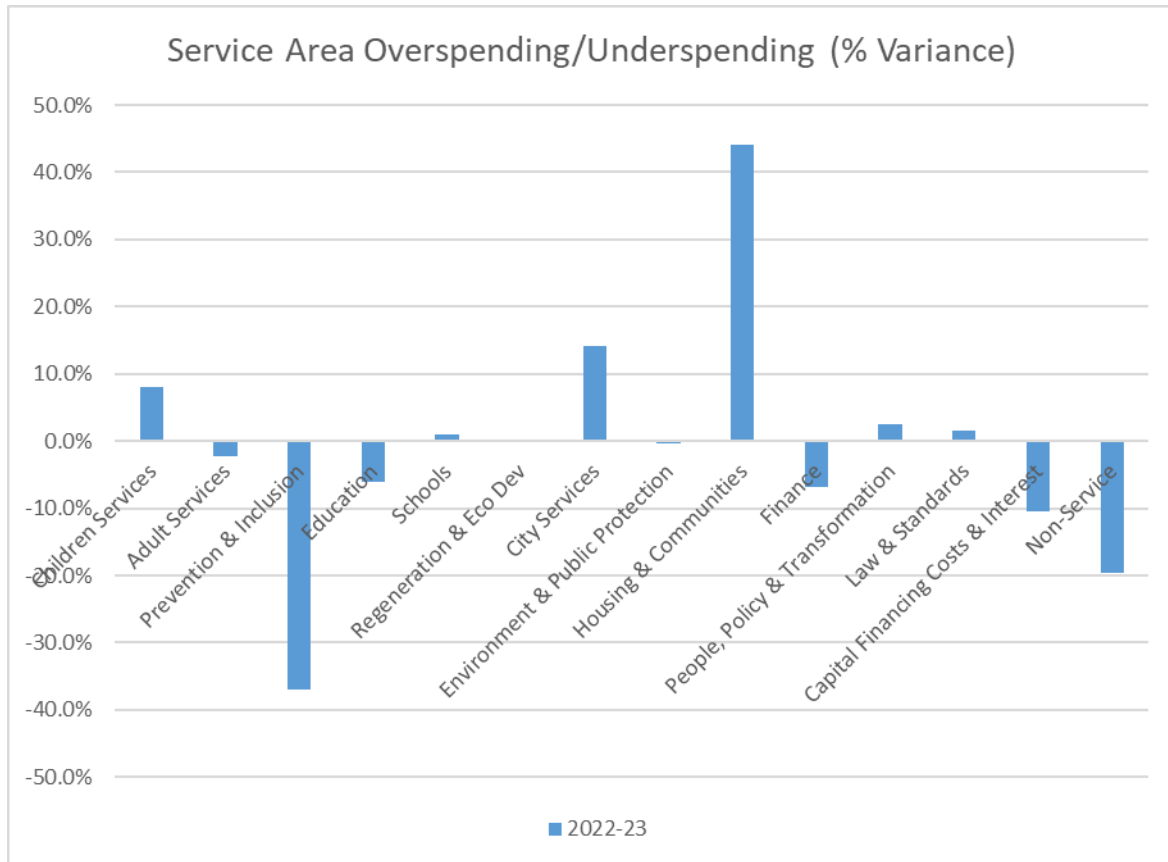
- Unbudgeted costs in relation to employee pay, fuel, transport and third party service costs.
- Increased demand for services in areas such as Children's Service and Housing.
- Availability of contingency budgets to offset the above costs.
- Receipt of unexpected Welsh Government grant funding, a large proportion of which was received in the final quarter of the financial year.
- Underspending against non-service budgets such as Council Tax Reduction Scheme and Capital Financing (the latter of which was expected due to the front loading of that budget in order to meet the commitments contained within the Capital Programme).
- General underspends against various service area budgets, due to vacancies and a concerted effort to restrict expenditure in light of the in-year financial pressures that emerged during the summer of 2022.

In contrast to the two previous years, the in-year expenditure patterns that occurred during 2022/23 have resulted in earmarked reserve balances reducing when compared with the carried forward balances. In the case of schools, there has been an overall reduction in collective balances, although this was largely expected as schools utilised grant balances received in the prior year. The graph below shows the outturn variances for each service area, expressed as a percentage of each service's net budget. The equivalent graph from previous years generally showed underspending across the board, with only one or two exceptions for certain services in certain years. However, in 2022/23, it can be seen that some services experienced significant overspends, as a percentage of budget, reflecting the challenges experienced during the year due to inflation and demand.

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In terms of schools, specifically, an overall overspend and consequent reduction in school balances was reported. This was largely expected, as schools were planning on utilising historic balances, which contained grant funding received in previous years. In addition, schools were required to absorb any emerging cost pressures during the year, which would have added to the overall overspend. However, the final overspend was actually lower than expected, suggesting that other savings resulted during the year.

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## Capital Programme

The Council's most recent capital programme concluded during the 2022/23 financial year and a new five-year programme has been agreed for the period between 2023/24 and 2027/28. The total expenditure incurred over the last five years is outlined below.

|                              | <b>2018/19<br/>Actual</b> | <b>2019/20<br/>Actual</b> | <b>2020/21<br/>Actual</b> | <b>2021/22<br/>Actual</b> | <b>2022/23<br/>Actual</b> | <b>Total 5-year<br/>programme</b> |
|------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|-----------------------------------|
|                              | £m                        | £m                        | £m                        | £m                        | £m                        | £m                                |
| <b>TOTAL<br/>EXPENDITURE</b> | 29.5                      | 31.4                      | 26.2                      | 52.7                      | 61.2                      | <b>201.0</b>                      |

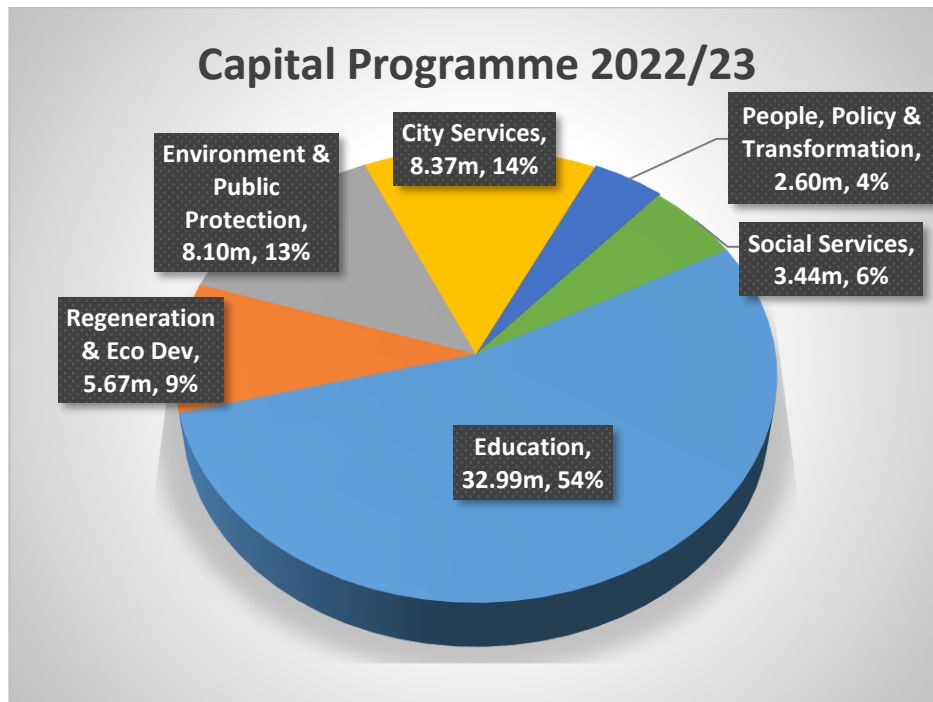
The total programme activity during 2022/23 included:

- Significant investment in schools through the Welsh Government's Sustainable Communities for Learning Programme.
- Various other school-related schemes including capital works required to enable the universal free school meals offer and works to support learners with additional learning needs.
- A number of social care projects, including the completion of the Windmill Farm scheme and continued investment in Disabled Facilities grants.
- A range of energy efficiency schemes including schemes aimed at lowering vehicle emissions
- Refurbishment works to the Transporter Bridge, which will continue into 2023/24.
- A variety of road, transport and infrastructure works, including the completion of the Devon Place footbridge and investment in private sector bus electrification.
- Investment into the Library building to facilitate the transfer of staff from the Information Station.

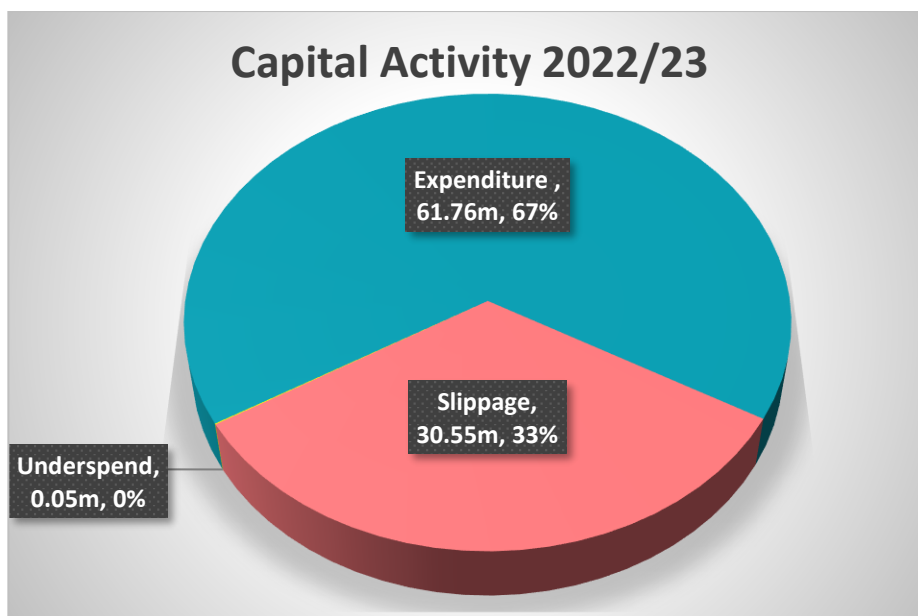
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During 2022/23, the Council actually spent £62.2m on Council assets to maintain and improve service delivery and to support regeneration initiatives. The outturn position for capital in the year showed a total slippage (budget moved into future years of the programme) of £30.6m and a net underspend of £0.05m.



The capital financing for the £62.2m expenditure was as follows,

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| <b>Capital Expenditure 2022/23</b>  | <b>£</b>      | <b>Financed by:</b>  | <b>£</b>      |
|-------------------------------------|---------------|----------------------|---------------|
| Education & Schools                 | 32.99m        | Grants               | 45.90m        |
| Regeneration & Economic Development | 5.67m         | Borrowing            | 10.46m        |
| Environment & Public Protection     | 8.10m         | Council Resources    | 4.12m         |
| City Services                       | 8.37m         | Contributions & S106 | 0.69m         |
| People, Policy & Transformation     | 2.60m         |                      |               |
| Social Services                     | 3.44m         |                      |               |
| <b>TOTAL</b>                        | <b>61.17m</b> |                      | <b>61.17m</b> |

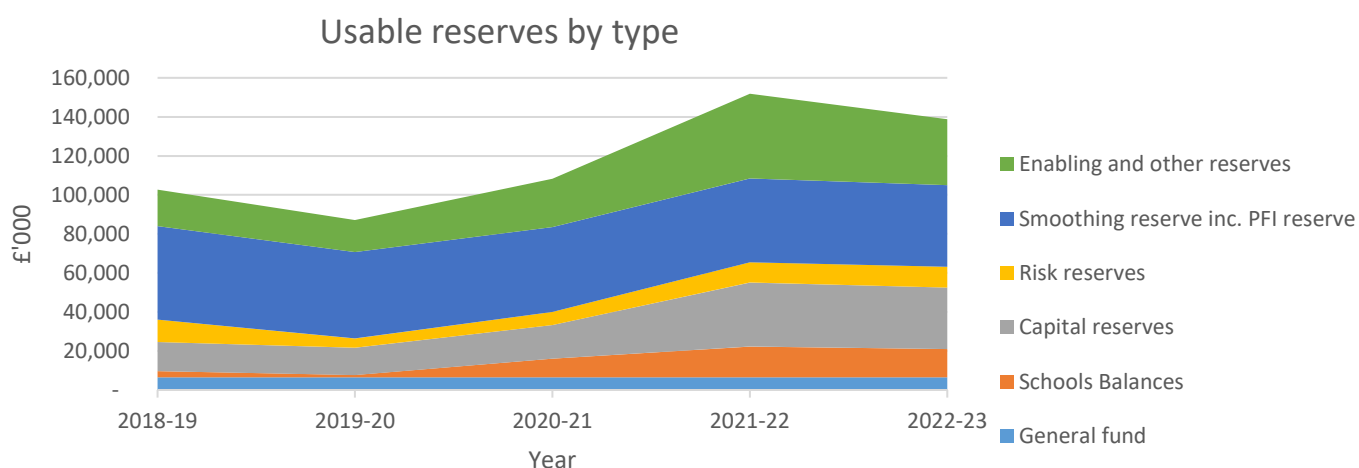
## Balance Sheet

The Balance Sheet shows a 'snapshot' of the Council's assets and liabilities as at 31 March 2023, including its reserves. The Council's balance sheet has seen an increase in value between 2021/22 (net assets of £53.5m) and 2022/23 (net assets of £399.7m). This movement is mainly due to a significant reduction in the pension fund liability and an increase in short term investments. The pension fund liability is now £96m which, if excluded from the balance sheet, would leave net assets of £495m.

Usable reserves (a reserve which can be used to fund cash expenditure of the Council) of £138.9m shows the Council as having strong financial resilience. A further breakdown of these reserve balances is shown in the section that follows.

## Usable Reserves

The level of the Council's usable reserves decreased, net, by £13.0m in 2022/23 from £151.9m to £138.9m. The General Fund Reserve remained unchanged at £6.5m (2.9% of net expenditure budget excluding schools). The chart below shows the level of reserves since 2018/19, showing those reserves that cover risk areas, are enabling in their purpose, assist with smoothing expenditure, the General Fund Reserve, schools reserves and other reserves.



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The chart above shows that the overall position in relation to usable reserves increased sharply between 2019/20 and 2021/22, before a reduction in 2022/23. There was a 40% increase in 2021/22 alone, and then a 9% decrease in 2022/23. It should be noted that this overall reduction was largely anticipated, despite the fact that an overall revenue underspend resulted in 2022/23. This is because there was the planned use of large reserves in relation to, for example, the capital programme, as well as a number of reserves that were created off the back of late grant receipts in 2021/22 and then used during 2022/23. School balances also reduced, in net terms, for the first time in the last few years, again largely because of utilising grant funding that was received late in the previous financial year.

The reserves as at 31<sup>st</sup> March 2023 reflected the following:

- General Fund Reserve balance of £6.5m. This is a prudent reserve held to mitigate against the risk of unforeseen circumstances. It is established by Council's Head of Finance and is a product/proportion of the annual budget. It is ultimately the last line of defence once specific earmarked reserves and other contingencies have been utilised. It should be noted that this reserve represents less than 3% of the annual revenue budget, excluding schools, reinforcing the fact that it should only be used in a last resort situation.
- Adequate cover for the assessed risks identified by the Council – for example, known one-off risks such as legacy funding risks, self-insurance and investment risks.
- Good level of 'enabling' reserves to fund strategic/transformational programmes and fund other 'cost to change'/savings projects, and support the Council's Capital Programme.
- Smoothing reserves, in particular those relating to the ongoing costs of the two PFI schemes that the Council is involved in.

## Unusable reserves

Also detailed on the balance sheet are unusable reserves which are non cash backed reserves which facilitate significant accounting adjustments to ensure there is no 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 were 22.2% of pay for 2022/23 and the average employee contribution rate was 6.03% of pay.

The Statement of Accounts for 2022/23 shows a net unfunded liability of £96m, reflecting a significant decrease of £307m on the 2021/22 net liabilities. Whilst the assets attributable to the pension fund have actually seen a decrease in value, there has been a significant overall improvement over the last 12 months due changing actuarial assumptions (e.g. increased inflation, decreased discount rate, increased longevity/age presumptions).

It should be noted that the fund is there for the long-term funding of pensions, and annual variations in actuarial 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 using career average salaries as opposed to final salaries in defining the benefits received by members.

Further details on pension balances and transactions can be found in Notes 41-42.

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## 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 have arisen and require sums to be identified and set aside.

Following an assessment of risks potentially facing the Council, total short-term provisions increased by a net £1.2m to £7.7m, after £1m of historic provision was utilised. The increase, after allowing for the use of historic amounts, is due to the need to add to the accumulated absences provision, reflecting an increased level of untaken annual leave as at 31 March 2023. Long-term provisions have reduced by a net £432k, to £6.4m. This net movement entirely relates to the provision in respect of capping and upkeep of Council landfill sites, and follows an annual exercise to review potential long term liabilities in relation to this.

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 £1.1m. This year, the calculation has prudently taken into account the potential long term effect of the COVID-19 pandemic and cost of living crisis on likely recovery of debt, considering the impact both issues may have upon households' disposable income and ability to pay bills.

In addition to provisions, a number of contingent liabilities are disclosed in the Statement of Accounts (Note 44). The distinction between a provision and contingent liability is around the uncertainty as to whether the event will occur and if so whether it can be suitably quantified. As such, no specific resources are attributed to affording contingent liabilities (unlike provisions) and the Council would use its annual resourcing and reserve balances should such pressures materialise.

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

## **4. Financial Outlook**

The budget setting process for 2023/24 was a particularly challenging process, largely due to the issues experienced throughout 2022/23 in relation to inflation and demand for services. Because of this, a gross budget gap of nearly £50m was identified, requiring significant action and difficult decisions to be taken in order to produce a balanced budget. Helpfully, the final funding settlement from Welsh Government for 2023/24 confirmed that funding would increase by 8.9%, which was better than anticipated and previously indicated by Welsh Government. Such a settlement assisted in reducing the budget gap, however it was still necessary for a Council Tax increase of 8.5% to be implemented, alongside savings measures totalling £19.5m.

Examples of the demand and inflationary pressures that contributed towards the initial budget gap are outlined below:

- Pressures amounting to nearly £15m in relation to schools, in connection with increased staffing costs, rising energy prices and an overall increase in pupil numbers.
- Over £7m of pay-related pressures in relation to non-schools services.
- Over £3m of demand pressure within the homelessness service.
- Nearly £2m of demand pressures within Adult Services.
- Nearly £20m of non-pay related inflationary pressures, a large part of which was connected to energy prices and the cost pressures of third party providers being passed on to the Council.



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Despite the positive settlement from Welsh Government, and the fact that the Council was ultimately able to balance its budget, there remains a significant amount of uncertainty over the medium term. Demand for services continues to remain high and the inflationary challenges do not show signs of abating to any significant degree. In addition, there is the possibility that funding settlements could become more challenging over the next few years, which could require difficult decisions to be taken, even if inflation reduces to more manageable levels.

The current medium term financial plan reflects a projected budget gap of £26.9m. This is after assuming a Council Tax increase of 4%, in line with the base assumption, and a core funding settlement increase of 3%, in line with Welsh Government's most recent indication. Whilst this projected budget gap is considerably less than the initial budget gap in 2023/24, it will be especially challenging to deliver a balanced budget, when considering the level of savings already needing to be delivered in 2023/24 and the requirement to maintain service delivery in line with statutory requirements. In addition, the medium term financial plan will be updated throughout the course of 2023/24 and could result in further pressures being identified and an overall increase in the potential budget gap.

In relation to the 2023/24 financial year, specifically, there is a risk that an overall overspend could emerge, should unexpected pressures and demands arise. Whilst there are some contingency budgets in place, these are not at the level of the previous financial year, where temporary mitigation had been implemented to cover the uncertainty of emerging from the worst of the COVID-19 pandemic. Therefore, it will be necessary for the Council to exercise caution in managing its finances, to ensure that any new pressures, such as higher than anticipated pay awards, can be managed within the funding available.

In addition to the revenue budget, there are also challenges to be managed in relation to the capital programme. The environment of increasing interest rates, and general pressure on the revenue budget, has meant that the new five-year capital programme, which commences in 2023/24, includes no new borrowing capacity over and above that already approved and funded. Therefore, the Council is reliant upon other funding sources in order to be able to commit to any new schemes. The most likely source of this funding is external grants, although there is also a limited amount of Council capital headroom which could be accessed. Because of the limited level of available funding, careful prioritisation will be required to ensure that resources are carefully managed and only the highest priority schemes are pursued. Schemes already approved will also need to ensure they are delivered in line with agreed profiles, to ensure that any external borrowing required by the Council is only undertaken when absolutely needed.

# Statement of Responsibilities

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## The Council's Responsibilities

The Council is required to:

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

## The Head of Finance's Responsibility

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

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

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

The Head of Finance has also:

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

## Head of Finance Certificate

I certify that the Statement of Accounts set out in pages 22 – 116 Give a true and fair view of the financial position of Newport City Council and Newport City Group at 31 March 2023 and its income and expenditure for the year end 31 March 2023.

|  |  |
|--|--|
| Signed                                       | Signed   |
|  |  |
| <b>Head of Finance (Section 151 Officer)</b> | <b>Chair of Governance &amp; Audit Committee</b> |
|  |  |

# **Annual Governance Statement**

Statement of Accounts 2022/23

Newport City Council

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

Statement of Accounts 2022/23

Newport City Council

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

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

Statement of Accounts 2022/23

Newport City Council

# Comprehensive Income and Expenditure Statement

Statement of Accounts 2022/23

Newport City Council

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

| Restated                   | 2021/22               |                          | Notes   | 2022/23                    |                       |                          |
|----------------------------|-----------------------|--------------------------|---|----------------------------|-----------------------|--------------------------|
| Gross Expenditure<br>£'000 | Gross Income<br>£'000 | Net Expenditure<br>£'000 |   | Gross Expenditure<br>£'000 | Gross Income<br>£'000 | Net Expenditure<br>£'000 |
| 38,120                     | (8,480)               | 29,640                   |   | 43,507                     | (9,062)               | 34,445                   |
| 80,642                     | (32,304)              | 48,338                   | Childrens Services  | 85,716                     | (22,601)              | 63,115                   |
| 28,476                     | (25,885)              | 2,592                    | Adult Services  | 32,075                     | (28,944)              | 3,131                    |
| 32,628                     | (5,486)               | 27,142                   | Prevention & Inclusion  | 35,599                     | (4,981)               | 30,618                   |
| 18,328                     | (13,145)              | 5,183                    | Corporate   | 22,459                     | (13,810)              | 8,650                    |
| 30,325                     | (12,879)              | 17,446                   | Housing & Communities   | 30,398                     | (8,353)               | 22,045                   |
| 29,753                     | (8,821)               | 20,932                   | Environment & Public Protection   | 34,505                     | (6,466)               | 28,040                   |
|                            |                       |                          | Infrastructure  |                            |                       |                          |
|                            |                       |                          | Regeneration & Economic   |                            |                       |                          |
| 21,110                     | (11,406)              | 9,704                    | Development   | 18,189                     | (7,595)               | 10,594                   |
| 28,669                     | (10,129)              | 18,539                   | Education   | 33,059                     | (12,687)              | 20,371                   |
| 157,030                    | (35,443)              | 121,587                  | Schools   | 169,203                    | (30,928)              | 138,275                  |
| 41,260                     | (42,559)              | (1,298)                  | Other Non Department Costs  | 38,562                     | (38,255)              | 307                      |
| <b>506,341</b>             | <b>(206,536)</b>      | <b>299,806</b>           | <b>Cost of services</b>   | <b>543,273</b>             | <b>(183,682)</b>      | <b>359,591</b>           |
| 26,813                     | -                     | 26,813                   | 11 Other operating expenditure  | 28,672                     |                       | 28,672                   |
| 20,762                     | (1,055)               | 19,707                   | 12 Financing and investment income and expenditure                        | 21,683                     | (1,652)               | 20,031                   |
| -                          | -                     | -                        | (Surplus) / deficit on discontinued operations                            | -                          |                       |                          |
| -                          | (372,866)             | (372,866)                | 13 Taxation and non-specific grant income                                 |                            | (393,340)             | (393,340)                |
| <b>553,916</b>             | <b>(580,457)</b>      | <b>(26,540)</b>          | <b>(Surplus) / Deficit on Provision of services</b>                       | <b>593,628</b>             | <b>(578,674)</b>      | <b>14,954</b>            |
|                            |                       |                          | (Surplus) / deficit on revaluation of Property Plant and Equipment assets |                            |                       | (20,613)                 |
|                            |                       | (11,656)                 | Actuarial (gains) / losses on pensions assets / liabilities               |                            |                       | (340,548)                |
|                            |                       | (107,175)                | <b>Other Comprehensive Income and Expenditure</b>                         |                            |                       | <b>(361,161)</b>         |
|                            |                       | <b>(118,831)</b>         | <b>Total Comprehensive Income and Expenditure</b>                         |                            |                       | <b>(346,207)</b>         |
|                            |                       | <b>(145,371)</b>         |   |                            |                       |                          |

# Expenditure and Funding Analysis

Statement of Accounts 2022/23

Newport City Council

The Expenditure and Funding Analysis (EFA) is a key note to the main financial statements. It demonstrates how the funding available to the council (i.e. Council Tax, Business Rates and Central Government grants) has been used in providing services in comparison with those resources consumed or earned in accordance with Generally Accepted Accounting Practices (e.g. adjustments made for depreciation, revenue afforded impairment costs etc). 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 Finance, People, Policy and Transformation and Law and Standards.

| 2022/23  | Net Expenditure<br>Chargeable to the<br>General Fund<br>£'000 | Adjustments<br>between the<br>funding and<br>accounting basis<br>£'000 | Net expenditure in<br>the CIES<br>£'000 |
|--|---|--|---|
| Childrens Services                                   | 30,482  | 3,964  | 34,445                                  |
| Adult Services                                       | 57,896  | 5,219  | 63,115                                  |
| Prevention & Inclusion                               | 583   | 2,548  | 3,131                                   |
| Corporate Services                                   | 24,715  | 5,903  | 30,618                                  |
| Housing & Communities                                | 6,591   | 2,059  | 8,650                                   |
| Environment & Public Protection                      | 15,134  | 6,911  | 22,045                                  |
| Infrastructure                                       | 13,820  | 14,219   | 28,040                                  |
| Regeneration & Economic Development                  | 5,763   | 4,831  | 10,594                                  |
| Education  | 15,866  | 4,505  | 20,371                                  |
| Schools  | 122,267   | 16,008   | 138,275                                 |
| Other Non Department Costs                           | 18,004  | (17,697)   | 307                                     |
| <b>Net Cost of Service</b>                           | <b>311,122</b>  | <b>48,469</b>  | <b>359,591</b>                          |
| Other Income and Expenditure                         | (318,137)   | (26,501)   | (344,637)                               |
| <b>(Surplus) or Deficit</b>                          | <b>(7,016)</b>  | <b>21,968</b>  | <b>14,954</b>                           |
| <b>Opening General Fund as at 31 March 2022</b>      | <b>(6,500)</b>  |  |   |
| (Surplus) / Deficit on the General Fund              | -   |  |   |
| Transfer between Earmarked reserve and general funds | -   |  |   |
| <b>Closing General Fund as at 31 March 2023</b>      | <b>(6,500)</b>  |  |   |

| 2021/22 - RESTATED                                   | Net Expenditure<br>Chargeable to the<br>General Fund<br>£'000 | Adjustments<br>between the<br>funding and<br>accounting basis<br>£'000 | Net expenditure in<br>the CIES<br>£'000 |
|--|---|--|---|
| Childrens Services                                   | 24,907  | 4,733  | 29,640                                  |
| Adult Services                                       | 46,681  | 1,658  | 48,338                                  |
| Prevention & Inclusion                               | 541   | 2,051  | 2,592                                   |
| Corporate Services                                   | 22,903  | 4,239  | 27,142                                  |
| Housing & Communities                                | 4,049   | 1,134  | 5,183                                   |
| Environment & Public Protection                      | 15,308  | 2,138  | 17,446                                  |
| Infrastructure                                       | 11,734  | 9,198  | 20,932                                  |
| Regeneration & Economic Development                  | 5,345   | 4,358  | 9,704                                   |
| Education  | 14,797  | 3,742  | 18,539                                  |
| Schools  | 111,731   | 9,856  | 121,587                                 |
| Other Non Department Costs                           | 29,123  | (30,422)   | (1,298)                                 |
| <b>Net Cost of Service</b>                           | <b>287,119</b>  | <b>12,687</b>  | <b>299,806</b>                          |
| Other Income and Expenditure                         | (293,698)   | (32,648)   | (326,346)                               |
| <b>(Surplus) or Deficit</b>                          | <b>(6,579)</b>  | <b>(19,961)</b>  | <b>(26,540)</b>                         |
| <b>Opening General Fund as at 31 March 2021</b>      | <b>(6,500)</b>  |  |   |
| (Surplus) / Deficit on the General Fund              | -   |  |   |
| Transfer between Earmarked reserve and general funds | -   |  |   |
| <b>Closing General Fund as at 31 March 2022</b>      | <b>(6,500)</b>  |  |   |

# Movement in Reserves Statement

Statement of Accounts 2022/23

Newport City Council

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

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

|   | Council Fund<br>Balance<br>£'000 | Earmarked<br>General<br>Fund<br>Reserves<br>£'000 | Capital<br>Receipts<br>Reserve<br>£'000 | Total Usable<br>Reserves<br>£'000 | Unusable<br>Reserves<br>£'000 | Total<br>Reserves<br>£'000 |
|---|----------------------------------|---|---|-----------------------------------|-------------------------------|----------------------------|
| <b>Balance at the 31 Mar 2021 carried forward</b>                                 | <b>(6,500)</b>                   | <b>(95,018)</b>                                   | <b>(6,753)</b>                          | <b>(108,271)</b>                  | <b>200,080</b>                | <b>91,809</b>              |
| Movement in reserves during 2021/22   |                                  |   |   |                                   |                               |                            |
| (Surplus) / deficit on the provision of services                                  | (26,540)                         | -   | -                                       | (26,540)                          | -                             | (26,540)                   |
| Other comprehensive Income and Expenditure  | -                                | -   | -                                       | -                                 | (118,831)                     | (118,831)                  |
| <b>Total Comprehensive Income and Expenditure</b>                                 | <b>(26,540)</b>                  | <b>-</b>  | <b>-</b>                                | <b>(26,540)</b>                   | <b>(118,831)</b>              | <b>(145,371)</b>           |
| Adjustments between accounting basis and funding basis under regulations (Note 9) | (14,401)                         | -   | (2,637)                                 | (17,038)                          | 17,097                        | 59                         |
| <b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>             | <b>(40,941)</b>                  | <b>-</b>  | <b>(2,637)</b>                          | <b>(43,582)</b>                   | <b>(101,734)</b>              | <b>(145,312)</b>           |
| Transfer to/ from Earmarked Reserves (Note 10)                                    | 40,945                           | (40,945)  | -                                       | -                                 | -                             | -                          |
| <b>(Increase) / Decrease in 2021/22</b>   | <b>0</b>                         | <b>(40,945)</b>                                   | <b>(2,637)</b>                          | <b>(43,582)</b>                   | <b>(101,734)</b>              | <b>(145,312)</b>           |
| <b>Balance at the 31 Mar 2022 carried forward</b>                                 | <b>(6,500)</b>                   | <b>(135,962)</b>                                  | <b>(9,390)</b>                          | <b>(151,852)</b>                  | <b>98,346</b>                 | <b>(53,503)</b>            |
| <b>Balance at the 31 Mar 2022 carried forward</b>                                 | <b>(6,500)</b>                   | <b>(135,962)</b>                                  | <b>(9,390)</b>                          | <b>(151,852)</b>                  | <b>98,346</b>                 | <b>(53,506)</b>            |
| Movement in reserves during 2022/23   |                                  |   |   |                                   |                               |                            |
| (Surplus) / deficit on the provision of services                                  | 14,954                           | -   | -                                       | 14,954                            | -                             | 14,954                     |
| Other comprehensive Income and Expenditure  | -                                | -   | -                                       | -                                 | (361,161)                     | (361,161)                  |
| <b>Total Comprehensive Income and Expenditure</b>                                 | <b>14,954</b>                    | <b>-</b>  | <b>-</b>                                | <b>14,954</b>                     | <b>(361,161)</b>              | <b>(346,207)</b>           |
| Adjustments between accounting basis and funding basis under regulations (Note 9) | (1,530)                          | -   | (440)                                   | (1,970)                           | 1,970                         | -                          |
| <b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>           | <b>13,424</b>                    | <b>-</b>  | <b>(440)</b>                            | <b>12,984</b>                     | <b>(359,191)</b>              | <b>(346,207)</b>           |
| Transfer to/ from Earmarked Reserves (Note 10)                                    | (13,424)                         | 13,424  | -                                       | -                                 | -                             | -                          |
| <b>(Increase) / Decrease in 2022/23</b>   | <b>-</b>                         | <b>13,424</b>                                     | <b>(440)</b>                            | <b>12,984</b>                     | <b>(359,191)</b>              | <b>(346,207)</b>           |
| <b>Balance at the 31 Mar 2023 carried forward</b>                                 | <b>(6,500)</b>                   | <b>(122,538)</b>                                  | <b>(9,830)</b>                          | <b>(138,868)</b>                  | <b>(260,845)</b>              | <b>(399,713)</b>           |



# Balance Sheet

Statement of Accounts 2022/23

Newport City Council

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

| 31-Mar-22        |  | Notes | 31-Mar-23        |
|------------------|--|-------|------------------|
| £'000            |  |       | £'000            |
| <b>Restated</b>  |  |       |                  |
| 390,758          | Property, Plant and Equipment                  | 14    | 436,137          |
| 151,210          | Property, Plant and Equipment - Infrastructure | 14    | 147,456          |
| 17,362           | Heritage Assets                                | 16    | 19,451           |
| 12,530           | Investment Property                            | 17    | 12,411           |
| 447              | Long Term Investments                          | 18    | 10,859           |
| 27,216           | Long Term Debtors                              | 18    | 27,476           |
| <b>599,523</b>   | <b>Long Term Assets</b>                        |       | <b>653,791</b>   |
| 56,294           | Short Term Investments                         | 18    | 20,155           |
| 742              | Assets Held for Sale                           | 22    | 313              |
| 1,032            | Inventories                                    | 19    | 319              |
| 74,385           | Short Term Debtors                             | 20    | 76,694           |
| 131              | Deferred Tax Asset                             | 18    | 131              |
| 5,756            | Cash and Cash Equivalents                      | 21    | 21,839           |
| <b>138,340</b>   | <b>Current Assets</b>                          |       | <b>119,451</b>   |
| (5,049)          | Short Term Borrowing                           | 18    | (5,012)          |
| (70,064)         | Short Term Creditors                           | 23    | (66,920)         |
| (6,514)          | Short Term Provisions                          | 24    | (7,745)          |
| (2,257)          | Other Short Term Liabilities                   | 18    | (2,257)          |
| <b>(83,884)</b>  | <b>Current Liabilities</b>                     |       | <b>(81,934)</b>  |
| (15,636)         | Long Term Creditors                            | 18    | (20,440)         |
| (6,862)          | Long Term Provisions                           | 24    | (6,431)          |
| (136,058)        | Long Term Borrowing                            | 18    | (132,149)        |
| (403,203)        | Pension Liability                              | 26    | (96,144)         |
| (38,716)         | Other Long Term Liabilities                    | 18    | (36,433)         |
| <b>(600,474)</b> | <b>Long Term Liabilities</b>                   |       | <b>(291,595)</b> |
| <b>53,505</b>    | <b>Net Assets / Liabilities</b>                |       | <b>399,712</b>   |
| (151,852)        | Usable Reserves                                | 25    | (138,868)        |
| 98,346           | Unusable Reserves                              | 26    | (260,845)        |
| <b>(53,505)</b>  | <b>Total Reserves</b>                          |       | <b>(399,712)</b> |

# Cash Flow Statement

Statement of Accounts 2022/23

Newport City Council

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

| 2021/22         |   | Note | 2022/23         |
|-----------------|---|------|-----------------|
| £'000           |   |      | £'000           |
| (26,540)        | Net (surplus) / deficit on the provision of services as shown on the Comprehensive Income and Expenditure Statement                   |      | 14,954          |
| (74,302)        | Adjustments to net surplus or deficit on the provision of services for non-cash movements   | 27   | (64,918)        |
| 40,975          | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 27   | 18,180          |
| <u>(59,867)</u> | <b>Net cash flows from Operating Activities</b>   |      | <u>(31,784)</u> |
| 50,008          | Investing Activities  | 28   | 9,329           |
| 11,304          | Financing Activities  | 29   | 6,372           |
| <u>1,445</u>    | <b>Net (increase) or decrease in cash and cash equivalents</b>  |      | <u>(16,083)</u> |
| 7,201           | Cash and cash equivalents at the beginning of the reporting period  | 21   | 5,756           |
| <u>5,756</u>    | <b>Cash and cash equivalents at the end of the reporting period</b>   | 21   | <u>21,839</u>   |

# Notes to the Statement of Accounts

Statement of Accounts 2022/23

Newport City Council

## 1 ACCOUNTING POLICIES

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. 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 2022/23 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

# Notes to the Statement of Accounts

Statement of Accounts 2022/23

Newport City Council

expenditure; and the operation has clearly defined assets, liabilities, income and expenditure on operations for operational and financial reporting purposes.

## **Exceptional Items**

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

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

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

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

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

## **Charges to Revenue for Non-Current Assets**

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

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

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

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

## **Employee Benefits**

### ***Benefits Payable during Employment***

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

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

# Notes to the Statement of Accounts

Statement of Accounts 2022/23

Newport City Council

Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

## **Termination Benefits**

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

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

## **Post-Employment Benefits**

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

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

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

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

## **The Local Government Pension Scheme**

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

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

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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.

### **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;

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

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

## **Fair Value Measurement**

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

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

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

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

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

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

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

## **Financial Instruments**

### ***Financial Liabilities***

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

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

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

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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 previously for the asset which was classified in the Transport Realisation account. The balance on this reserve was transferred to the new Financial Instruments Revaluation Reserve as at 1 April 2018.

## **Government Grants and Contributions**

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



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## **Agency Expenditure & Income**

Welsh Government can periodically use Councils' administrative mechanisms to distribute resourcing to the electorate or particular business sectors as an alternative to making their own direct payment arrangements. Such measures are known as agency arrangements.

Welsh Government have adopted an accounting treatment that means Grants payable or paid are recorded as expenditure in the period that the underlying event or activity giving entitlement to the grant occurs. However, there can often be a lag in Councils receiving such resourcing that extends over the year end and the Council is not obligated to make any such payments to the electorate in advance of such receipts.

The Council will receive award letter correspondence about any prospective agency requests which should necessitate agreement through the signed acceptance to any terms and conditions and so has reasonable assurance that the grant involved will be received. So where any agency grant has not physically been paid before the year end but the Council has agreed to the terms and conditions, the Council will adopt a debtor and equivalent creditor presentation in the year of signed acceptance for the funding.

## **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.

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## **Tredegar House – Property and Contents**

Tredegar House is a 17th century Charles II mansion and grounds which is leased to the National Trust to manage and maintain and does not appear on the Council's balance sheet.

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

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

## **Public Art and Features**

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

## **Archaeology**

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

## **Heritage Assets – General**

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

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

## **Interest in Companies and Other Entities**

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

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net realisable value (NRV). Any difference between cost and NRV is considered to be negligible and historical cost has been used for all valuations.

## **Investment Property**

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

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

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

## **Jointly Controlled Operations and Jointly Controlled Assets**

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

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

## **Leases**

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

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

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

## **The Council as Lessee**

### ***Finance Leases***

Property, plant and equipment held under finance leases are 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

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applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

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

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

## **Operating Leases**

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

The Council 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.

## **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.

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).

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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 non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the Council Fund Balance in the Movement in Reserves Statement.

## **Operating Leases**

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

## **Overhead and Support Service**

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

## **Property, Plant and Equipment**

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

## **Recognition**

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

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

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

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

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

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

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account. Consequently, these revisions exhibit no impact upon taxpayer funded services.

Valuations are undertaken through an agency arrangement by Newport Norse Ltd.

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

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

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## Impairment

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

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

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

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

## Depreciation

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

Depreciation is calculated on the following bases:

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

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.

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.

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## **Componentisation**

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

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

## **Non-current Assets Held for Sale and Disposals**

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

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and are credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Some asset sales, like vehicles, tend to be amalgamated when considering against the £10,000 de minimis capital receipt level. 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 non-current 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.

## **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.



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## **Private Finance Initiative (PFI)**

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

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

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

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

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

## **Provisions**

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

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

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

## **Contingent Assets / Liabilities**

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

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

# Notes to the Statement of Accounts

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- 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.

## **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 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)**

Value Added Tax is excluded from both revenue and capital in terms of both income and expenditure except where the Council is not able to recover VAT on expenditure.

## **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.

**IFRS 16** is a new International Financial Reporting Standard for lease accounting which came into force on 1 January 2019. It replaced the existing IAS 17 accounting standard.

CIPFA/LASAAC which governs local authority financial standards has deferred formal implementation date and Newport City Council will adopt IFRS 16 in April 2024.

# Notes to the Statement of Accounts

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The future effect of IFRS 16 will require local authorities that lease/rent assets to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities. There is an exception for low value (£5k) and short life arrangements (1 year or less).

Based on early work, it is currently anticipated that non-current assets, through the creation of on use assets, would be increased by £7.6 million if it were applicable to 2022-23 Accounts.

## 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 Statement of Accounts can contain estimated figures, particularly where it is necessary to base costs and income on assumptions made by the Authority about the future or that are otherwise uncertain. So figure work can include an anticipation of future interest rates or inflation and are mitigated through techniques like discounted cash flows or internal rate of return. 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. For instance:

- The Government has made fundamental changes in respect of the provision of public sector pensions in recent years, and last year the Council also absorbed the net Newport Transport pension liability for those staff still accessing Superannuation scheme. The LGPS triennial valuation continues to affirm the affordability of the scheme through its revision of current and future contribution rates.
- In line with accounting standards the Authority continues to make a significant provision in respect of final remedial work and future maintenance/monitoring of its major waste disposal site. Assumptions regarding remediation and aftercare costs have been based on legal requirements to monitor the site for a period of 60 years following closure and have been adjusted for the time value of money.
- From an asset point of view, schools remain the most significant class in the portfolio. The Council is required to report any material expenditure, income, assets and liabilities of schools within its primary statements. It may have to rely upon information derived from outside sources. 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.
- The Council's non-current assets valuation process involves a rolling programme of examination over a 5 year period. Consequently, it is necessary to consider whether any changes in valuation experienced in the current year are perceived to also have a bearing upon other classes of assets that weren't examined and their values also adjusted accordingly. The valuation process would also look to revalue any assets that the Council is aware where a material change has occurred.
- There remains a high degree of uncertainty about future levels of funding for local government. The Council's Accounts continue to be recorded on the basis of going concern.

# Notes to the Statement of Accounts

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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 30<sup>th</sup> June 2023. 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 items in the Council's Balance Sheet at 31 March 2023 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  |
|--|---|---|
| <b>Provisions</b>                                | <p>The Council makes a number of provisions for liabilities that it may face where a reasonable estimate of value can be made.</p> <p>In most cases these are subject to legal claims such as Insurance claims and other items as disclosed in the provisions note. Provisions relating to landfill sites, due to their significant value and long life are subject to a high level of estimation of future liabilities, this is detailed further in the provisions note.</p> | <p>The provisions are based on information known at the Balance Sheet date and best estimates and professional internal and external advice is used to determine value and number of provisions. The outcomes of such issues will have an impact on the outturn of the Council in future years, however due to the uncertain nature of these events, these are difficult to quantify.</p>   |
| <b>Provisions in relation to Arrears of Debt</b> | <p>At 31 March 2023, the Council had amounts it was owed for items such as sundry debtors, Council Tax, Non Domestic Rates (NDR) and rents. After taking into account trends in past collection experience and other relevant changes that may impact on collectability such as the economic climate, a level of impairment is assumed which may or may not be deemed to be sufficient.</p>   | <p>Beneficial collection activity will improve the 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. The Council has also made an additional provision for non-payment because of the Cost of Living crisis/UK economic situation, which will be reviewed on a yearly basis to see whether the increases felt on other goods and services (e.g. food, utilities, fuel etc) are still impactful into the medium term upon disposable income and limits potential payment to the Council, but this will be informed by any uptick in arrears.</p> |

# Notes to the Statement of Accounts

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|   |  |  |
|---|--|--|
| <p><b>Property, Plant and Equipment</b></p> | <p>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. Uncertainty about the actual useful life of an asset introduces potential volatility in depreciation charges over its life.</p>  | <p>The importance of this is that if the useful life of assets is reduced, depreciation increases and the net carrying value of the assets falls. Such revisions are accounted for through the un-useable reserves section of the balance sheet to ultimately exhibit no impact upon taxpayer funded services.</p>   |
| <p><b>Fair value measurements</b></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> |

# Notes to the Statement of Accounts

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|   |  |  |
|---|--|--|
| <p><b>Valuation of operational property</b></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>Traditionally the Council undertakes a rolling 5 year valuation schedule to review and update the value of the assets held in the balance sheet. This process is managed by RICS qualified personnel through an agency contract. The valuations provided to the Council by its valuers this year recognises that there are factors continuing to affect economies and real estate markets globally.</p> <p>Given the length of time between valuations and the perceived impact of recent construction inflation changes upon replacement cost figures, this introduces an increased uncertainty as to gross book values reported. In order to mitigate this, a desk based exercise has been completed to revise property values affected by construction inflation annually until that asset receives its next formal RICS revaluation.</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 tend to fluctuate based on changes in estimated current value.</p> |
| <p><b>Fair value measurement of investment property</b></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>Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date.</p>  |
| <p><b>Pensions Liability</b></p>                            | <p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p> <p>To account for the McCloud Judgement (public service pensions age discrimination cases) the actuary has made an estimated adjustment to these liabilities from the 2022 valuation data to ensure that it is captured in the 31 March 2023 IAS19 balance sheet figures. The final impact on the pension scheme will not be known until the required changes in legislation have been made.</p>   | <p>A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p>  |

# Notes to the Statement of Accounts

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The Pensions actuary has provided a table of the variables and the estimated effect upon the fund from a change in current predictions:

| Change in assumptions at 31 March 2023:                 | Approximate effect on liability (£000) | Approximate resultant % increase to Defined Benefit Obligation |
|---|--|--|
| 0.1% decrease in Real Discount Rate                     | 13,009                                 | 2%   |
| 1 year increase in member life expectancy               | 28,388                                 | 4%   |
| 0.1% increase in the Salary Increase Rate               | 1,499                                  | 0%   |
| 0.1% increase in the Pension Increase Rate (CPI)        | 11,704                                 | 2%   |
| <i>Source: Actuarial Report for NCC 31st March 2023</i> |  |  |

In order to quantify the impact of a change in the financial assumptions used, the actuary has calculated and compared the value of the scheme obligations at the accounting date on varying bases to derive an average. The approach taken is consistent with that adopted to derive the accounting figures provided in their year end report, based on the profile (average member ages, retirement ages etc) of the Employer as at the date of the most recent valuation.

## 6 MATERIAL ITEMS OF INCOME AND EXPENSE

Information is material if omitting, misstating or obscuring it could be reasonably expected to alter the reader's decisions/opinion in respect of the financial statements. The Council has captured material transactions within the various notes, it does not consider that there are any other material items of income and / or expense that were incurred and / or received in the normal day to day provision of services.

# Notes to the Statement of Accounts

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## 7 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

|   | Adjustments<br>for Capital<br>Purposes | Net change for<br>Pension<br>Adjustments | Accumulated<br>Absences | Other<br>Adjustments | Total<br>Adjustments |
|---|--|--|-------------------------|----------------------|----------------------|
| <b>2022/23</b>  |  |  |                         |                      |                      |
| <b>Adjustments from General Fund to arrive at CIES amounts</b>                        | £'000                                  | £'000                                    | £'000                   | £'000                | £'000                |
| Childrens Services  | 836                                    | 2,927                                    | 140                     | 61                   | 3,964                |
| Adult Services  | 1,375                                  | 2,843                                    | 111                     | 890                  | 5,219                |
| Prevention & Inclusion  | 923                                    | 1,505                                    | 114                     | 5                    | 2,548                |
| Corporate Services  | 1,407                                  | 3,062                                    | 243                     | 1,191                | 5,903                |
| Housing & Communities   | 1,295                                  | 865                                      | 91                      | (192)                | 2,059                |
| Environment & Public Protection   | 3,043                                  | 2,265                                    | 94                      | 1,509                | 6,911                |
| Infrastructure  | 11,619                                 | 988                                      | 143                     | 1,469                | 14,219               |
| Regeneration & Economic Development   | 3,951                                  | 892                                      | 6                       | (18)                 | 4,831                |
| Education   | 1,736                                  | 792                                      | 1,288                   | 689                  | 4,505                |
| Schools   | 6,783                                  | 7,259                                    | -                       | 1,966                | 16,008               |
| Other Non Department Costs  | (39)                                   | (1,086)                                  | -                       | (16,572)             | (17,697)             |
| <b>Net Cost of Service</b>  | <b>32,931</b>                          | <b>22,312</b>                            | <b>2,229</b>            | <b>(9,002)</b>       | <b>48,469</b>        |
| Other Income and Expenditure from Funding Analysis                                    | (42,990)                               | 11,178                                   | -                       | 5,311                | (26,501)             |
| <b>Difference between General Fund surplus or deficit and CIES Surplus or Deficit</b> | <b>(10,060)</b>                        | <b>33,490</b>                            | <b>2,229</b>            | <b>(3,691)</b>       | <b>21,968</b>        |

|   | Adjustments<br>for Capital<br>Purposes | Net change for<br>Pension<br>Adjustments | Accumulated<br>Absences | Other<br>Adjustments | Total<br>Adjustments |
|---|--|--|-------------------------|----------------------|----------------------|
| <b>2021/22 - RESTATED</b>   |  |  |                         |                      |                      |
| <b>Adjustments from General Fund to arrive at CIES amounts</b>                        | £'000                                  | £'000                                    | £'000                   | £'000                | £'000                |
| Childrens Services  | 1,111                                  | 3,296                                    | (41)                    | 368                  | 4,733                |
| Adult Services  | (274)                                  | 3,443                                    | (37)                    | (1,474)              | 1,658                |
| Prevention & Inclusion  | 455                                    | 1,688                                    | -                       | (92)                 | 2,051                |
| Corporate Services  | 1,531                                  | 3,329                                    | (68)                    | (552)                | 4,239                |
| Housing & Communities   | 162                                    | 940                                      | -                       | 33                   | 1,134                |
| Environment & Public Protection   | 996                                    | 2,989                                    | -                       | (1,847)              | 2,138                |
| Infrastructure  | 7,200                                  | 1,145                                    | (9)                     | 861                  | 9,198                |
| Regeneration & Economic Development   | 3,807                                  | 1,114                                    | (44)                    | (518)                | 4,358                |
| Education   | 1,822                                  | 879                                      | 326                     | 716                  | 3,742                |
| Schools   | 8,546                                  | 7,936                                    | -                       | (6,626)              | 9,856                |
| Other Non Department Costs  | 24                                     | (1,245)                                  | -                       | (29,200)             | (30,422)             |
| <b>Net Cost of Service</b>  | <b>25,380</b>                          | <b>25,513</b>                            | <b>126</b>              | <b>(38,332)</b>      | <b>12,687</b>        |
| Other Income and Expenditure from Funding Analysis                                    | (46,288)                               | 9,749                                    | -                       | 3,891                | (32,648)             |
| <b>Difference between General Fund surplus or deficit and CIES Surplus or Deficit</b> | <b>(20,909)</b>                        | <b>35,262</b>                            | <b>126</b>              | <b>(34,441)</b>      | <b>(19,961)</b>      |



# Notes to the Statement of Accounts

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## Adjustments for Capital Purposes

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

## Net Changes for Pension adjustments

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

## Adjustments for Accumulated Absences

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

## Other Adjustments

- 4) This column reflects any other differences between the amounts debited / credited to the Comprehensive Income and Expenditure Statement and amounts payables / receivable to be recognised under statute:
  - a. For financing and investment income and expenditure the other differences column recognises adjustments to the general fund for the timing differences for premiums and discounts
  - b. The other differences that are recognised is any adjustment which is required to be completed to reconcile the reported outturn to Cabinet, to that which is it classified with the accounts. The adjustment of £5,311k under 'Other Non-Department Costs (Non service)' includes adjustments for Levies, Council Tax Reduction Scheme, reserve balances, minimum revenue provision, Private Finance Initiatives and any other income and expenditure.

# Notes to the Statement of Accounts

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## 8 EXPENDITURE AND INCOME ANALYSED BY NATURE

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

|  | 2021/22          | 2022/23          |
|--|------------------|------------------|
|  | £'000            | £'000            |
| <b>Expenditure</b>                                       |                  |                  |
| Employee Benefits Expenses                               | 234,329          | 252,065          |
| Other Services Expenditure                               | 247,462          | 261,809          |
| Depreciation, Amortisation, Impairment                   | 24,550           | 29,399           |
| Interest Payments  | 20,762           | 21,683           |
| Precepts and Levies                                      | 26,464           | 27,776           |
| (Gain)/Loss on Disposal of assets                        | 349              | 896              |
| <b>Total Expenditure</b>                                 | <b>553,916</b>   | <b>593,628</b>   |
| <b>Income</b>  |                  |                  |
| (Gain)/Loss on Disposal of assets                        | -                |                  |
| Fees, Charges and other service income                   | (30,804)         | (30,605)         |
| Interest and investment income                           | (1,056)          | (1,652)          |
| Income from Council tax and non-domestic rates           | (130,256)        | (137,878)        |
| Government grants and contributions                      | (418,341)        | (408,539)        |
| <b>Total Income</b>                                      | <b>(580,457)</b> | <b>(578,674)</b> |
| <b>(Surplus) or Deficit on the Provision of Services</b> | <b>(26,541)</b>  | <b>14,953</b>    |

# Notes to the Statement of Accounts

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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.

| 2022/23   | Usable Reserves               |                                   |  |
|---|-------------------------------|-----------------------------------|--|
|   | Council Fund Balance<br>£'000 | Capital Receipts Reserve<br>£'000 | Movement in Unusable Reserves<br>£'000 |
| <b>Adjustments primarily involving the Capital Adjustment Account:</b>  | <b>33,658</b>                 | -                                 | <b>(33,658)</b>                        |
| <b>Reversal of Items debited or credited to the Comprehensive Income and Expenditure Account</b>  | <b>18,916</b>                 | -                                 | <b>(18,916)</b>                        |
| Charges for depreciation and impairment of non-current assets   | (33,252)                      | -                                 | 33,252                                 |
| Revaluation losses on PPE & Assets Held for Sale  | 3,827                         | -                                 | (3,827)                                |
| Movements in the fair value of Investment Properties & Assets held for sale   | 302                           | -                                 | (302)                                  |
| Capital grants and contributions applied  | 54,260                        | -                                 | (54,260)                               |
| Revenue expenditure funded from capital under statute   | (4,690)                       | -                                 | 4,690                                  |
| 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                                    | (1,531)                       | -                                 | 1,531                                  |
| Cardiff City Region Aggregated Un-useable Reserves (NCC share)  |                               |                                   | -                                      |
| <b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>  | <b>14,742</b>                 | -                                 | <b>(14,742)</b>                        |
| Statutory provision for the financing of capital investment   | 10,645                        | -                                 | (10,645)                               |
| Capital expenditure charged against the General Fund  | 4,097                         | -                                 | (4,097)                                |
| <b>Adjustments primarily involving the Capital Receipts Reserve:</b>  | <b>440</b>                    | <b>(440)</b>                      | -                                      |
| Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure statement  | 440                           | (440)                             | -                                      |
| Use of the Capital Receipts Reserve to finance new capital expenditure  | -                             | -                                 | -                                      |
| Transfer from Deferred Capital Receipts Reserve on receipt of cash  | -                             | -                                 | -                                      |
| Use of Capital Receipts to fund Premium   | -                             | -                                 | -                                      |
| <b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>   | -                             | -                                 | -                                      |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement  | -                             | -                                 | -                                      |
| <b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>   | <b>91</b>                     | -                                 | <b>(91)</b>                            |
| 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 | 91                            | -                                 | (91)                                   |
| <b>Adjustments primarily involving the Pensions Reserve:</b>  | <b>(33,490)</b>               | -                                 | <b>33,490</b>                          |

# Notes to the Statement of Accounts

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Newport City Council

Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 42)

(54,509) - 54,509

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

21,019 - (21,019)

**Adjustment primarily involving the Accumulated Absences Account:**

(2,229) - 2,229

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

(2,229) - 2,229

**TOTAL ADJUSTMENTS**

**(1,530) (440) 1,970**

**2021/22 Comparative figures**

|  | Usable Reserves      |                          |                               |
|--|----------------------|--------------------------|-------------------------------|
|  | Council Fund Balance | Capital Receipts Reserve | Movement in Unusable Reserves |
|  | £'000                | £'000                    | £'000                         |
| <b>Adjustments primarily involving the Capital Adjustment Account:</b>   | <b>18,226</b>        | -                        | <b>(18,226)</b>               |
| <b>Reversal of Items debited or credited to the Comprehensive Income and Expenditure Account</b>   | <b>7,522</b>         | -                        | <b>(7,522)</b>                |
| Charges for depreciation and impairment of non-current assets  | (25,512)             | -                        | 25,512                        |
| Revaluation losses on Property Plant and Equipment   | 960                  | -                        | (960)                         |
| Movements in the market value of Investment Properties   | (478)                | -                        | 478                           |
| Capital grants and contributions applied   | 39,235               | -                        | (39,235)                      |
| Revenue expenditure funded from capital under statute  | (4,169)              | -                        | 4,169                         |
| 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 | (2,922)              | -                        | 2,922                         |
| Cardiff City Region Aggregated Unuseable Reserves (NCC share)  | 408                  | -                        | (408)                         |
| <b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>   | <b>10,704</b>        | -                        | <b>(10,704)</b>               |
| Statutory provision for the financing of capital investment  | 10,008               | -                        | (10,008)                      |
| Capital expenditure charged against the General Fund   | 696                  | -                        | (696)                         |
| <b>Adjustments primarily involving the Capital Receipts Reserve:</b>   | <b>2,655</b>         | <b>(2,637)</b>           | <b>(18)</b>                   |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement                       | 2,655                | (2,655)                  | -                             |
| Use of the Capital Receipts Reserve to finance new capital expenditure   | -                    | 18                       | (18)                          |
| Transfer from Deferred Capital Receipts Reserve on receipt of cash   | -                    | -                        | -                             |
| Use of Capital Receipts to fund Premium  | -                    | -                        | -                             |
| <b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>  | -                    | -                        | -                             |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement                   | -                    | -                        | -                             |
| <b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>  | <b>105</b>           | -                        | <b>(105)</b>                  |

# Notes to the Statement of Accounts

Statement of Accounts 2022/23

Newport City Council

|   |                 |                |               |
|---|-----------------|----------------|---------------|
| 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                           | 105             | -              | (105)         |
| <b>Adjustments primarily involving the Pensions Reserve:</b>  | <b>(35,261)</b> | -              | <b>35,261</b> |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 42)   | (54,056)        | -              | 54,056        |
| Employer's pensions contributions and direct payments to pensioners payable in the year   | 18,795          | -              | (18,795)      |
| <b>Adjustment primarily involving the Accumulated Absences Account:</b>   | <b>(126)</b>    | -              | <b>126</b>    |
| 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 | (126)           | -              | 126           |
| <b>TOTAL ADJUSTMENTS</b>  | <b>(14,401)</b> | <b>(2,637)</b> | <b>17,038</b> |

# Notes to the Statement of Accounts

Statement of Accounts 2022/23

Newport City Council

## 10 TRANSFERS TO / FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund as balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet Council Fund expenditure in 2022/23.

|  | Movements between Reserves |               | Via Comprehensive I&E Account |               | Balance at 31-Mar-23 |              |
|--|----------------------------|---------------|-------------------------------|---------------|----------------------|--------------|
|  | Balance at 31-Mar-22       | Transfers Out | Transfers In                  | Transfers Out |                      | Transfers In |
|  | £'000                      | £'000         | £'000                         | £'000         | £'000                |              |
| Council Fund                               | (6,500)                    |               |                               |               | (6,500)              |              |
| Balances held by schools for future use    | (15,737)                   |               |                               | 2,445         | (1,135)              | (14,427)     |
| <b>Risk Reserves</b>                       |                            |               |                               |               |                      |              |
| Music Service                              | (127)                      |               |                               |               | (7)                  | (134)        |
| Pay Reserve                                | (1,418)                    |               |                               |               |                      | (1,418)      |
| Insurance Reserve                          | (1,162)                    |               |                               |               | (593)                | (1,755)      |
| MMI Insurance Reserve                      | (602)                      |               |                               |               |                      | (602)        |
| Education Achievement Service              | (92)                       | 92            | (79)                          |               |                      | (79)         |
| Schools Redundancies                       | (1,098)                    |               |                               |               | (487)                | (1,585)      |
| General Investment Risk Reserve            | (2,567)                    |               |                               | 265           | (374)                | (2,676)      |
| European Funding I2A & CFW                 | (1,398)                    |               |                               | 88            | (330)                | (1,640)      |
| GEMS Redundancies                          | (78)                       |               |                               |               |                      | (78)         |
| COVID Risk Reserve                         | (1,884)                    | 910           |                               | 404           |                      | (570)        |
| <b>Enabling Reserves</b>                   |                            |               |                               |               |                      |              |
| Capital Expenditure                        | (9,927)                    |               | (7,895)                       | 1,198         | (24)                 | (16,648)     |
| Displacement headroom                      | (10,279)                   |               |                               | 10,279        |                      | -            |
| Capital Grants Unapplied                   | (3,210)                    |               |                               |               | (1,948)              | (5,158)      |
| Transformation Reserve                     | (7,567)                    |               |                               | 176           |                      | (7,391)      |
| Super Connected Cities                     | (170)                      |               |                               | 128           |                      | (42)         |
| Landfill Reserve                           | (332)                      | 343           | (11)                          |               |                      | -            |
| School Works                               | (929)                      |               |                               | 471           |                      | (458)        |
| School Reserve Other                       | (27)                       |               |                               |               |                      | (27)         |
| Schools ICT Sustainability                 | (50)                       |               |                               |               | (50)                 | (100)        |
| Usable Capital Receipts                    | (9,390)                    |               |                               |               | (440)                | (9,830)      |
| Infrastructure Manager Support             | (11)                       | 11            |                               |               |                      | -            |
| <b>Smoothing Reserves</b>                  |                            |               |                               |               |                      |              |
| Municipal Elections                        | (180)                      |               |                               | 180           |                      | -            |
| Local Development Plan                     | (515)                      |               |                               |               | (30)                 | (545)        |
| Glan Usk PFI                               | (1,607)                    |               |                               | 93            |                      | (1,514)      |
| Southern Distributor Road PFI              | (39,940)                   |               |                               | 501           |                      | (39,439)     |
| Building Control                           | (124)                      |               |                               |               |                      | (124)        |
| Loan modification IFRS 9                   | (513)                      |               |                               | 255           |                      | (258)        |
| Kingsway                                   | (64)                       |               |                               | 64            |                      | -            |
| <b>Other Reserves</b>                      |                            |               |                               |               |                      |              |
| Works of art                               | (21)                       |               |                               |               |                      | (21)         |
| Theatre & Arts Centre                      | (232)                      |               |                               |               |                      | (232)        |
| Environmental Health - Improve Air Quality | (49)                       |               |                               |               |                      | (49)         |
| Apprenticeship Scheme Reserve              | (7)                        | 7             |                               |               |                      | -            |
| City Economic Development Reserve          | (90)                       |               | (280)                         |               |                      | (370)        |
| Welsh Language Standards                   | (127)                      |               |                               | 27            |                      | (100)        |
| Port Health                                | (20)                       |               |                               |               |                      | (20)         |
| Financial System Upgrade                   | (600)                      |               |                               | 163           |                      | (437)        |

# Notes to the Statement of Accounts

Statement of Accounts 2022/23

Newport City Council

|  | Movements between Reserves |               | Via Comprehensive I&E Account |               | Balance at 31-Mar-23 |
|--|----------------------------|---------------|-------------------------------|---------------|----------------------|
|  | Balance at 31-Mar-22       | Transfers Out | Transfers In                  | Transfers Out |                      |
|  | £'000                      | £'000         | £'000                         | £'000         | £'000                |
| SS COVID Recovery Reserve                      | (563)                      |               |                               | 563           | -                    |
| Events   | (275)                      |               |                               |               | (7)                  |
| MTFP Reserve                                   | (9,401)                    |               | (343)                         | 1,927         | (7,817)              |
| Voluntary Sector Grants                        | (27)                       |               |                               |               | (27)                 |
| Feasibility Reserve                            | (54)                       |               |                               | 28            | (108)                |
| IT Development                                 | (53)                       |               |                               |               | (53)                 |
| Chartist Tower                                 | (256)                      |               |                               | 256           | -                    |
| Joint Committee City Deal Reserve              | (662)                      |               |                               |               | (662)                |
| Civil Parking Enforcement                      | (193)                      |               |                               | 182           | (11)                 |
| Community COVID Recovery Fund                  | (500)                      |               |                               | 500           | -                    |
| Clean & Green                                  | (19)                       |               |                               | 19            | -                    |
| Green Recovery Task Force                      | (1,000)                    | 957           |                               | 43            | -                    |
| Business Development Grants                    | (250)                      |               |                               |               | (250)                |
| Business Support                               | (81)                       |               |                               |               | (81)                 |
| Community Occupational Therapy                 | (53)                       | 3             |                               | 50            | -                    |
| Directly Managed Community Centres Maintenance | (50)                       | 50            |                               |               | -                    |
| IT Infrastructure                              | (647)                      | 213           |                               | 125           | (309)                |
| PSB Contribution                               | (40)                       |               |                               | 35            | (5)                  |
| COVID Reserve                                  | (426)                      |               |                               | 75            | (351)                |
| Homelessness Prevention                        | (327)                      |               |                               | 327           | -                    |
| Chief Education Grant                          | (568)                      |               | (1,878)                       | 238           | (2,208)              |
| Home to School Transport                       | (499)                      |               |                               | 185           | (314)                |
| Housing Supply review                          | (25)                       |               |                               | 9             | (16)                 |
| Anniversary tree planting / green canopy       | (3)                        | 3             |                               |               | -                    |
| Cariad Casnewydd                               | (170)                      |               |                               | 4             | (166)                |
| Soft Loan interest equalisation reserve        | (1,648)                    |               |                               | 123           | (59)                 |
| Community Gardening Schemes                    | (180)                      |               |                               |               | (180)                |
| Market Arcade Owner contributions              | (51)                       |               |                               |               | (51)                 |
| Strategic Development Plan                     | (110)                      |               |                               |               | (55)                 |
| Parks & Open Spaces                            | (2,500)                    |               |                               | 410           | (2,090)              |
| Discretionary Rate Relief                      | (900)                      |               |                               |               | (900)                |
| Domiciliary Care Service Capacity              | (500)                      | 302           |                               | 164           | (34)                 |
| Social Services PPE Reserve                    | (212)                      |               |                               | 212           | -                    |
| Prior year Underspend                          | (7,895)                    | 7,895         |                               |               | (5,066)              |
| Communications Corporate Requirement           | (232)                      |               |                               |               | (232)                |
| Decarbonisation Projects                       | (90)                       |               |                               | 90            | -                    |
| St Andrew's Primary                            | (305)                      |               |                               | 153           | (152)                |
| Residential Care Home Equalisation Reserve     | (940)                      |               |                               | 319           | (621)                |
| Cost of Living Support Scheme Reserve          | (1,503)                    |               |                               | 1,503         | -                    |
| Growing Space                                  | -                          |               | (100)                         |               | (100)                |
| Spring Gardens                                 | -                          |               | (200)                         |               | (200)                |
| Partnership funding from ABUHB                 | -                          |               |                               |               | (57)                 |
| Future Levelling Up Bids                       | -                          |               |                               |               | (38)                 |
| Cost of Living Support                         | -                          |               |                               |               | (485)                |
| <b>Total</b>                                   | <b>(151,852)</b>           | <b>10,786</b> | <b>(10,786)</b>               | <b>24,277</b> | <b>(11,293)</b>      |
|  |                            |               |                               |               | <b>(138,868)</b>     |

# Notes to the Statement of Accounts

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Material reserves to note are:

- **Council fund** – Councils are required prudently to put a proportion of resourcing aside to assist with dealing with unexpected events and emergencies;
- **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.
- **Transformation reserve** - established to enable funding of specific projects which demonstrate savings to the revenue budget within pay-back period of 3 years.
- **Usable capital receipts reserve** - holds proceeds from sale of property, plant and equipment, used to finance new capital expenditure.
- **Southern Distributor Road and Glan Usk PFI reserves** – 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.
- **Medium Term Financial Plan (MTFP) reserve** – created to earmark resourcing for the support, facilitation and achievement of the Council's Medium Term Financial Plan.
- **Prior year underspend** - commonly any prior years underspend is attributed by members to further facilitate corporate/political priorities.



# Notes to the Statement of Accounts

Statement of Accounts 2022/23

Newport City Council

## 11 OTHER OPERATING EXPENDITURE

| 31-Mar-22     |   | 31-Mar-23     |
|---------------|---|---------------|
| £'000         |   | £'000         |
|               | <b>Precepts and levies:</b>                           |               |
| 437           | Community Councils                                    | 467           |
| 7,855         | South Wales Fire Authority                            | 8,068         |
| 755           | Natural Resources Wales                               | 755           |
| 17,417        | Police and Crime Commissioner for Gwent               | 18,486        |
|               | <b>Gains and Losses:</b>                              |               |
| 66            | (Gains) and Losses on assets held for sale            | (190)         |
| 283           | Loss / (Profit) on the disposal of non-current assets | 1,086         |
| <b>26,813</b> | <b>Total</b>  | <b>28,672</b> |

## 12 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

| 31-Mar-22     |   | 31-Mar-23     |
|---------------|---|---------------|
| £'000         |   | £'000         |
| 11,013        | Interest Payable and similar charges  | 10,505        |
| 9,749         | Pensions interest cost and expected return on pensions assets                               | 11,178        |
| (564)         | Interest receivable and similar income  | (1,374)       |
| (491)         | Income and expenditure in relation to investment properties and changes in their fair value | (278)         |
| <b>19,707</b> | <b>Total</b>  | <b>20,031</b> |

## 13 TAXATION AND NON SPECIFIC GRANT INCOME

| 31-Mar-22        |                                   | 31-Mar-23        |
|------------------|-----------------------------------|------------------|
| £'000            |                                   | £'000            |
| (80,785)         | Council tax income                | (83,924)         |
| (49,472)         | Non domestic rates                | (53,954)         |
| (195,120)        | Non-ring fenced government grants | (211,663)        |
| (47,489)         | Capital grants and contributions  | (43,799)         |
| <b>(372,866)</b> | <b>Total</b>                      | <b>(393,340)</b> |

### National Non-Domestic Rates (NNDR)

The total rateable value for non-domestic rates was £144,015,360 at 31 March 2023 (£142,849,300 at 31 March 2022). The rate poundage for occupied properties was 53.5p per £ of rateable value (53.5p in 2021/22) with empty properties being charged at 53.5p (53.5p in 2021/22).

In 2022/23 Newport received £53.9m from the Welsh NNDR pool in support of its services (£49.4m – 2021/22).

# Notes to the Statement of Accounts

Statement of Accounts 2022/23

Newport City Council

## Local Taxation

|   | 31-Mar-22       | 31-Mar-23       |
|---|-----------------|-----------------|
|   | £'000           | £'000           |
| <b>INCOME</b>                               |                 |                 |
| Council Taxes (net of Council Tax benefits) | (81,907)        | (85,054)        |
| Council Tax benefits                        | (12,346)        | (12,440)        |
| <b>Total income</b>                         | <b>(94,253)</b> | <b>(97,494)</b> |
| <b>EXPENDITURE</b>                          |                 |                 |
| Precepts payable                            |                 |                 |
| - Gwent Police Authority                    | 17,417          | 18,486          |
| - Community Councils                        | 437             | 467             |
| Newport Council Fund requirement            | 75,134          | 77,400          |
| Council tax written off and provided for    | 1,122           | 1,130           |
| <b>Total expenditure</b>                    | <b>94,110</b>   | <b>97,483</b>   |
| <b>Net surplus for the year</b>             | <b>(143)</b>    | <b>(11)</b>     |

## Council Tax Requirement

|   | Dwellings | 31-Mar-22<br>Tax Base | Dwellings | 31-Mar-23<br>Tax Base |
|---|-----------|-----------------------|-----------|-----------------------|
| <b>Total number of properties on valuation list</b> | 69,619    | 69,619                | 69,949    | 69,949                |
| <b>Adjusted as follows</b>                          |           |                       |           |                       |
| Less exempt properties @ 100%                       | 1,824     | (1,824)               | 1,855     | (1,855)               |
| Less single discounts @ 25%                         | 25,124    | (6,281)               | 25,228    | (6,307)               |
| Less multiple discounts @ 50%                       | 80        | (40)                  | 78        | (39)                  |
| Band D conversion                                   |           | (7)                   |           | (55)                  |
| Losses on collection                                |           | (983)                 |           | (981)                 |
| <b>Tax Base</b>                                     |           | <b>60,484</b>         |           | <b>60,712</b>         |
|   |           | £                     |           | £                     |
| Council tax requirement                             |           | 92,986,892            |           | 96,352,889            |
| Less payable to Gwent Police                        |           | (17,416,973)          |           | (18,485,844)          |
| Less payable to Community Councils                  |           | (436,694)             |           | (466,661)             |
| <b>Net requirement Newport City Council</b>         |           | <b>75,133,225</b>     |           | <b>77,400,384</b>     |
| <b>Band D tax for the year</b>                      |           | <b>1,249</b>          |           | <b>1,280</b>          |

This basic amount of £1,279.68 for a band D property (£1,249.42 in 2021/2022) is multiplied by the proportion specified for the particular band to give the individual amount due:

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

# Notes to the Statement of Accounts

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Newport City Council

## 14 PROPERTY, PLANT AND EQUIPMENT

|                                 | Other Land<br>& Buildings | Vehicles,<br>Plant<br>& Equipment | Community<br>Assets | Surplus<br>Assets | Assets<br>Under<br>Construction | Total<br>Property,<br>Plant and<br>Equipment | PFI Assets<br>within PPE |
|---------------------------------|---------------------------|-----------------------------------|---------------------|-------------------|---------------------------------|--|--------------------------|
|                                 | £'000                     | £'000                             | £'000               | £'000             | £'000                           | £'000  | £'000                    |
| <b>Cost or Valuation</b>        |                           |                                   |                     |                   |                                 |  |                          |
| <b>At 1 April 2022</b>          | <b>361,184</b>            | <b>35,250</b>                     | <b>252</b>          | <b>6,423</b>      | <b>26,161</b>                   | <b>429,270</b>                               | <b>69,579</b>            |
| Additions                       | 11,275                    | 2,475                             | 250                 | 1                 | 33,240                          | 47,241                                       | 5                        |
| Donations                       | -                         | -                                 | -                   | -                 | -                               | -  | -                        |
| Re-classifications              | (3,865)                   | -                                 | 54                  | 5,200             | (233)                           | 1,156  | -                        |
| Revaluations                    | 28,545                    | -                                 | 8                   | (7,202)           | -                               | 21,351                                       | 561                      |
| Impairments                     | (9,988)                   | (37)                              | (250)               | (1)               | -                               | (10,276)                                     | (5)                      |
| Disposals                       | (213)                     | (8,313)                           | -                   | -                 | -                               | (8,526)                                      | -                        |
| <b>At 31 March 2023</b>         | <b>386,938</b>            | <b>29,375</b>                     | <b>314</b>          | <b>4,421</b>      | <b>59,168</b>                   | <b>480,216</b>                               | <b>70,140</b>            |
| <b>Accumulated Depreciation</b> |                           |                                   |                     |                   |                                 |  |                          |
| <b>At 1 April 2022</b>          | <b>(16,815)</b>           | <b>(21,684)</b>                   | -                   | -                 | <b>(14)</b>                     | <b>(38,513)</b>                              | <b>(24,511)</b>          |
| Depreciation Charge in Year     | (13,595)                  | (3,340)                           | -                   | -                 | -                               | (16,935)                                     | (1,785)                  |
| Re-classifications              | 2,762                     | -                                 | -                   | -                 | (471)                           | 2,291  | -                        |
| Revaluation Impact              | 722                       | -                                 | -                   | -                 | 14                              | 736  | -                        |
| Disposals                       | 29                        | 8,313                             | -                   | -                 | -                               | 8,342  | -                        |
| <b>At 31 March 2023</b>         | <b>(26,897)</b>           | <b>(16,711)</b>                   | -                   | -                 | <b>(471)</b>                    | <b>(44,079)</b>                              | <b>(26,296)</b>          |
| <b>Net Book Value</b>           |                           |                                   |                     |                   |                                 |  |                          |
| <b>At 1 April 2022</b>          | <b>344,369</b>            | <b>13,566</b>                     | <b>252</b>          | <b>6,423</b>      | <b>26,147</b>                   | <b>390,757</b>                               | <b>45,068</b>            |
| <b>At 31 March 2023</b>         | <b>360,041</b>            | <b>12,664</b>                     | <b>314</b>          | <b>4,421</b>      | <b>58,697</b>                   | <b>436,137</b>                               | <b>43,844</b>            |

| Restated                        | Other Land<br>& Buildings | Vehicles,<br>Plant<br>& Equipment | Community<br>Assets | Surplus<br>Assets | Assets<br>Under<br>Construction | Total<br>Property,<br>Plant and<br>Equipment | PFI Assets<br>within PPE |
|---------------------------------|---------------------------|-----------------------------------|---------------------|-------------------|---------------------------------|--|--------------------------|
|                                 | £'000                     | £'000                             | £'000               | £'000             | £'000                           | £'000  | £'000                    |
| <b>Cost or Valuation</b>        |                           |                                   |                     |                   |                                 |  |                          |
| <b>At 1 April 2021</b>          | <b>350,566</b>            | <b>43,629</b>                     | <b>179</b>          | <b>2,636</b>      | <b>4,826</b>                    | <b>401,836</b>                               | <b>67,720</b>            |
| Additions                       | 5,714                     | 4,883                             | 222                 | -                 | 24,530                          | 35,349                                       | 1,504                    |
| Donations                       | -                         | -                                 | -                   | -                 | -                               | -  | -                        |
| Re-classifications              | 993                       | -                                 | 9                   | 1,851             | (3,195)                         | (342)  | -                        |
| Revaluations                    | 7,821                     | -                                 | -                   | 1,936             | -                               | 9,757  | 355                      |
| Impairments                     | (3,590)                   | (54)                              | (158)               | -                 | -                               | (3,802)                                      | -                        |
| Disposals                       | (320)                     | (13,208)                          | -                   | -                 | -                               | (13,528)                                     | -                        |
| <b>At 31 March 2022</b>         | <b>361,184</b>            | <b>35,250</b>                     | <b>252</b>          | <b>6,423</b>      | <b>26,161</b>                   | <b>429,270</b>                               | <b>69,579</b>            |
| <b>Accumulated Depreciation</b> |                           |                                   |                     |                   |                                 |  |                          |
| <b>At 1 April 2021</b>          | <b>(8,346)</b>            | <b>(31,760)</b>                   | -                   | -                 | -                               | <b>(40,106)</b>                              | <b>(22,802)</b>          |
| Depreciation Charge in Year     | (12,777)                  | (3,120)                           | -                   | -                 | -                               | (15,897)                                     | (1,709)                  |
| Re-classifications              | 418                       | -                                 | -                   | -                 | (14)                            | 404  | -                        |
| Revaluation Impact              | 3,817                     | -                                 | -                   | -                 | -                               | 3,817  | -                        |
| Disposals                       | 73                        | 13,196                            | -                   | -                 | -                               | 13,269                                       | -                        |
| <b>At 31 March 2022</b>         | <b>(16,815)</b>           | <b>(21,684)</b>                   | -                   | -                 | <b>(14)</b>                     | <b>(38,513)</b>                              | <b>(24,511)</b>          |
| <b>Net Book Value</b>           |                           |                                   |                     |                   |                                 |  |                          |
| <b>At 1 April 2021</b>          | <b>342,220</b>            | <b>11,869</b>                     | <b>179</b>          | <b>2,636</b>      | <b>4,826</b>                    | <b>361,730</b>                               | <b>44,918</b>            |
| <b>At 31 March 2022</b>         | <b>344,369</b>            | <b>13,566</b>                     | <b>252</b>          | <b>6,423</b>      | <b>26,147</b>                   | <b>390,757</b>                               | <b>45,068</b>            |

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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.

## Infrastructure Assets

|                                   | 31-Mar-22      | 31-Mar-23      |
|-----------------------------------|----------------|----------------|
| <b>Net Book Value at 1 April</b>  | <b>147,597</b> | <b>151,210</b> |
| Additions                         | 10,004         | 5,341          |
| Disposals                         | (87)           | (2,296)        |
| Depreciation                      | (7,115)        | (5,896)        |
| Impairment                        | (104)          | (728)          |
| Other movements in Cost           | 915            | (175)          |
| <b>Net Book Value at 31 March</b> | <b>151,210</b> | <b>147,456</b> |

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

The authority has determined in accordance with Regulation 24L Wales of the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 (as amended) that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

## Capital Commitments

The Council continued its programme of capital investment in 2022/23 to improve the infrastructure and facilities in Newport. Of this programme, the Council is contractually committed to carry out works as follows:

|                                     | 31-Mar-22     | 31-Mar-23     |
|-------------------------------------|---------------|---------------|
|                                     | £'000         | £'000         |
| Adults & Community Services         | -             | -             |
| Children & Young Peoples Services   | -             | 381           |
| Corporate                           | -             | -             |
| Education                           | 29,037        | 17,496        |
| Infrastructure                      | 556           | 245           |
| Regeneration & Economic Development | 379           | 302           |
| Environment & Public Protection     | -             | 419           |
| Prevention & Inclusion              | -             | 5             |
| <b>Total</b>                        | <b>29,973</b> | <b>18,847</b> |

## 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.

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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 | Community Assets | Surplus Assets | Assets Under Construction | Total          |
|--------------------------------|------------------------|-----------------------------|------------------|----------------|---------------------------|----------------|
|                                | £'000                  | £'000                       | £'000            | £'000          | £'000                     | £'000          |
| Carried at Historic Cost       | 28                     | 27,909                      |                  |                | 59,089                    | <b>87,026</b>  |
| Valued at current value as at: |                        |                             |                  |                |                           |                |
| 31 March 2023                  | 15,887                 | -                           | -                | 4,422          | -                         | <b>20,309</b>  |
| 31 March 2022                  | 17,625                 | -                           | -                | -              | -                         | <b>17,625</b>  |
| 31 March 2021                  | 294,401                | 1,054                       | -                | -              | -                         | <b>295,455</b> |
| 31 March 2020                  | 1,105                  | -                           | -                | -              | -                         | <b>1,105</b>   |
| 31 March 2019                  | 57,895                 | -                           | 314              | -              | -                         | <b>58,209</b>  |
| <b>Total Cost or Valuation</b> | <b>386,941</b>         | <b>28,963</b>               | <b>314</b>       | <b>4,422</b>   | <b>59,089</b>             | <b>479,729</b> |

## Fair Value Measurement of Surplus Assets

Details of the Council's surplus assets and information about the fair value hierarchy as at 31 March 2023 are as follows:

| Recurring fair value measurements using: | Other significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Fair value as at 31 March 2023 |
|--|---|---|--------------------------------|
|  | £'000   | £'000                                     | £'000                          |
| Residential properties                   | -   | 3,807                                     | 3,807                          |
| Commercial units/Land                    | -   | 615                                       | 615                            |
| <b>Total</b>                             | <b>-</b>                                      | <b>4,422</b>                              | <b>4,422</b>                   |

Comparative figures as at 31 March 2022 were:

| Recurring fair value measurements using: | Other significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Fair value as at 31 March 2022 |
|--|---|---|--------------------------------|
|  | £'000   | £'000                                     | £'000                          |
| Residential properties                   | -   | 5,809                                     | 5,809                          |
| Commercial units/Land                    | -   | 615                                       | 615                            |
| <b>Total</b>                             | <b>-</b>                                      | <b>6,424</b>                              | <b>6,424</b>                   |

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 2022/23, there has been no change in the valuation techniques used during the year for surplus assets.

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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 2022/23 the Council has recognised the following impairment losses:

|                            | 31-Mar-22    | 31-Mar-23     |
|----------------------------|--------------|---------------|
|                            | £'000        | £'000         |
| Land & Buildings           | 3,590        | 9,988         |
| Community Assets           | 158          | 250           |
| Infrastructure Assets      | 104          | 728           |
| Vehicles Plant & Equipment | 54           | 37            |
| Surplus Assets             | -            | 1             |
| <b>Total</b>               | <b>3,906</b> | <b>11,003</b> |

## 16 HERITAGE ASSETS

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

|                             | Museum &<br>Library<br>Collections | Tredegar<br>House &<br>Park | Public Art &<br>Features | Archaeology | Total<br>Heritage<br>Assets |
|-----------------------------|------------------------------------|-----------------------------|--------------------------|-------------|-----------------------------|
|                             | £'000                              | £'000                       | £'000                    | £'000       | £'000                       |
| Cost or Valuation           |                                    |                             |                          |             |                             |
| <b>At 1 April 2022</b>      | <b>12,914</b>                      | <b>1,280</b>                | <b>3,057</b>             | <b>111</b>  | <b>17,362</b>               |
| Revaluations / Additions    | 886                                | 1,200                       | -                        | 3           | 2,089                       |
| <b>At 31 March 2023</b>     | <b>13,800</b>                      | <b>2,480</b>                | <b>3,057</b>             | <b>114</b>  | <b>19,451</b>               |
| Depreciation charge in year | -                                  | -                           | -                        | -           | -                           |
| At 31 March 2023            | -                                  | -                           | -                        | -           | -                           |
| <b>Net Book Value</b>       |                                    |                             |                          |             |                             |
| At 1 April 2022             | 12,914                             | 1,280                       | 3,057                    | 111         | 17,362                      |
| <b>At 31 March 2023</b>     | <b>13,800</b>                      | <b>2,480</b>                | <b>3,057</b>             | <b>114</b>  | <b>19,451</b>               |

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|                             | Museum & Library Collections | Tredegar House & Park | Public Art & Features | Archaeology | Total Heritage Assets |
|-----------------------------|------------------------------|-----------------------|-----------------------|-------------|-----------------------|
|                             | £'000                        | £'000                 | £'000                 | £'000       | £'000                 |
| Cost or Valuation           |                              |                       |                       |             |                       |
| <b>At 1 April 2021</b>      | <b>12,914</b>                | <b>1,280</b>          | <b>3,057</b>          | <b>103</b>  | <b>17,354</b>         |
| Revaluations                | -                            | -                     | -                     | 8           | 8                     |
| <b>At 31 March 2022</b>     | <b>12,914</b>                | <b>1,280</b>          | <b>3,057</b>          | <b>111</b>  | <b>17,362</b>         |
| Depreciation charge in year | -                            | -                     | -                     | -           | -                     |
| At 31 March 2022            | -                            | -                     | -                     | -           | -                     |
| <b>Net Book Value</b>       |                              |                       |                       |             |                       |
| At 1 April 2021             | 12,914                       | 1,280                 | 3,057                 | 103         | 17,354                |
| <b>At 31 March 2022</b>     | <b>12,914</b>                | <b>1,280</b>          | <b>3,057</b>          | <b>111</b>  | <b>17,362</b>         |

## 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:

- 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.

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- 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



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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.

## 17 INVESTMENT PROPERTIES

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

|   | 31-Mar-22            | 31-Mar-23            |
|---|----------------------|----------------------|
|   | £'000                | £'000                |
| Balance at start of the year                    | 12,945               | 12,530               |
| Additions                                       | 1                    | -                    |
| Disposals                                       | (5)                  | -                    |
| Net gains/ (losses) from fair value adjustments | (411)                | 131                  |
| Transfers:                                      |                      |                      |
| - to / from Assets Under Construction           | -                    | (250)                |
| <b>Balance at end of the year</b>               | <u><b>12,530</b></u> | <u><b>12,411</b></u> |

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-22          | 31-Mar-23             |
|--|--------------------|-----------------------|
|  | £'000              | £'000                 |
| Rental income from investment property                     | (1,370)            | (974)                 |
| Direct operating expenses arising from investment property | <u>1,302</u>       | <u>(58)</u>           |
| <b>Net (gain) / loss</b>                                   | <u><b>(68)</b></u> | <u><b>(1,032)</b></u> |

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.

### Fair Value Measurement of Investment Property

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2023 are as follows:

|   | Other significant<br>observable<br>inputs (Level 2) | Significant<br>unobservable<br>inputs (Level 3) | Fair value as<br>at 31 March<br>2023 |
|---|---|---|--------------------------------------|
|   | £'000   | £'000   | £'000                                |
| <i>Recurring fair value measurements using:</i> |   |   |                                      |
| Office units                                    | 661   | 42  | 703                                  |
| Commercial units                                | 1,411   | 7,455   | 8,866                                |
| CCRC Investment Properties                      |   | <u>2,842</u>                                    | <u>2,842</u>                         |
| <b>Total</b>                                    | <u><b>2,072</b></u>                                 | <u><b>10,339</b></u>                            | <u><b>12,411</b></u>                 |

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Comparative figures as at 31 March 2022 were:

| <i>Recurring fair value measurements using:</i> | <b>Other significant<br/>observable<br/>inputs (Level 2)</b> | <b>Significant<br/>unobservable<br/>inputs (Level 3)</b> | <b>Fair value as<br/>at 31st March<br/>2022</b> |
|---|--|--|---|
|   | £'000  | £'000  | £'000   |
| Office units                                    | 601  | 39   | 640   |
| Commercial units                                | 1,413  | 7,635  | 9,048   |
| CCRCD Investment Properties                     | -  | 2,842  | 2,842   |
| <b>Total</b>                                    | <b>2,015</b>   | <b>10,516</b>  | <b>12,530</b>                                   |

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:**

|                  | <b>31-Mar-23<br/>£'000</b> | <b>Valuation technique used<br/>to measure fair value</b> | <b>Unobservable inputs and<br/>Sensitivity</b>                        |
|------------------|----------------------------|---|---|
| Office Units     | 42                         | Hardcore and Topsislice*                                  | Rental growth, Collection of rent, Discount rate, Basis of occupation |
| Commercial Units | 7,455                      | Term and Reversion, Hardcore and Topsislice               | 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 Topsislice 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 Topsislice 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 'Topsislice'. 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.

- Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flow) comprising: 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
  - bonds issued by multilateral development banks and large companies,
  - Transferred debt from a number of local authorities as a result of local government reorganisation
  - trade receivables for goods and services provided.
- Fair value through profit and loss 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-22     | 31-Mar-23     | 31-Mar-22     | 31-Mar-23     |
|   | £'000         | £'000         | £'000         | £'000         |
| <b>Financial assets at amortised cost:</b>  |               |               |               |               |
| - Investments   | -             | 10,412        | 56,294        | 20,155        |
| - Debtors:  |               |               |               |               |
| - Financial assets held at contract amount  | -             | -             | 11,825        | 16,537        |
| - Tredegar house lease premium  | 8,849         | 8,610         | 241           | 241           |
| - Finance Leases  | 5,825         | 5,825         | -             | -             |
| - Other long-term debtors   | 12,542        | 13,041        | -             | -             |
| - Cash & Cash Equivalents   | -             | -             | 5,756         | 21,839        |
| <b>Amortised Cost Total</b>   | <b>27,216</b> | <b>37,888</b> | <b>74,116</b> | <b>58,772</b> |
| <b>Financial assets at Fair Value through other comprehensive income - designated equity instrument</b> | <b>447</b>    | <b>447</b>    | <b>-</b>      | <b>-</b>      |
| <b>Total Financial Assets</b>   | <b>27,663</b> | <b>38,335</b> | <b>74,116</b> | <b>58,772</b> |

### Financial Liabilities

|   | Non-Current    |                | Current       |               |
|---|----------------|----------------|---------------|---------------|
|   | 31-Mar-22      | 31-Mar-23      | 31-Mar-22     | 31-Mar-23     |
|   | £'000          | £'000          | £'000         | £'000         |
| <b>Financial liabilities at amortised cost:</b> |                |                |               |               |
| - Borrowing                                     | 136,058        | 132,149        | 5,049         | 5,012         |
| - Creditors*                                    | 15,636         | 20,440         | 42,081        | 38,479        |
| - PFI & Lease liabilities                       | 38,716         | 36,433         | 2,257         | 2,257         |
| <b>Total Financial Liabilities</b>              | <b>190,411</b> | <b>189,022</b> | <b>49,387</b> | <b>45,748</b> |

\*Current debtors excludes £60.2m of non-contractual current debtors that do not meet the definition of financial assets at amortised cost.

Current creditors excludes £28.4m of non-contractual current creditors that do not meet the definition of financial liabilities at amortised cost.

| Deferred Tax Asset (CCRCO)      | 31-Mar-22  | 31-Mar-23  |
|---------------------------------|------------|------------|
|                                 | £'000      | £'000      |
| Deferred Tax Asset              | 131        | 131        |
| <b>Total Deferred Tax Asset</b> | <b>131</b> | <b>131</b> |

## c) Financial Instruments – Fair Values

The fair value of a financial instrument is the price that would be received when selling an asset, or the price that would be paid when transferring a liability, to another market participant in an arms'-length transaction. Where liabilities are held as an asset by another party, such as the council's borrowing, the fair value is estimated from the holder's perspective.

# Notes to the Statement of Accounts

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Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet. Their fair values disclosed below have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2023, 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 authority loans.
- Discount rates for “Lender’s Option Borrower’s Option” (LOBO) loans have been reduced to reflect the value of the embedded options. The size of the reduction has been calculated using proprietary software.
- 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 on 31st March.
- The fair values of financial guarantees have been estimated based on the likelihood of the guarantees being called and the likely payments to be made.
- 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 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<br>31-Mar-22<br>£'000 | Fair Value<br>31-Mar-22<br>£'000 | Balance Sheet<br>31-Mar-23<br>£'000 | Fair Value<br>31-Mar-23<br>£'000 |
|--|------------------|-------------------------------------|----------------------------------|-------------------------------------|----------------------------------|
| Financial liabilities held at amortised cost:      |                  |                                     |                                  |                                     |                                  |
| Long-term loans from PWLB                          | 2                | 97,064                              | 109,542                          | 93,090                              | 85,915                           |
| Long-term LOBO loans                               | 2                | 30,000                              | 44,520                           | 30,000                              | 34,846                           |
| Other long-term loans                              | 2                | 5,000                               | 6,644                            | 5,000                               | 4,087                            |
| Long term interest free loans                      | 2                | 8,432                               | 8,310                            | 8,336                               | 7,709                            |
| Lease payables and PFI liabilities                 | 3                | 38,716                              | 60,852                           | 36,433                              | 48,635                           |
| <b>Total</b>                                       |                  | <b>179,212</b>                      | <b>229,868</b>                   | <b>172,859</b>                      | <b>181,192</b>                   |
| Liabilities for which fair value is not disclosed* |                  | 60,585                              |                                  | 61,912                              |                                  |
| <b>Total Financial Liabilities</b>                 |                  | <b>239,797</b>                      |                                  | <b>234,771</b>                      |                                  |
| Recorded on balance sheet as:                      |                  |                                     |                                  |                                     |                                  |
| Short-term creditors                               |                  | 42,081                              |                                  | 38,479                              |                                  |
| Long-term creditors                                |                  | 15,636                              |                                  | 20,440                              |                                  |
| Short-term borrowing                               |                  | 5,049                               |                                  | 5,012                               |                                  |
| Long-term borrowing                                |                  | 136,058                             |                                  | 132,150                             |                                  |
| Other short-term liabilities                       |                  | 2,257                               |                                  | 2,257                               |                                  |
| Other long-term liabilities                        |                  | 38,716                              |                                  | 36,433                              |                                  |
| <b>Total Financial Liabilities</b>                 |                  | <b>239,798</b>                      |                                  | <b>234,771</b>                      |                                  |

\* 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-22<br>£'000 | 31-Mar-23<br>£'000 |
|--|--------------------|--------------------|
| <b>Stocks</b>                          |                    |                    |
| Building Services                      | 269                | 242                |
| Leisure & Catering                     | 3                  | 7                  |
| Museum Shop                            | -                  | -                  |
| Printing/Stationery                    | 7                  | 9                  |
| Social enterprise ( Monwel Hankinson ) | 14                 | 14                 |
| Social Services                        | 739                | 47                 |
|  | <b>1,032</b>       | <b>319</b>         |

# Notes to the Statement of Accounts

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Newport City Council

## 20 SHORT TERM DEBTORS

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

|                            | 31-Mar-22     |                 |               | 31-Mar-23     |                 |               |
|----------------------------|---------------|-----------------|---------------|---------------|-----------------|---------------|
|                            | Gross         | Provision       | Net           | Gross         | Provision       | Net           |
|                            | £'000         | £'000           | £'000         | £'000         | £'000           | £'000         |
| General                    | 18,226        | (6,401)         | 11,825        | 21,423        | (4,880)         | 16,543        |
| Council tax payers         | 9,877         | (6,365)         | 3,512         | 10,795        | (7,156)         | 3,639         |
| NHS bodies                 | 2,444         | -               | 2,444         | 4,380         | -               | 4,380         |
| Central government bodies* | 53,407        | -               | 53,407        | 47,873        | -               | 47,873        |
| Other local authorities    | 3,197         | -               | 3,197         | 4,259         | -               | 4,259         |
|                            | <b>87,151</b> | <b>(12,766)</b> | <b>74,385</b> | <b>88,730</b> | <b>(12,036)</b> | <b>76,694</b> |

\* 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.

## 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 2023 was £130k in credit, (31 March 2022 – £153k in credit).

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

|  | 31-Mar-22    | 31-Mar-23     |
|--|--------------|---------------|
|  | £'000        | £'000         |
| Cash held by the authority             | 9,760        | 25,164        |
| Bank Current accounts                  | (4,004)      | (3,325)       |
| <b>Total Cash and Cash Equivalents</b> | <b>5,756</b> | <b>21,839</b> |

# Notes to the Statement of Accounts

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## 22 ASSETS HELD FOR SALE

|   | <b>31-Mar-22</b>  | <b>31-Mar-23</b>  |
|---|-------------------|-------------------|
|   | £'000             | £'000             |
| <b>Assets at the start of the year</b>    | 3,045             | 741               |
| New Appropriations                        | 90                | 9                 |
| Assets newly classified as held for sale: | 350               | -                 |
| Surplus Assets                            | -                 | -                 |
| Investment Properties                     | -                 | -                 |
| Property, Plant and Equipment             | -                 | -                 |
| Revaluation losses                        | (66)              | -                 |
| Revaluation gains                         | -                 | 190               |
| Assets declassified as held for sale:     | (9)               | -                 |
| to Property, Plant and Equipment          | -                 | (367)             |
| Community Land                            | -                 | -                 |
| to Surplus Assets                         | -                 | -                 |
| Assets sold                               | (2,669)           | (260)             |
| <b>Assets at year-end</b>                 | <u><b>741</b></u> | <u><b>313</b></u> |

## 23 SHORT TERM CREDITORS

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

|                            | <b>31-Mar-22</b>       | <b>31-Mar-23</b>       |
|----------------------------|------------------------|------------------------|
|                            | £'000                  | £'000                  |
| General                    | (42,081)               | (38,478)               |
| Central government bodies  | (13,940)               | (13,282)               |
| Prepayments of council tax | (1,449)                | (1,604)                |
| NHS bodies                 | (583)                  | (395)                  |
| Other local authorities    | (12,011)               | (13,161)               |
|                            | <u><b>(70,064)</b></u> | <u><b>(66,920)</b></u> |



# Notes to the Statement of Accounts

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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-22<br>£'000 | Unused<br>amounts<br>reversed<br>£'000 | Amounts<br>used<br>£'000 | Further<br>provisions<br>£'000 | 31-Mar-23<br>£'000 |
|-----------------------------------|--------------------|--|--------------------------|--------------------------------|--------------------|
| <b>Current Provisions</b>         |                    |  |                          |                                |                    |
| Accumulated absence provision     | (2,958)            | 2,958                                  | -                        | (5,187)                        | (5,187)            |
| Insurance / MMI Provision         | (2,304)            | -                                      | 1,009                    | (11)                           | (1,306)            |
| Energy Provision                  | (30)               | -                                      | -                        | -                              | (30)               |
| Health & Safety Fine              | (1,100)            | -                                      | -                        | -                              | (1,100)            |
| Overpaid Court Fees reimbursement | (122)              | -                                      | -                        | -                              | (122)              |
|                                   | <b>(6,514)</b>     | <b>2,958</b>                           | <b>1,009</b>             | <b>(5,198)</b>                 | <b>(7,745)</b>     |
| <b>Long Term Provisions</b>       |                    |  |                          |                                |                    |
| Landfill Capping                  | (6,620)            | -                                      | 535                      | (104)                          | (6,189)            |
| Cardiff City Region               | (242)              | -                                      | -                        | -                              | (242)              |
|                                   | <b>(6,862)</b>     | <b>-</b>                               | <b>535</b>               | <b>(104)</b>                   | <b>(6,431)</b>     |

|                          |   |
|--------------------------|---|
| Accumulated Absences     | Accounting provision to recognise impact of accruing leave at the end of the year. No payment is made as employees have to take leave prior to leaving the Council. This is therefore not cash backed.  |
| Insurance / 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.  |
| Energy Provision         | Estimated value of historic utility bills not yet invoiced by provider.   |
| Health & Safety Fine     | Potential fine in the event of a prosecution by HSE for breaches of the Health & Safety at Work Act.  |
| Court Cost Reimbursement | The Council has received a receipt from HM Courts for the overpayment of court fees between period 2014-2018. Those fees would have been recharged to court attendees, so an exercise will be undertaken to trace individuals affected to make a reimbursement  |
| 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 undertakes a review of potential liability every 5 years, with the last being undertaken in 2021-22. |
| City Deal Joint Venture  | Reflects the provisions communicated by the 10 Authority regenerative partnership   |

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.

# Notes to the Statement of Accounts

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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-22     | 31-Mar-23        |
|---|---------------|------------------|
|   | £'000         | £'000            |
| Revaluation Reserve   | (208,222)     | (221,569)        |
| Capital Adjustment Account                                    | (95,993)      | (136,918)        |
| Financial Instruments Adjustment Account                      | 1,045         | 954              |
| Deferred Capital Receipt Reserve                              | (21)          | (21)             |
| Financial Instruments Revaluation Reserve                     | (251)         | (251)            |
| Pensions Reserve  | 403,201       | 96,143           |
| Accumulated Absence Account                                   | 2,958         | 5,187            |
| Cardiff City Region Aggregated Unuseable Reserves (NCC share) | (4,371)       | (4,371)          |
|   | <b>98,347</b> | <b>(260,845)</b> |

### 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-22        | 31-Mar-23        |
|---|------------------|------------------|
|   | £'000            | £'000            |
| <b>Balance at 1 April</b>   | <b>(197,843)</b> | <b>(208,222)</b> |
| Upward revaluation of assets  | (14,794)         | (26,937)         |
| Downward revaluation of assets and impairment losses not charged to provision of services           | 3,138            | 6,324            |
| <b>Surplus or deficit on revaluation of non-current assets not charged to provision of services</b> | <b>(11,656)</b>  | <b>(20,613)</b>  |
| Difference between fair value depreciation and historic cost depreciation                           | -                | 6,959            |
| Accumulated gains on assets sold or scrapped  | 1,277            | 307              |
| <b>Amount written off to the Capital Adjustment Account</b>   | <b>1,277</b>     | <b>7,266</b>     |
|   | <b>(208,222)</b> | <b>(221,569)</b> |

### 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

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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-22<br>£'000 | 31-Mar-23<br>£'000 |
|--|--------------------|--------------------|
| <b>Balance at 1 April</b>  | <b>(76,876)</b>    | <b>(95,988)</b>    |
| 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  | 25,513             | 33,252             |
| Revaluation losses/gains on Property, Plant and Equipment  | (960)              | (3,827)            |
| Amortisation of intangible assets  | -                  |                    |
| Revenue Expenditure Funded from Capital under Statute  | 4,169              | 4,690              |
| 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 | 2,922              | 1,531              |
|  | <b>31,644</b>      | <b>35,646</b>      |
| Adjusting amounts written out of the Revaluation Reserve   | (1,277)            | (7,267)            |
| Net written out amount of the cost of non-current assets consumed in the year  | <b>30,367</b>      | <b>28,379</b>      |
| Capital financing applied in the year:   |                    |                    |
| Use of Capital Receipts Reserve to finance new capital expenditure   | (18)               | -                  |
| Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing - Non REFCUS | (39,235)           | (54,260)           |
| Statutory provision for the financing of capital investment charged against the Council Fund balances  | (10,008)           | (10,645)           |
| Capital expenditure charged against the Council Fund balance   | (696)              | (4,097)            |
|  | <b>(49,957)</b>    | <b>(69,002)</b>    |
| Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement                         | 412                | (113)              |
| Movements in the market value of Assets Held for Sale debited or credited to the Comprehensive Income and Expenditure Statement                          | 66                 | (189)              |
| Movement of Cardiff City Region entries to explicit reserve  | -                  | -                  |
| <b>Balance at 31 March</b>   | <b>(95,988)</b>    | <b>(136,913)</b>   |

## Financial Instruments Adjustment Account

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

The Council uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the Council Fund Balance through the Movement in Reserves Statement. Over time, the expense is posted back to the Council Fund Balance in accordance with statutory arrangements for spreading the burden on the Council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the account at the end of the year will be charged to the Council Fund over the next 39 years.

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|  | 31-Mar-22    | 31-Mar-23    |
|--|--------------|--------------|
|  | £'000        | £'000        |
| <b>Balance at 1 April</b>  | <b>1,150</b> | <b>1,045</b> |
| Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement  | -            | -            |
| Proportion of premiums incurred in previous financial years to be charged against the Council Fund Balance in accordance with statutory requirements   | (105)        | (91)         |
| <b>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</b> | <b>(105)</b> | <b>(91)</b>  |
| <b>Balance at 31 March</b>   | <b>1,045</b> | <b>954</b>   |

## 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-22   | 31-Mar-23   |
|---|-------------|-------------|
|   | £'000       | £'000       |
| <b>Balance at 1 April</b>   | <b>(21)</b> | <b>(21)</b> |
| 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 | -           | -           |
| <b>Balance at 31 March</b>  | <b>(21)</b> | <b>(21)</b> |

## Financial Instrument Revaluation Reserve

This reflects the Council's interest in Newport Transport Bus Company. There have been no changes / movements in value during 2022-23.

## 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-22<br>£'000 | 31-Mar-23<br>£'000 |
|--|--------------------|--------------------|
| <b>Balance at 1 April</b>  | <b>475,114</b>     | <b>403,201</b>     |
| Actuarial gains or losses on pensions assets and liabilities   | (107,175)          | (340,548)          |
| 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 | 54,057             | 54,509             |
| Employer's pensions contributions and direct payments to pensioners payable in the year  | (18,795)           | (21,019)           |
| <b>Balance at 31 March</b>   | <b>403,201</b>     | <b>96,143</b>      |

## 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-22<br>£'000 | 31-Mar-23<br>£'000 |
|---|--------------------|--------------------|
| <b>Balance at 1 April</b>   | <b>2,832</b>       | <b>2,958</b>       |
| Settlement or cancellation of accrual made at the end of the preceding year   | (2,832)            | (2,958)            |
| Amounts accrued at the end of the current year  | 2,958              | 5,187              |
| Movement of Cardiff City Region entries to explicit reserve   | -                  | -                  |
| 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 | 126                | 2,229              |
| <b>Balance at 31 March</b>  | <b>2,958</b>       | <b>5,187</b>       |

## Cardiff City Region City Deal Aggregated Unusable Reserves

Cardiff City Region is a 10 authority regenerative partnership administered by Cardiff County Council on behalf of the other Councils. The following balances have been extracted from the draft City Deal annual accounts reflective of Newport CC share.

|                            | 31-Mar-22<br>£'000 | 31-Mar-23<br>£'000 |
|----------------------------|--------------------|--------------------|
| <b>Balance at 1 April</b>  | <b>(4,022)</b>     | <b>(4,371)</b>     |
| Capital adjustment account | (331)              |                    |
| Accumulated absences       | 2                  |                    |
| Accumulated interest       | (20)               |                    |
| <b>Balance at 31 March</b> | <b>(4,371)</b>     | <b>(4,371)</b>     |

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## 27 CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

|                   | 31-Mar-22     | 31-Mar-23     |
|-------------------|---------------|---------------|
|                   | £'000         | £'000         |
| Interest received | (21)          | (1,101)       |
| Interest paid     | 11,050        | 11,149        |
|                   | <b>11,029</b> | <b>10,048</b> |

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

|  | 31-Mar-22       | 31-Mar-23       |
|--|-----------------|-----------------|
|  | £'000           | £'000           |
| Depreciation                               | (22,681)        | (22,831)        |
| Impairment and downward valuations         | (1,872)         | (6,594)         |
| (Increase) / Decrease in creditors         | (20,803)        | 484             |
| Increase / (Decrease) in debtors           | 9,363           | (126)           |
| Increase / (Decrease) in stock             | 737             | (713)           |
| Pensions liability                         | (35,262)        | (33,490)        |
| Carrying amount of non-current assets sold | (2,922)         | (1,531)         |
| Other non cash adjustments                 | (862)           | (117)           |
|  | <b>(74,302)</b> | <b>(64,918)</b> |

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

|  | 31-Mar-22     | 31-Mar-23     |
|--|---------------|---------------|
|  | £'000         | £'000         |
| Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries) | -             | (36,139)      |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets   | 2,655         | 440           |
| Any other items for which the cash effects are investing or financing cash flows   | 38,320        | 53,879        |
| <b>Net cash flows from operating activities</b>  | <b>40,975</b> | <b>18,180</b> |

## 28 CASH FLOW STATEMENT – INVESTING ACTIVITIES

|  | 31-Mar-22     | 31-Mar-23    |
|--|---------------|--------------|
|  | £'000         | £'000        |
| Purchase of property, plant and equipment, investment property and intangible assets               | 41,710        | 50,542       |
| Purchase of short-term and long-term investments   | 41,000        | 10,412       |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (2,655)       | (440)        |
| Other receipts from investing activities   | (30,047)      | (51,185)     |
| <b>Net cash flows from investing activities</b>  | <b>50,008</b> | <b>9,329</b> |

# Notes to the Statement of Accounts

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Newport City Council

## 29 CASH FLOW STATEMENT - FINANCING ACTIVITIES

|  | 31-Mar-22     | 31-Mar-23    |
|--|---------------|--------------|
|  | £'000         | £'000        |
| Cash receipts of short- and long-term borrowing  | (190)         | (4,605)      |
| Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts | 1,038         | 2,426        |
| Repayments of short- and long-term borrowing   | 10,456        | 8,551        |
| <b>Net cash flows from financing activities</b>  | <b>11,304</b> | <b>6,372</b> |

## 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 51 Members. The total allowances and expenses paid in the financial year was £1,099,022 (2021/22 – £964,064). All Members are entitled to the same basic allowance of £16,800 per annum (2021/22 - £14,368). Each Member holding the following positions are also paid additional responsibility allowances as detailed below:

|                                   | 31-Mar-22 | 31-Mar-23 |
|-----------------------------------|-----------|-----------|
|                                   | £         | £         |
| Leader of the Council             | 35,606    | 39,900    |
| Deputy Leader                     | 20,952    | 22,890    |
| Mayor                             | 8,793     | 8,793     |
| Deputy Mayor                      | 3,740     | 3,740     |
| Cabinet Member (x7)               | 16,405    | 17,220    |
| Chair of Scrutiny Forum (x4)      | 8,793     | 8,793     |
| Chair of Planning (x1)            | 8,793     | 8,793     |
| Chair of Democratic Services (x1) | 8,793     | 8,793     |
| Chair of the Council (x1)         | 8,793     | 8,793     |
| Opposition Leader                 | 8,793     | 8,793     |

During the 2022/23 financial year, a total of 9 Lay (unelected) Members served for the Authority. 9 of these Lay Members claimed a total of £8,802.21 including both fees and expenses (2021/22: £5,628 claimed by eight Lay (unelected) Members) to sit on a number of committees.

# Notes to the Statement of Accounts

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Newport City Council

## 31 OFFICER REMUNERATION

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

| 2022 / 23 Post Holder Information  | Salary/<br>Payment*<br>£ | Car<br>Allowances<br>& Mileage<br>£ | Termination<br>Benefits<br>£ | Pensions<br>contributions<br>£ | Total<br>£       |
|--|--------------------------|-------------------------------------|------------------------------|--------------------------------|------------------|
| Chief Executive  | 137,815                  | -                                   | -                            | 30,595                         | 168,410          |
| Strategic Director - Environment & Sustainability ****                       | 110,523                  | -                                   | -                            | 24,536                         | 135,059          |
| Strategic Director - Social Services   | 110,523                  | -                                   | -                            | 24,536                         | 135,059          |
| Strategic Director - Transformation & Corporate Centre                       | 110,523                  | -                                   | -                            | 24,536                         | 135,059          |
| Head of Education  | 88,202                   | -                                   | -                            | 19,581                         | 107,783          |
| Head of Law & Standards ***** (Post holder left the authority December 2022) | 65,564                   | -                                   | -                            | 13,264                         | 78,828           |
| Head of Law & Standards ***** (Post holder appointed in December 2022)       | 24,600                   | -                                   | -                            | 5,484                          | 30,084           |
| Head of Finance (Section 151 Officer)  | 88,202                   | -                                   | -                            | 19,581                         | 107,783          |
| Head of People, Policy & Transformation                                      | 83,277                   | -                                   | -                            | 18,487                         | 101,764          |
| Head of Regeneration & Economic Development                                  | 85,347                   | -                                   | -                            | 18,947                         | 104,295          |
| Head of Housing & Communities  | 40,582                   | -                                   | -                            | 9,009                          | 49,592           |
| Head of Environment & Public Protection                                      | 83,277                   | -                                   | -                            | 18,487                         | 101,764          |
| Head of Adult Services   | 83,886                   | -                                   | -                            | 18,623                         | 102,509          |
| Head of Children Services  | 83,277                   | -                                   | -                            | 18,487                         | 101,764          |
| Head of Prevention & Inclusion   | 83,239                   | -                                   | -                            | 18,479                         | 101,718          |
| Head of City Services - ***** (Appointment made in May 2022)                 | 73,445                   | -                                   | -                            | 16,305                         | 89,750           |
| <b>TOTAL</b>   | <b>1,352,281</b>         | <b>-</b>                            | <b>-</b>                     | <b>298,938</b>                 | <b>1,651,219</b> |



# Notes to the Statement of Accounts

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|  | Salary /<br>Payment* | Car<br>Allowances<br>& Mileage | Termination<br>benefits | Pensions<br>contributions | Total            |
|--|----------------------|--------------------------------|-------------------------|---------------------------|------------------|
|  | £                    | £                              | £                       | £                         | £                |
| <b>2021 / 22 Post Holder Information</b>   |                      |                                |                         |                           |                  |
| Chief Executive  | 133,754              | -                              | -                       | 28,356                    | 162,110          |
| Strategic Director - Environment & Sustainability<br>(appointed 11th Oct 2021)   | 51,380               | -                              | -                       | 10,892                    | 62,272           |
| Strategic Director - Social Services (appointed 11th Oct<br>2021)  | 51,380               | -                              | -                       | 10,892                    | 62,272           |
| Strategic Director - Transformation & Corporate Centre<br>(appointed 11th Oct 2021)  | 51,380               | -                              | -                       | 10,892                    | 62,272           |
| Chief Education Officer (post redesignated to Head of<br>Education on 29th June 2021)  | 20,778               | -                              | -                       | 4,405                     | 25,183           |
| Head of Education  | 65,499               | -                              | -                       | 13,886                    | 79,385           |
| Head of Law and Regulation (Monitoring Officer) (post<br>redesignated to Head of Law & Standards on 29th June<br>2021)   | 20,778               | -                              | -                       | 4,405                     | 25,183           |
| Head of Law & Standards  | 65,499               | -                              | -                       | 13,886                    | 79,385           |
| Head of Finance (Section 151 Officer)  | 86,277               | -                              | -                       | 18,291                    | 104,568          |
| Head of People & Business Change (post redesignated to<br>People, Policy & Transformation on 29th June 2021)   | 21,450               | -                              | -                       | 4,547                     | 25,998           |
| Head of People, Policy & Transformation, appointed to<br>Strategic Director - Transformation & Corporate Centre<br>(11th Oct 2021)   | 24,007               | -                              | -                       | 5,090                     | 29,097           |
| Head of People, Policy & Transformation (appointed<br>22nd Feb 2022)   | 8,585                | -                              | -                       | 1,820                     | 10,404           |
| Acting Head of Regeneration, Investment & Housing<br>Services - (post split between Head of Regeneration &<br>Economic Development and Head of Housing &<br>Communities 13th Feb 2022) | 74,518               | -                              | -                       | 15,798                    | 90,316           |
| Head of Regeneration & Economic Development<br>(appointed 14th Feb 2022)   | 7,610                | -                              | -                       | 1,613                     | 9,223            |
| Head of Housing & Communities (no appointment made<br>during remainder of 21-22)   | -                    | -                              | -                       | -                         | -                |
| Head of Environment & Public Protection (appointed on<br>21st Feb 2022)  | 8,585                | -                              | -                       | 1,820                     | 10,404           |
| Head of Adult & Community Services *** (post<br>redesignated to Head of Adult Services on 29th June<br>2021)   | 23,527               | -                              | -                       | 4,988                     | 28,515           |
| Head of Adult Services * # (left Authority of 31st Oct<br>2021)  | 34,110               | -                              | -                       | 6,884                     | 40,994           |
| Head of Adult Services (appointed on 1st Nov 2021)   | 33,384               | -                              | -                       | 7,077                     | 40,462           |
| Head of Children & Young People Services # (post<br>redesignated to Head of Children Services on 29th June<br>2021)  | 21,450               | -                              | -                       | 4,547                     | 25,998           |
| Head of Children Services (appointed to Strategic<br>Director - Social Services 11th Oct 2021)   | 24,007               | -                              | -                       | 5,090                     | 29,097           |
| Head of Children Services (appointed on 21st Feb 2022)   | 8,585                | -                              | -                       | 1,820                     | 10,404           |
| Head of Prevention & Inclusion (appointed on 28th Feb<br>2022)   | 6,915                | -                              | -                       | 1,466                     | 8,381            |
| Head of City Services ** (appointed to Strategic Director<br>- Environment & Sustainability 11th Oct 2021)   | 45,458               | -                              | -                       | 9,637                     | 55,095           |
| Head of City Services - No appointment made during<br>remainder of 21-22   | -                    | -                              | -                       | -                         | -                |
| <b>TOTAL</b>   | <b>888,915</b>       | <b>-</b>                       | <b>-</b>                | <b>188,103</b>            | <b>1,077,018</b> |

# Notes to the Statement of Accounts

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

Note\*\* Social Care staff were provided with an additional payment by Welsh Government during 2021-22. No such payment was given during the 22/23 financial year. For clarity and consistency, these amounts have been excluded from the calculation to complete the above table.

In addition to the above the Chief Executive acts as the Returning Officer. During 2022/23 the Chief Executive received £10,073.16 for their role as the Authorities Returning Officer. (In 2021/22, the position received £9,529.48).

The ratio between the Council's highest paid employee and the median position for 2022/23 was 1:5.2 (2021/22 was 1:5.5). The median position for the Council for 2022/23 is £26,357 (2021/22 was £24,920). 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-22 |             | 31-Mar-23 |             |
|---------------------|-----------|-------------|-----------|-------------|
|                     | Schools   | Non-Schools | Schools   | Non-Schools |
| £155,000 - £159,999 | -         | -           | 1         | -           |
| £115,000 - £119,999 | -         | -           | 2         | -           |
| £110,000 - £114,999 | 1         | -           | 1         | -           |
| £105,000 - £109,999 | 2         | -           | 1         | -           |
| £100,000 - £104,999 | 2         | -           | 3         | -           |
| £95,000 - £99,999   | 2         | -           | 1         | -           |
| £90,000 - £94,999   | 1         | -           | 2         | -           |
| £85,000 - £89,999   | 3         | -           | 7         | -           |
| £80,000 - £84,999   | 9         | -           | 7         | -           |
| £75,000 - £79,999   | 12        | 1           | 12        | -           |
| £70,000 - £74,999   | 13        | 1           | 13        | -           |
| £65,000 - £69,999   | 17        | 2           | 13        | 4           |
| £60,000 - £64,999   | 18        | 6           | 34        | 10          |
| <b>Total</b>        | <b>80</b> | <b>10</b>   | <b>97</b> | <b>14</b>   |

Note: Social Care staff were provided with additional payment by Welsh Government during 2021-22. For clarity and consistency, these amounts have been excluded from the calculation to complete the above table.

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 2022/23 financial year.

## Number / cost of Exit packages:

|                     | Number of compulsory redundancies<br>31-Mar-23 | Number of other departures agreed<br>31-Mar-23 | Total number of exit packages<br>31-Mar-23 | Total Cost of exit packages in each band<br>31-Mar-23<br>£ |
|---------------------|--|--|--|--|
| £0 - £20,000        | -  | 49   | 49   | 257,452  |
| £20,001 - £40,000   | -  | 1  | 1  | 36,000   |
| £40,001 - £60,000   | -  | -  | -  | -  |
| £60,001 - £80,000   | -  | 1  | 1  | 60,542   |
| £80,001 - £100,000  | -  | -  | -  | -  |
| £100,001 - £120,000 | -  | 1  | 1  | 109,116  |
| <b>Total</b>        | <b>-</b>                                       | <b>52</b>                                      | <b>52</b>                                  | <b>463,110</b>   |

|                    | Number of compulsory redundancies<br>31-Mar-22 | Number of other departures agreed<br>31-Mar-22 | Total number of exit packages<br>31-Mar-22 | Total Cost of exit packages in each band<br>31-Mar-22<br>£ |
|--------------------|--|--|--|--|
| £0 - £20,000       | 6  | 49   | 55   | 376,406  |
| £20,001 - £40,000  | 4  | 17   | 21   | 559,198  |
| £40,001 - £60,000  | 1  | 3  | 4  | 185,771  |
| £60,001 - £80,000  | -  | -  | -  | -  |
| £80,001 - £100,000 | -  | -  | -  | -  |
| <b>Total</b>       | <b>11</b>                                      | <b>69</b>                                      | <b>80</b>                                  | <b>1,121,375</b>   |

## 32 TERMINATION BENEFITS

The Council completed redundancies of 52 employees in 2022/23, incurring liabilities of £463k (80 employees at £1.1m in 2021/22). 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-22<br>£'000 | 31-Mar-23<br>£'000 |
|---|--------------------|--------------------|
| Fees payable with regard to external audit of accounts                      | 198                | 229                |
| Fees payable in respect of local government measure                         | 106                | 112                |
| Fees payable for the certification of grant claims and returns for the year | 56                 | 60                 |
| Fees payable for other financial audit work                                 | 1                  | 1                  |
| <b>Total</b>  | <b>361</b>         | <b>402</b>         |

# Notes to the Statement of Accounts

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## 34 GRANTS INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2022/23:

|   | <b>Restated</b>  |                  |
|---|------------------|------------------|
|   | <b>31-Mar-22</b> | <b>31-Mar-23</b> |
|   | £'000            | £'000            |
| <b>Credited to Taxation and Non Specific Grant Income</b> |                  |                  |
| Revenue Support Grant                                     | 194,380          | 211,663          |
| Other Non-ring fenced government grants                   | 740              |                  |
| Contribution from Non-Domestic Rate                       | 49,472           | 53,954           |
| <b>Total</b>  | <b>244,592</b>   | <b>265,617</b>   |
|   | <b>31-Mar-22</b> | <b>31-Mar-23</b> |
|   | £'000            | £'000            |
| <b>Credited to Services</b>                               |                  |                  |
| <b>Education</b>  |                  |                  |
| <b>Grants</b>   |                  |                  |
| Pupil Deprivation Grant                                   | 5,687            | 6,584            |
| Education Improvement Grant                               | 6,498            | 5,956            |
| Post 16 Grant   | 8,154            | 8,398            |
| Local Authority Education Grant                           | 9,672            | 9,816            |
| School 2 School Grant                                     | -                | 2,743            |
| Maintenance Grant   | 2,446            | -                |
| COVID19 Related Grants                                    | 5,250            | 1,893            |
| Children and Communities                                  | 133              | 149              |
| Ukraine Response Fund                                     | -                | 246              |
| Other   | 4,943            | 3,143            |
| <b>Contributions</b>                                      |                  |                  |
| Gwent Music   | 327              | 214              |
| <b>Donations</b>  | 200              | 426              |
| <b>Social Services</b>                                    |                  |                  |
| <b>Grants</b>   |                  |                  |
| Children and Communities                                  | 8,618            | 9,888            |
| Childcare Offer   | 8,320            | 9,038            |
| Substance Misuse  | 5,225            | 6,337            |
| COVID19 Related Grants                                    | 9,250            | 591              |
| Sustainability Pressures                                  | 4,538            | 2,294            |
| Section 28A funding                                       | 2,095            | 2,094            |
| Unaccompanied Asylum-Seeking Children                     | 1,373            | 1,725            |
| Eliminating Profit  | -                | 1,147            |
| Radical Reform Grant                                      | -                | 1,138            |
| Regional, Domestic Violence                               | 804              | 835              |
| Youth Support   | 737              | 600              |
| Promoting Independence                                    | -                | 465              |
| Workforce Development                                     | 389              | 415              |
| Youth Justice Board                                       | 338              | 371              |
| All Wales Play Opportunities                              | 257              | 335              |
| Community Safety Fund                                     | 98               | 288              |
| Ukraine Response Fund                                     | -                | 3                |
| Inspire to Achieve  | -                | 45               |
| Other   | 1,801            | 1,151            |
| <b>Contributions</b>                                      |                  |                  |
| Intermediate Care Fund                                    | 2,802            | 2,806            |
| Substance Misuse  | 1,784            | 1,899            |

# Notes to the Statement of Accounts

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|  |                |                |
|--|----------------|----------------|
| Home First                                     | 1,799          | 1,768          |
| Frailty  | 1,605          | 1,853          |
| Children and Communities                       | -              | 83             |
| Other  | 3,223          | 2,020          |
| <b>Donations</b>                               | -              | 1              |
| <b>Regeneration &amp; Economic Development</b> |                |                |
| <b>Grants</b>                                  |                |                |
| COVID19 Related Grants                         | 2,955          | -              |
| Communities for Work                           | 1,357          | 1,462          |
| Inspire to Achieve                             | 1,493          | 779            |
| Inspire to Work                                | 493            | 286            |
| Other  | 1,665          | 2,174          |
| <b>Contributions</b>                           | 2,062          | 1,057          |
| <b>Donations</b>                               | -              | 1              |
| <b>Environment &amp; Sustainability</b>        |                |                |
| <b>Grants</b>                                  |                |                |
| Housing Support                                | 8,003          | 8,373          |
| Concessionary fares                            | 2,614          | 1,872          |
| Homelessness Prevention Grant                  | -              | 1,471          |
| COVID19 Related Grants                         | 4,824          | 797            |
| Sustainable Waste                              | 995            | 716            |
| Children and Communities                       | 459            | 443            |
| Adult Community Learning                       | 361            | 369            |
| Community Cohesion Grant                       | -              | 221            |
| Ukraine Response Fund                          | -              | 99             |
| Other  | 4,073          | 3,437          |
| <b>Contributions</b>                           | 3,309          | 1,342          |
| <b>Donations</b>                               | 1              | 3              |
| <b>Transformation &amp; Corporate Services</b> |                |                |
| <b>Grants</b>                                  |                |                |
| Housing benefit administration                 | 666            | 698            |
| COVID19 Related Grants                         | 508            | -              |
| NNDR   | 317            | 317            |
| Ukraine Response Fund                          | -              | 4              |
| Other  | 386            | 692            |
| <b>Contributions</b>                           | 630            | 485            |
| <b>Donations</b>                               | -              | -              |
| <b>Non Revenue</b>                             |                |                |
| <b>Grants</b>                                  |                |                |
| Mandatory rent allowances                      | 38,287         | 38,181         |
| COVID19 Related Grants                         | 2,149          | -              |
| Other  | 2,040          | 74             |
|  | <b>178,013</b> | <b>154,111</b> |

# Notes to the Statement of Accounts

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Newport City Council

## 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 creditor of (£176k) at 31 March 2023 (£1.532m at 31 March 2022) is included in the balance sheet which represents the amount by which the cash paid over to Welsh Government less than the amount collected from ratepayers.

### Covid 19 Hardship Support Grants

The Council received a Covid hardship grant payment from Welsh Government totalling £12.65million, the majority of which is reported within note 34. However, there are 2 items in below table that have been separated out of that holistic sum as being agency arrangements where the Council is not providing services directly but instead is being used by Welsh Government as a means of distributing its support to recipients. Where an admin fee has been provided for this service by Welsh Government that income is shown as grant under note 34. There were no specific awards agreed in respect of these 2 aspects, and grant is paid in arrears based on claim expenditure. As at 31st March 23 the final claims of the year hadn't been settled and the debtor balance is reflective of the level of funding accrued and not yet paid.

The below table details the financial extent of each grant based agency scheme operated on behalf of Welsh Government.

2022-23

| Grant scheme                  | Narrative  | Amount Received in 2022/23<br>£'000 | Amount Spent in 2022/23<br>£'000 | Debtor 2022/23<br>£'000 | Creditor 2022/23<br>£'000 |
|-------------------------------|--|-------------------------------------|----------------------------------|-------------------------|---------------------------|
| <b>Social Care</b>            |  |                                     |                                  |                         |                           |
| Real Living Wage              |  | -                                   | 4,460                            | 4,458                   | 1                         |
| <b>Covid Hardship Grant</b>   |  |                                     |                                  |                         |                           |
| 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. | (228)                               | 77                               | (151)                   | -                         |
| Self isolation payments       | £500 for eligible individuals who have to self isolate.  | (1,596)                             | 521                              | (1,076)                 | -                         |
| <b>Cost of Living Support</b> |  |                                     |                                  |                         |                           |
| Winter Fuel Support payment   | A payment of up to £200 per eligible households to put towards their on-grid fuel bills.   | (851)                               | 2                                | (849)                   | -                         |
| Winter Fuel Grant 22/23       | A payment of up to £200 per eligible households to put towards their on-grid fuel bills.   | (3,350)                             | 3,375                            | 25                      | -                         |
| Carer Allowance Payments      | to enable Local Authorities to administer and make payments to unpaid carers in receipt of Carers Allowance  | (1,182)                             | 1,166                            | -                       | -                         |
| <b>Ukraine Crisis Fund</b>    |  |                                     |                                  |                         |                           |
| - Host Payments               | £350 paid per month to hosts of Ukrainian family units   | (82)                                | 171                              | 89                      | -                         |
| - Cash Payments               | £200 payment to support individuals with essentials before universal credit is awarded   | (30)                                | 36                               | 6                       | -                         |

# Notes to the Statement of Accounts

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## 2021-22

| Grant scheme  | Narrative   | Amount Received in 2021/22<br>£'000 | Amount Spent in 2021/22<br>£'000 | Debtor 2021/22<br>£'000 | Creditor 2021/22<br>£'000 |
|---|---|-------------------------------------|----------------------------------|-------------------------|---------------------------|
| <b>Social Care</b>                                      |   |                                     |                                  |                         |                           |
| Social care bonus scheme (£500 and £735)                | Bonus payment for individual care workers.  | (3,117)                             | 3,116                            | -                       | 1                         |
| <b>Covid Hardship Grant</b>                             |   |                                     |                                  |                         |                           |
| 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.  | (132)                               | 244                              | 111                     | -                         |
| Self isolation payments                                 | £500 for eligible individuals who have to self isolate.   | (661)                               | 1,416                            | 754                     | -                         |
| <b>Cost of Living Support</b>                           |   |                                     |                                  |                         |                           |
| Cost of Living Support Scheme                           | £150 cost-of-living support payment for households who live in properties in council tax bands A-D; and all households who are recipients of the Council Tax Reduction Scheme in properties in council tax bands A-I. | -                                   | 7,343                            | 7,343                   | -                         |
| Winter fuel support payment                             | A payment of up to £200 per eligible households to put towards their on-grid fuel bills.  | (623)                               | 1,705                            | 1,082                   | -                         |
| <b>Non Domestic Rates Reliefs &amp; Business Grants</b> |   |                                     |                                  |                         |                           |
| NDR rate relief grants                                  | Additional funding given to LAs to provide the relief so essentially a grant to businesses. Relief given to retail, leisure and hospitality sector  | (19,158)                            | 18,476                           | -                       | 682                       |
| Business Grants   | Grants to support businesses during lockdown closures.  | (4,867)                             | 3,707                            | -                       | 1,160                     |
| Freelancer grants culture                               | Payment available for freelancers in the culture sector of up to £2.5k  | (75)                                | 75                               | -                       | -                         |

## 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.

### 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.

# Notes to the Statement of Accounts

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## Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2022/23 is shown in Note 30. During 2022/23, works and services to the value of £29.6m were commissioned from or paid to companies in which 24 Members had an interest. This would include Wastesavers Ltd, Newport Live, Newport Norse and Newport Transport as detailed below (2021/22: £21.5m where 20 Members had an interest). As at 31st March 2023, the balances outstanding for related parties were debtors of £1.27m (2021/22 £1.99m) and creditors of £5.11m (2021/22 £3.64m).

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 £3.2m made to Waste Savers Ltd in 2022/23 (£3.8m in 2021/22). This company is independent from the Council. As at 31st March 2022, the balances outstanding for Wastesavers were debtors of £0 (£0k in 2021/22) and creditors of £644k (2021/22 £270k). There are no Members on the board of Wastesavers Ltd but, there is one Member of the Council on the board of Wastesavers Charitable Ltd, the parent company of Wastesavers Ltd. The council contract with the company for waste recycling services.

Newport City Council also made payments to Newport Live amounting to £841k in 2022/23 (2021/22 £618k), this is a company that has charitable status and is independent from the Council. The company has invited three 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 2023, the balances outstanding for Newport Live were debtors of £37k (£236k in 2021/22) and creditors of £1.2m (2021/22 £1.70m). There were also Sundry debtors outstanding of £81k as at 31<sup>st</sup> March 2023.

## Officers

No Senior Officers hold any other positions of seniority within any other Public Sector body.

## 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).



# Notes to the Statement of Accounts

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The Council also participates in four joint ventures;

- Gwent Joint Records Committee which is the official archive service for the local authorities in the Monmouthshire area, the recognised place of deposit for public records and ecclesiastical parish records for the Diocese of Monmouth.
- The Greater Gwent Cremation Committee oversees the management of the Gwent Cremation facilities.
- The Project Gwyrdd 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 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 2022/23 financial year. It also shows any outstanding balances as at 31<sup>st</sup> March 2023.

|  | 2021/22  |          |                                   | 2022/23  |          |                                   |
|--|----------|----------|-----------------------------------|----------|----------|-----------------------------------|
|  | Receipts | Payments | Outstanding Balances/ Commitments | Receipts | Payments | Outstanding Balances/ Commitments |
|  | £'000    | £'000    | £'000                             | £'000    | £'000    | £'000                             |
| <b>Limited Companies</b>                                       |          |          |                                   |          |          |                                   |
| The South East Wales Education Achievement Service Ltd         | -        | 1,083    | -                                 | -        | 1,077    | -                                 |
| Newport Norse  | (1,756)  | 11,688   | 1,472                             | (1,345)  | 16,447   | 3,176                             |
| <b>Pooled Budgets</b>  |          |          |                                   |          |          |                                   |
| The Gwent Wide Integrated Community Equipment Service (GWICES) | -        | 414      | -                                 | -        | 334      | -                                 |
| The Gwent Frailty Programme                                    | (1,834)  | 1,824    | -                                 | (1,826)  | 1,891    | -                                 |
| <b>Joint Ventures</b>  |          |          |                                   |          |          |                                   |
| Gwent Joint Records Committee                                  | -        | 289      | -                                 | -        | 312      | -                                 |
| Greater Gwent Cremation Committee                              | (394)    | 239      | -                                 | (441)    | 251      | -                                 |
| Project Gwyrdd   | -        | 2,096    | -                                 | -        | 2,142    | -                                 |
| Cardiff Capital Region City Deal (from 2017/18)                | (489)    | 114      | -                                 | -        | -        | -                                 |

## Subsidiary Company

Newport Transport Ltd is a company wholly owned by the Council. Newport Transport's board includes five Council Members nominated by the Council. As at 31st March 2023, the balances outstanding for Newport Transport Ltd were debtors of £0 and creditors of £158k and expenditure of £6.8m and income of £261k. Sundry debtors outstanding as at 31<sup>st</sup> March 2023 were £89k.

# Notes to the Statement of Accounts

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## Trust Funds and Third Party Assets

The Council passed a number of its trust fund holdings to the Community Foundation in Wales and with the agreement of the Charities Commission, passed the management of a number of other dormant funds to schools in 2008/09. The Council acts as sole trustee for the remaining Education trust funds which had a value of £33,498 as at 31 March 2023. (2022: £33,434).

The Council operates 181 (2021/22: 184) appointee bank accounts holding £1,493,366 (2021/22: £1,511,483). 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.

## 37 CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

|  | 31-Mar-22<br>£'000 | 31-Mar-23<br>£'000 |
|--|--------------------|--------------------|
| <b>Opening Capital Financing Requirement</b>                 | <b>274,278</b>     | <b>278,426</b>     |
| <u>Capital investment</u>                                    |                    |                    |
| Property, Plant and Equipment                                | 46,096             | 52,586             |
| Heritage Assets  | 8                  | 245                |
| Short term lease liability                                   | 323                |                    |
| Revenue Expenditure Funded from Capital Under Statute        | 4,169              | 4,690              |
| Long Term Debtors (Loans to external companies)              | 4,688              | 697                |
| <u>Sources of finance</u>                                    |                    |                    |
| Capital receipts   | (18)               | -                  |
| Government grants and other contributions                    | (49,442)           | (43,995)           |
| Sums set aside from revenue                                  | 8,932              | (2,395)            |
| Direct revenue contributions                                 | (600)              | (1,701)            |
| Minimum Revenue Provision                                    | (10,008)           | (10,645)           |
| <b>Closing Capital Financing Requirement</b>                 | <b>278,426</b>     | <b>277,908</b>     |
| Explanation of movements in year                             |                    |                    |
| Increase in underlying need to borrow:                       |                    |                    |
| Supported by government financial assistance                 | 4,072              | 4,101              |
| Un-supported by government financial assistance              | 8,330              | 6,378              |
| Assets acquired under finance leases                         | 251                | 27                 |
| Bullet Repayment of PFI Liability                            | -                  |                    |
| Assets acquired under PFI contracts                          | 1,504              | 5                  |
| Minimum Revenue Provision                                    | (10,008)           | (10,645)           |
| <b>Increase/ (Decrease) in Capital Financing Requirement</b> | <b>4,149</b>       | <b>(134)</b>       |

# Notes to the Statement of Accounts

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## 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-22<br>£'000 | 31-Mar-23<br>£'000 |
|---------------------------|--------------------|--------------------|
| Vehicle, Plant, Furniture | 725                | 725                |
| Equipment                 | 245                | 245                |
|                           | <u>970</u>         | <u>970</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 outstanding minimum lease payments are made up of the following amounts:

|  | 31-Mar-22<br>£'000 | 31-Mar-23<br>£'000 |
|--|--------------------|--------------------|
| Finance lease liabilities<br>(net present value of minimum lease payments) |                    |                    |
| -current   | 134                | 35                 |
| -non current   | 136                | 101                |
| Finance costs payable in future years                                      | 19                 | 12                 |
| <b>Minimum lease payments</b>  | <u>289</u>         | <u>148</u>         |

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

|   | 31-Mar-22<br>£'000 | 31-Mar-23<br>£'000 |
|---|--------------------|--------------------|
| Not later than one year                           | 141                | 35                 |
| Later than one year and not later than five years | 148                | 113                |
|   | <u>289</u>         | <u>148</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-22<br>£'000 | 31-Mar-23<br>£'000 |
|---|--------------------|--------------------|
| Not later than one year                           | 1,198              | 1,194              |
| Later than one year and not later than five years | 3,585              | 3,094              |
| Later than five years                             | 7,591              | 7,052              |
|   | <u>12,374</u>      | <u>11,340</u>      |

# Notes to the Statement of Accounts

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NB. These figures have not been adjusted for future inflation or any anticipation of the outcome of a future rent review.

## Council as Lessor

### Finance Leases

The Council has finance leases with the Kingsway Shopping Centre with a remaining term of 238 years and for Chartist Tower with remaining life of 246 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-22<br>£'000 | 31-Mar-23<br>£'000 |
|---|--------------------|--------------------|
| Finance lease debtor<br>(net present value of minimum lease payments) |                    |                    |
| - current   | -                  | -                  |
| - non-current   | 5,824              | 5,824              |
| Unearned finance income   | 122,190            | 121,132            |
| Unguaranteed residual value of property                               | -                  | -                  |
| Gross Investment in the lease   | <u>128,014</u>     | <u>126,956</u>     |

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

|   | Minimum<br>Lease<br>Payment | Gross<br>Investment in<br>the Lease | Minimum<br>Lease Payment | Gross<br>Investment in<br>the Lease |
|---|-----------------------------|-------------------------------------|--------------------------|-------------------------------------|
|   | 31-Mar-22<br>£'000          | 31-Mar-22<br>£'000                  | 31-Mar-23<br>£'000       | 31-Mar-23<br>£'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                             | 5,824                       | 125,369                             | 5,824                    | 124,311                             |
|   | <u>5,824</u>                | <u>128,014</u>                      | <u>5,824</u>             | <u>126,956</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:

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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|   | 31-Mar-22<br>£'000 | 31-Mar-23<br>£'000 |
|---|--------------------|--------------------|
| Not later than one year                           | 876                | 908                |
| Later than one year and not later than five years | 2,751              | 2,600              |
| Later than five years                             | 11,556             | 11,303             |
|   | <u>15,183</u>      | <u>14,811</u>      |

## Tredegar House Lease

Tredegar House is managed by National Trust under a lease arrangement from the Council. This results in the Council making periodic contributions to assist with the repairing responsibilities. The payments due to the National Trust over the remaining life of the lease are as follows:

|   | 31-Mar-22<br>£'000 | 31-Mar-23<br>£'000 |
|---|--------------------|--------------------|
| Not later than one year                           | -                  | -                  |
| Later than one year and not later than five years | -                  | -                  |
| Later than five years                             | 472                | 472                |
|   | <u>472</u>         | <u>472</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 2023 (excluding any estimation of inflation and availability/performance deductions), are as follows:

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|  | Payment for<br>Services<br>£'000 | Reimbursement of<br>Capital<br>Expenditure<br>£'000 | Interest<br>£'000 | Total<br>£'000 |
|--|----------------------------------|---|-------------------|----------------|
| Payable in 2023/24                     | 828                              | 1,705   | 4,910             | 7,443          |
| Payable within two to five years       | 3,532                            | 7,541   | 19,788            | 30,862         |
| Payable within six to ten years        | 5,127                            | 11,004  | 25,086            | 41,218         |
| Payable within eleven to fifteen years | 5,617                            | 12,374  | 25,302            | 43,293         |
| Payable within sixteen to twenty years | 5,157                            | 10,616  | 19,188            | 34,961         |
| <b>Total</b>                           | <b>20,261</b>                    | <b>43,240</b>                                       | <b>94,274</b>     | <b>157,777</b> |

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-22<br>£'000 | 31-Mar-23<br>£'000 |
|---|--------------------|--------------------|
| <b>Balance outstanding at start of year</b> | <b>33,351</b>      | <b>33,350</b>      |
| Net payments during the year                | (1)                | (1,632)            |
| <b>Balance outstanding at year-end</b>      | <b>33,350</b>      | <b>31,718</b>      |

## Glan Usk Primary School

2022/23 was the fourteenth 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 2023 (excluding any estimation of inflation and availability/performance deductions) are as follows:

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|  | Payment for<br>Services<br>£'000 | Reimbursement<br>of Capital<br>Expenditure<br>£'000 | Interest<br>£'000 | Total<br>£'000 |
|--|----------------------------------|---|-------------------|----------------|
| Payable in 2023/24                     | 692                              | 676   | 777               | 2,145          |
| Payable within two to five years       | 4,277                            | 1,926   | 2,654             | 8,857          |
| Payable within six to ten years        | 5,080                            | 3,013   | 3,654             | 11,748         |
| Payable within eleven to fifteen years | 1,752                            | 1,112   | 1,237             | 4,102          |
| <b>Total</b>                           | <b>11,801</b>                    | <b>6,727</b>  | <b>8,322</b>      | <b>26,852</b>  |

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-22<br>£'000 | 31-Mar-23<br>£'000 |
|---|--------------------|--------------------|
| <b>Balance outstanding at start of year</b> | <b>7,971</b>       | <b>7,352</b>       |
| Net payments during the year                | (619)              | (625)              |
| <b>Balance outstanding at year-end</b>      | <b>7,352</b>       | <b>6,727</b>       |

## 40 CAPITALISATION OF BORROWING COSTS

There was no capitalisation of borrowing costs in 2021/22 or 2022/23

## 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 2022/23 the Council paid £14.7m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 23.68% of pensionable pay. The figures for 2021/22 were £14.1m and 23.67% of pensionable pay. As at the 31 March 2023 contributions of £1.3m were payable (31 March 2022: £1.2m).

## 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<br>Government<br>Pension<br>Scheme<br>31-Mar-22 | Unfunded<br>Teachers<br>Discretionary<br>Benefits<br>31-Mar-22 | Local<br>Government<br>Pension<br>Scheme<br>31-Mar-23 | Unfunded<br>Teachers<br>Discretionary<br>Benefits<br>31-Mar-23 |
|--|---|--|---|--|
|  | £'000   | £'000  | £'000   | £'000  |
| Comprehensive Income and Expenditure Statement   |   |  |   |  |
| Cost of Services:  |   |  |   |  |
| Current service cost   | 44,061  | -  | 43,063  | -  |
| Past service cost (including curtailments)   | 247   | -  | 268   | -  |
| Effect of settlements  | -   | -  | -   | -  |
| Financing and Investment Income and Expenditure  |   |  |   |  |
| Interest income on plan assets   | (12,123)  | -  | (17,382)  | -  |
| Interest cost on defined benefit obligation  | 21,683  | 189  | 28,339  | 221  |
| <b>Total Post Employment Benefit Charged to the Surplus/Deficit on Provision of Services</b>   | <b>53,868</b>   | <b>189</b>   | <b>54,288</b>   | <b>221</b>   |
| Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:   |   |  |   |  |
| Remeasurement of the net defined benefit liability comprising:   |   |  |   |  |
| Changes in Demographic Assumptions   | (5,641)   | (83)   | (40,032)  | (148)  |
| Return on assets excluding amounts included in net interest  | (24,017)  | -  | 20,957  | -  |
| Changes in financial assumptions   | (78,628)  | (217)  | (392,073)   | (1,101)  |
| Other experience   | 1,742   | (331)  | 71,667  | 182  |
| <b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>                                       | <b>(106,544)</b>                                      | <b>(631)</b>   | <b>(339,481)</b>                                      | <b>(1,067)</b>   |
| 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 | 53,868  | 189  | 54,288  | 221  |
| <b>Actual amount charged against the Council Fund Balance for pensions in the year</b>   |   |  |   |  |
| Employer contributions   | 17,554  | -  | 19,852  | -  |
| Contributions in respect of unfunded benefits  | 1,241   | (840)  | 1,167   | (786)  |
| Effect of business combinations and disposals  | -   | -  | -   | -  |
|  | <b>18,795</b>   | <b>(840)</b>   | <b>21,019</b>   | <b>(786)</b>   |

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## Assets and Liabilities in Relation to Retirement Benefits

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

|  | <b>Funded liabilities:<br/>Local Government Pension Scheme<br/>31-Mar-22<br/>£'000</b> | <b>Unfunded liabilities:<br/>Teachers Discretionary Benefits<br/>31-Mar-22<br/>£'000</b> | <b>Funded liabilities:<br/>Local Government Pension Scheme<br/>31-Mar-23<br/>£'000</b> | <b>Unfunded liabilities:<br/>Teachers Discretionary Benefits<br/>31-Mar-23<br/>£'000</b> |
|--|--|--|--|--|
| <b>Opening balance at 1 April</b>                                      | <b>(1,071,254)</b>   | <b>(9,847)</b>   | <b>(1,037,887)</b>   | <b>(8,565)</b>   |
| Current service cost   | (44,061)   | -  | (43,063)   | -  |
| Interest cost on defined benefit obligation                            | (21,683)   | (189)  | (28,339)   | (221)  |
| Plan participants contributions  | (5,031)  | -  | (5,645)  | -  |
| Actuarial gains and losses arising on changes in financial assumptions | 78,628   | 217  | 392,073  | 1,101  |
| Changes in Demographics Assumptions                                    | 5,641  | 83   | 40,032   | 148  |
| Other experience   | (1,742)  | 331  | (43,576)   | (182)  |
| Benefits paid  | 21,862   | 840  | 23,914   | 786  |
| Past service cost (including curtailments)                             | (247)  | -  | (268)  | -  |
| Effect of business combinations and disposals                          | -  | -  | -  | -  |
| <b>Closing balance at 31 March</b>                                     | <b>(1,037,887)</b>   | <b>(8,565)</b>   | <b>(702,759)</b>   | <b>(6,933)</b>   |

## Local Government Pension Scheme

|   | <b>31-Mar-22<br/>£'000</b> | <b>31-Mar-23<br/>£'000</b> |
|---|----------------------------|----------------------------|
| <b>Opening balance at 1 April</b>                           | <b>605,986</b>             | <b>643,250</b>             |
| Interest income on plan assets                              | 12,123                     | 17,382                     |
| Return on assets excluding amounts included in net interest | 24,017                     | (20,957)                   |
| Employer contributions                                      | 18,795                     | 21,019                     |
| Contributions by scheme participants                        | 5,031                      | 5,645                      |
| Benefits paid   | (22,702)                   | (24,700)                   |
| Other Experience  | -                          | (28,091)                   |
| Effect of business combinations and disposals               | -                          | -                          |
| <b>Closing balance at 31 March</b>                          | <b>643,250</b>             | <b>613,548</b>             |

Reconciliation of fair value of scheme assets

## 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. The Actuary will periodically review its assumptions about how long fund beneficiaries will live to be able to predict scheme obligations. Simplistically this equates to benefit obligations being provided until 87.33 years on average. Both the Teachers' Discretionary Benefits and Greater Gwent (Torfaen) Pension Fund liabilities have been assessed by

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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 2022.

The principal assumptions used by the actuary have been:

|   | Local Government Pension Scheme |           | Unfunded Teachers Discretionary Benefits |           |
|---|---------------------------------|-----------|--|-----------|
|   | 31-Mar-22                       | 31-Mar-23 | 31-Mar-22                                | 31-Mar-23 |
| Mortality assumptions:                      |                                 |           |  |           |
| Longevity at 65 for current pensioners:     |                                 |           |  |           |
| - Men (years)                               | 20.5                            | 20.2      | 20.5                                     | 20.2      |
| - Women (years)                             | 23.2                            | 23.1      | 23.2                                     | 23.1      |
| Longevity at 65 for future pensioners:      |                                 |           |  |           |
| - Men (years)                               | 21.8                            | 21.1      | 21.8                                     | 21.1      |
| - Women (years)                             | 25.1                            | 24.9      | 25.1                                     | 24.9      |
| Other Assumptions:                          |                                 |           |  |           |
| Rate of CPI Inflation                       | 3.20%                           | 2.95%     | 3.20%                                    | 2.95%     |
| Rate of increase in salaries                | 3.50%                           | 3.45%     | N / A                                    | N / A     |
| Rate of increase in pensions                | 3.20%                           | 2.95%     | 3.20%                                    | 2.95%     |
| Rate for discounting scheme liabilities     | 2.70%                           | 4.75%     | 2.70%                                    | 4.75%     |
| Take-up of option to convert annual pension | 50.00%                          | 65.00%    | N / A                                    | N / A     |

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

|                   | 31-Mar-22<br>£'000 | 31-Mar-23<br>£'000 |
|-------------------|--------------------|--------------------|
| Equity Securities | -                  | -                  |
| Investment Funds  | 566,278            | 534,674            |
| Property          | 14,721             | 12,426             |
| Infrastructure    | -                  | 8,238              |
| Alternatives      | 58,842             | 55,026             |
| Cash              | 3,409              | 3,184              |
|                   | <b>643,250</b>     | <b>613,548</b>     |

## 43 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2021.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with Welsh Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

- **Credit Risk:** The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- **Liquidity Risk:** The possibility that the Council might not have the cash available to make contracted payments on time.
- **Market Risk:** The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices

### **Credit Risk**

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of [A-], the UK government, other local authorities and organisations without credit ratings upon which the Council has received independent investment advice. 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). Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

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 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 credit quality of £10m of the Council's investments is enhanced by collateral held - £10m in the form of covered bonds collateralised by residential mortgages, the collateral significantly reduces the likelihood of the Council suffering a credit loss on these investments.

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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.

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:

|                   | Estimated Exposure at 31 Mar 2022 | Outstanding Debt as at 31 Mar 2023 | Historic experience of default | Estimated Exposure to non-repayment Mar 2023 |
|-------------------|-----------------------------------|------------------------------------|--------------------------------|--|
|                   | £'000                             | £'000                              | %                              | £'000  |
| Council tax debts | 227                               | 10,795                             | 2.20                           | 237  |
| Trade debtors     | 76                                | 11,664                             | 0.78                           | 91   |
|                   | <b>303</b>                        |                                    |                                | <b>328</b>                                   |

The Council expects repayment of its general debt within 30 days. However, £5.8m (50%) of £11.6m trade debt is past this due date. The equivalent 2021/22 comparison indicated 42% of debts exceeded 30 day period. Reasonable forbearance in recovery action has been applied whilst the electorate cope with the economic effects of the cost of living crisis. The trade debt is analysed as:

|                          | 31-Mar-22    | 31-Mar-23     |
|--------------------------|--------------|---------------|
|                          | £'000        | £'000         |
| Less than thirty days    | 5,491        | 5,842         |
| Less than three months   | 801          | 1,444         |
| Three months to one year | 1,414        | 1,809         |
| More than one year       | 1,809        | 2,569         |
|                          | <b>9,515</b> | <b>11,664</b> |

Additionally, the Council has also provided loan agreements to third party organisations who are undertaking city regeneration, currently this amounts to £10.6m. These 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 access to a general risk reserve for investments, totalling £2,676k.

## 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-22      | 31-Mar-23      |
|----------------------------|----------------|----------------|
|                            | £'000          | £'000          |
| <b>Loan maturity</b>       |                |                |
| Less than one year         | 4,406          | 5,012          |
| Between one and two years  | 4,250          | 7,068          |
| Between two and five years | 35,155         | 31,073         |
| More than five years       | 96,685         | 95,464         |
|                            | <b>140,497</b> | <b>138,617</b> |

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

## Market Risk

Market risk comprises interest rate, price and foreign exchange considerations.

### Market Risks - Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income will rise
- investments at fixed rates – the fair value of the assets will fall.

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

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.

### Market Risks - Price Risk

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

### Market Risks - 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 2023:

- **MMI Insurances** - The Council manages the residual insurance fund of the former Gwent County Council on behalf of Torfaen, Blaenau Gwent, Caerphilly and Monmouthshire 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

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£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. No transactional activity was evident against that reserve in 2022/23.

- **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 2023 the total claims outstanding particular to NCC is estimated at £3.1m. A provision has been made for claims totalling £1.3m 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.

The Council is also aware that it may be liable to contribute towards the cost of repairing the Duffryn District Heating System. The heating system was transferred to Newport City Homes as part of a historic transfer of housing stock, however, as part of that transfer, the Council agreed to contribute towards the future cost of repair. It is now known that the system requires repair. However, whilst it is known that the amount the Council will have to contribute is capped, the actual amount to be contributed is dependent upon the maintenance regime that has been in place in recent years and other ongoing discussions regarding liability. Until those discussions have concluded, it will not be known how much will need to be contributed and when.

- **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.
- **Landfill Tax** - 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 have worked with WRA to provide all information requested and have been issued with an assessment in relation to unpaid tax, part of which has been settled. The balance of the assessment remains subject to an ongoing legal process and, therefore, there is still uncertainty as to whether any further payments will be required and to what value those payments may amount. In addition to the WRA enquiry, HMRC have also opened their own enquiry and have issued the Council with an assessment of Landfill Tax to be repaid in relation to the 2017/18 financial year. As with the WRA assessment, until the legal process has been concluded, it will not be known whether any repayment will be made and to what value it could amount.

## 45 CONTINGENT ASSETS

No Contingent Assets were identified at 31 March 2023.

## INTRODUCTION

The group accounts that follow comply with the requirement of the 2022/23 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 2021/22, 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 2021/22 accounts. All notes have been restated where necessary to correspond to the final 2021/22 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 2023

| Gross Expenditure | Restated Group Total 2021/22 | Net Expenditure  |  | Group Total 2022/23 |                  |                  |
|-------------------|------------------------------|------------------|--|---------------------|------------------|------------------|
|                   | Gross Income                 |                  |  | Gross Expenditure   | Gross Income     | Net Expenditure  |
| £'000             | £'000                        | £'000            |  | £'000               | £'000            | £'000            |
| 38,120            | (8,480)                      | 29,640           | Childrens Services   | 43,681              | (9,235)          | 34,445           |
| 80,642            | (32,304)                     | 48,338           | Adult Services   | 90,249              | (27,134)         | 63,115           |
| 28,476            | (25,885)                     | 2,592            | Prevention & Inclusion   | 32,075              | (28,944)         | 3,131            |
| 32,628            | (5,486)                      | 27,142           | Corporate  | 40,663              | (10,045)         | 30,618           |
| 18,328            | (13,145)                     | 5,183            | Housing & Communities  | 22,495              | (13,846)         | 8,650            |
| 30,325            | (12,879)                     | 17,446           | Environment & Public Protection  | 30,398              | (8,353)          | 22,045           |
| 32,277            | (17,793)                     | 14,484           | Infrastructure   | 35,313              | (18,240)         | 17,074           |
| 21,110            | (11,406)                     | 9,704            | Regeneration & Economic Development  | 18,189              | (7,595)          | 10,594           |
| 28,669            | (10,129)                     | 18,539           | Education  | 33,059              | (12,687)         | 20,371           |
| 157,030           | (35,443)                     | 121,587          | Schools  | 169,203             | (30,928)         | 138,275          |
| 41,260            | (42,559)                     | (1,298)          | Other Non Department Costs   | 38,562              | (38,255)         | 307              |
| 5,520             | -                            | 5,520            | Newport Transport Operating Expenditure  | 9,570               | -                | 9,570            |
| <b>514,385</b>    | <b>(215,508)</b>             | <b>298,878</b>   | <b>Cost of services</b>  | <b>563,457</b>      | <b>(205,262)</b> | <b>358,195</b>   |
| 26,813            | -                            | 26,813           | Other operating expenditure  | 28,672              | -                | 28,672           |
| 20,838            | (1,055)                      | 19,783           | Financing and investment income and expenditure  | 21,741              | (1,655)          | 20,086           |
| -                 | -                            | -                | (Surplus) / deficit on discontinued operations   | -                   | -                | -                |
| -                 | (372,991)                    | (372,991)        | Taxation and non-specific grant income   | 321                 | (393,340)        | (393,019)        |
| <b>562,036</b>    | <b>(589,554)</b>             | <b>(27,517)</b>  | <b>(Surplus) / Deficit on Provision of services</b>  | <b>614,191</b>      | <b>(600,257)</b> | <b>13,934</b>    |
|                   |                              | (11,656)         | (Surplus) / deficit on revaluation of Property Plant and Equipment assets                          |                     |                  | 78,286           |
|                   |                              | (107,175)        | Actuarial (gains) / losses on pensions assets / liabilities  |                     |                  | (340,548)        |
|                   |                              | -                | Other gains / losses required to be included in the Comprehensive Income and Expenditure Statement |                     |                  | -                |
|                   |                              | -                | Share of other comprehensive income and Expenditure of Subsidiaries                                |                     |                  | -                |
|                   |                              | <b>(118,831)</b> | <b>Other Comprehensive Income and Expenditure</b>  |                     |                  | <b>(262,262)</b> |
|                   |                              | <b>(146,348)</b> | <b>Total Comprehensive Income and Expenditure</b>  |                     |                  | <b>(248,328)</b> |

## GROUP BALANCE SHEET AS AT 31 MARCH 2023

Restated

| <b>Total<br/>2021/22</b> |  | <b>Notes</b> | <b>Total<br/>2022/23</b> |
|--------------------------|--|--------------|--------------------------|
| £'000                    |  |              | £'000                    |
| 401,223                  | Property, Plant and Equipment                  | 5            | 449,091                  |
| 151,210                  | Property, Plant and Equipment - Infrastructure | 5            | 147,456                  |
| 17,362                   | Heritage Assets                                |              | 19,451                   |
| 12,530                   | Investment Property                            |              | 12,411                   |
| 196                      | Long Term Investments                          |              | 10,608                   |
| 27,216                   | Long Term Debtors                              |              | 27,476                   |
| <b>609,737</b>           | <b>Long Term Assets</b>                        |              | <b>666,494</b>           |
| 56,294                   | Short Term Investments                         |              | 20,155                   |
| 742                      | Assets Held for Sale                           |              | 313                      |
| 1,305                    | Inventories                                    |              | 575                      |
| 76,179                   | Short Term Debtors                             | 8            | 78,834                   |
| 131                      | Deferred Tax Asset                             |              | 131                      |
| 7,293                    | Cash and Cash Equivalents                      | 10           | 24,571                   |
| <b>141,944</b>           | <b>Current Assets</b>                          |              | <b>124,579</b>           |
| (5,049)                  | Short Term Borrowing                           |              | (5,012)                  |
| (72,987)                 | Short Term Creditors                           | 9            | (70,078)                 |
| (6,514)                  | Short Term Provisions                          | 11           | (7,941)                  |
| (13,169)                 | Other Short Term Liabilities                   |              | (19,190)                 |
| <b>(97,719)</b>          | <b>Current Liabilities</b>                     |              | <b>(102,221)</b>         |
| (17,251)                 | Long Term Creditors                            | 7            | (21,650)                 |
| (6,862)                  | Long Term Provisions                           | 11           | (6,431)                  |
| (136,058)                | Long Term Borrowing                            |              | (132,149)                |
| (403,203)                | Pension Liability                              |              | (96,144)                 |
| (33,649)                 | Other Long Term Liabilities                    |              | (28,213)                 |
| -                        | Deferred tax liability                         |              | -                        |
| <b>(597,022)</b>         | <b>Long Term Liabilities</b>                   |              | <b>(284,587)</b>         |
| <b>56,940</b>            | <b>Net Assets</b>                              |              | <b>404,264</b>           |
| (151,852)                | Usable Reserves                                |              | (138,868)                |
| 94,911                   | Unusable Reserves                              | 16           | (265,399)                |
| <b>(56,940)</b>          | <b>Total Reserves</b>                          |              | <b>(404,264)</b>         |

## GROUP MOVEMENTS IN RESERVE STATEMENT FOR YEAR ENDING 31 MARCH 2022

| GROUP  | Council Fund Balance | Earmarked General Fund Reserves | Capital Receipts Reserve | Total Usable Reserves | Unusable Reserves | Total Reserves   |
|--|----------------------|---------------------------------|--------------------------|-----------------------|-------------------|------------------|
|  | £'000                | £'000                           | £'000                    | £'000                 | £'000             | £'000            |
| <b>Restated</b>  |                      |                                 |                          |                       |                   |                  |
| <b>Balance at the 31 Mar 2021 carried forward</b>  | <b>(6,500)</b>       | <b>(95,018)</b>                 | <b>(6,753)</b>           | <b>(108,271)</b>      | <b>197,620</b>    | <b>89,349</b>    |
| <b>Movement in reserves during 2021/22</b><br>(Surplus) / deficit on the provision of services | (26,540)             | -                               | -                        | (26,540)              | (977)             | (27,517)         |
| Other comprehensive Income and Expenditure   | -                    | -                               | -                        | -                     | (118,831)         | (118,831)        |
| <b>Total Comprehensive Income and Expenditure</b>  | <b>26,540</b>        | <b>-</b>                        | <b>-</b>                 | <b>(26,540)</b>       | <b>(119,808)</b>  | <b>(146,348)</b> |
| Adjustments between accounting basis and funding basis under regulations                       | (14,401)             | -                               | (2,637)                  | (17,038)              | 17,097            | 59               |
| <b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>                          | <b>(40,941)</b>      | <b>-</b>                        | <b>(2,637)</b>           | <b>(43,578)</b>       | <b>(102,711)</b>  | <b>(146,289)</b> |
| Transfer to/ from Earmarked Reserves   | 40,945               | (40,945)                        | -                        | -                     | -                 | -                |
| <b>(Increase) / Decrease in 2021/22</b>  | <b>4</b>             | <b>(40,945)</b>                 | <b>(2,637)</b>           | <b>(43,578)</b>       | <b>(102,711)</b>  | <b>(146,289)</b> |
| <b>Balance at the 31 Mar 2022 carried forward</b>  | <b>(6,496)</b>       | <b>(135,963)</b>                | <b>(9,390)</b>           | <b>(151,849)</b>      | <b>94,909</b>     | <b>(56,940)</b>  |
| <b>Balance at the 31 Mar 2022 carried forward</b>  | <b>(6,496)</b>       | <b>(135,963)</b>                | <b>(9,390)</b>           | <b>(151,849)</b>      | <b>94,909</b>     | <b>(56,940)</b>  |
| <b>Movement in reserves during 2022/23</b>   |                      |                                 |                          |                       |                   |                  |
| (Surplus) / deficit on the provision of services   | 14,954               | -                               | -                        | 14,954                | (1,020)           | 13,934           |
| Other comprehensive Income and Expenditure   | -                    | -                               | -                        | -                     | (361,260)         | (361,260)        |
| <b>Total Comprehensive Income and Expenditure</b>  | <b>14,954</b>        | <b>-</b>                        | <b>-</b>                 | <b>14,954</b>         | <b>(362,280)</b>  | <b>(347,326)</b> |
| Adjustments between accounting basis and funding basis under regulations                       | (1,530)              | -                               | (440)                    | (1,970)               | 1,970             | -                |
| <b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>                        | <b>13,424</b>        | <b>-</b>                        | <b>(440)</b>             | <b>12,984</b>         | <b>(360,310)</b>  | <b>(347,326)</b> |
| Transfer to/ from Earmarked Reserves   | (13,424)             | 13,424                          | -                        | -                     | -                 | -                |
| <b>(Increase) / Decrease in 2022/23</b>  | <b>-</b>             | <b>13,424</b>                   | <b>(440)</b>             | <b>12,984</b>         | <b>(360,310)</b>  | <b>(347,326)</b> |
| <b>Balance at the 31 Mar 2023 carried forward</b>  | <b>(6,496)</b>       | <b>(122,539)</b>                | <b>(9,830)</b>           | <b>(138,868)</b>      | <b>(265,401)</b>  | <b>(404,267)</b> |

## GROUP CASH FLOW STATEMENT FOR YEAR ENDING 31 MARCH 2023

| <b>Total</b><br><b>2021/22</b><br>£'000 |   | Note | <b>Total</b><br><b>2022/23</b><br>£'000 |
|---|---|------|---|
| (27,516)                                | Net (surplus) / deficit on the provision of services as shown on the Comprehensive Income and Expenditure Statement                   |      | 13,934                                  |
| (70,549)                                | Adjustments to net surplus or deficit on the provision of services for non-cash movements   | 12   | (58,468)                                |
| 41,011                                  | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 12   | 17,893                                  |
| <b>(57,053)</b>                         | <b>Net cash flows from Operating Activities</b>   |      | <b>(26,640)</b>                         |
| 54,437                                  | Investing Activities  | 13   | 12,684                                  |
| 6,785                                   | Financing Activities  | 14   | (3,321)                                 |
| <b>4,169</b>                            | <b>Net (increase) or decrease in cash and cash equivalents</b>  |      | <b>(17,277)</b>                         |
| 11,462                                  | Cash and cash equivalents at the beginning of the reporting period  | 10   | 7,293                                   |
| <b>7,293</b>                            | <b>Cash and cash equivalents at the end of the reporting period</b>   | 10   | <b>24,571</b>                           |

# Group Accounts

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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.

|                     | 31-Mar-22 | 31-Mar-23  |
|---------------------|-----------|------------|
| £155,000 - £159,999 | -         | 2          |
| £130,000 - £134,999 | 1         | 1          |
| £115,000 - £119,999 | -         | 2          |
| £110,000 - £114,999 | 1         | 1          |
| £105,000 - £109,999 | 3         | 3          |
| £100,000 - £104,999 | 2         | 3          |
| £95,000 - £99,999   | 2         | 1          |
| £90,000 - £94,999   | 1         | 2          |
| £85,000 - £89,999   | 3         | 7          |
| £80,000 - £84,999   | 10        | 7          |
| £75,000 - £79,999   | 13        | 12         |
| £70,000 - £74,999   | 14        | 13         |
| £65,000 - £69,999   | 20        | 17         |
| £60,000 - £64,999   | 24        | 44         |
| <b>Total</b>        | <b>94</b> | <b>115</b> |

Further information regarding the remuneration of the employees of Newport Transport is contained within the company's 2022/23 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 2022/23 the following fees were paid by the council and its subsidiary in respect of audit and inspection.

|   | 31-Mar-22  | 31-Mar-23  |
|---|------------|------------|
|   | £'000      | £'000      |
| Fees payable with regard to external audit of accounts                      | 213        | 244        |
| Fees payable in respect of local government measure                         | 106        | 112        |
| Fees payable for the certification of grant claims and returns for the year | 57         | 61         |
| Fees payable for other financial audit work                                 | 1          | 1          |
| <b>Total</b>  | <b>377</b> | <b>419</b> |

## 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-22     | 31-Mar-23     |
|---|---------------|---------------|
|   | £'000         | £'000         |
| Not later than one year                           | 1,952         | 2,628         |
| Later than one year and not later than five years | 6,186         | 7,813         |
| Later than five years                             | 11,264        | 15,406        |
|   | <b>19,402</b> | <b>25,847</b> |

### 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-22  | 31-Mar-23  |
|---------------------------|------------|------------|
|                           | £'000      | £'000      |
| Vehicle, Plant, Furniture | 725        | 725        |
| Equipment                 | 245        | 245        |
|                           | <b>970</b> | <b>970</b> |

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-22  | 31-Mar-23  |
|--|------------|------------|
|  | £'000      | £'000      |
| Finance lease liabilities<br>(net present value of minimum lease payments) |            |            |
| - current  | 134        | 35         |
| - non-current  | 136        | 101        |
| Finance costs payable in future years                                      | 19         | 12         |
| <b>Minimum lease payments</b>  | <b>289</b> | <b>148</b> |

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

|   | Minimum Lease Payments |            | Finance Lease Liabilities |            |
|---|------------------------|------------|---------------------------|------------|
|   | 31-Mar-22              | 31-Mar-23  | 31-Mar-22                 | 31-Mar-23  |
|   | £'000                  | £'000      | £'000                     | £'000      |
| Not later than one year                           | 153                    | 47         | 134                       | 35         |
| Later than one year and not later than five years | 136                    | 101        | 136                       | 101        |
|   | <b>289</b>             | <b>148</b> | <b>270</b>                | <b>136</b> |

# Group Accounts

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## 5 PROPERTY, PLANT & EQUIPMENT

| 2022/23  | Other Land & Buildings | Vehicles, Plant & Equipment | Community Assets | Surplus Assets | Assets Under Construction | Total Property, Plant and Equipment | PFI Assets within PPE |
|--|------------------------|-----------------------------|------------------|----------------|---------------------------|-------------------------------------|-----------------------|
|  | £'000                  | £'000                       | £'000            | £'000          | £'000                     | £'000                               | £'000                 |
| <b>Cost or Valuation</b>                       |                        |                             |                  |                |                           |                                     |                       |
| At 1 April 2022                                | 363,035                | 48,883                      | 252              | 6,423          | 30,247                    | <b>448,840</b>                      | 69,579                |
| Additions                                      | 11,275                 | 2,990                       | 250              | 1              | 36,232                    | <b>50,748</b>                       | 5                     |
| Donations                                      | -                      | -                           | -                | -              | -                         | -                                   | -                     |
| Re-classification                              | (3,563)                | 3,638                       | 54               | 5,200          | (4,173)                   | <b>1,156</b>                        | -                     |
| Revaluations                                   | 28,493                 | -                           | 8                | (7,202)        | -                         | <b>21,299</b>                       | 561                   |
| Impairments                                    | (9,988)                | (37)                        | (250)            | (1)            | -                         | <b>(10,276)</b>                     | (5)                   |
| Disposals                                      | (213)                  | (8,804)                     | -                | -              | (2)                       | <b>(9,019)</b>                      | -                     |
| <b>At 31 March 2023</b>                        | <b>389,039</b>         | <b>46,670</b>               | <b>314</b>       | <b>4,421</b>   | <b>62,304</b>             | <b>502,748</b>                      | <b>70,140</b>         |
| <b>Accumulated Depreciation and Impairment</b> |                        |                             |                  |                |                           |                                     |                       |
| At 1 April 2022                                | (16,889)               | (30,714)                    | -                | -              | (14)                      | <b>(47,617)</b>                     | (24,511)              |
| Depreciation Charge in Year                    | (13,672)               | (4,317)                     | -                | -              | -                         | <b>(17,989)</b>                     | (1,785)               |
| Re-classification                              | 2,762                  | -                           | -                | -              | (471)                     | <b>2,291</b>                        | -                     |
| Revaluation Impact                             | 873                    | -                           | -                | -              | 14                        | <b>887</b>                          | -                     |
| Disposals                                      | 29                     | 8,743                       | -                | -              | -                         | <b>8,772</b>                        | -                     |
| <b>At 31 March 2023</b>                        | <b>(26,897)</b>        | <b>(26,288)</b>             | <b>-</b>         | <b>-</b>       | <b>(471)</b>              | <b>(53,656)</b>                     | <b>(26,296)</b>       |
| <b>Net Book Value</b>                          |                        |                             |                  |                |                           |                                     |                       |
| At 1 April 2022                                | 346,146                | 18,169                      | 252              | 6,423          | 30,233                    | <b>401,223</b>                      | 45,068                |
| <b>At 31 March 2023</b>                        | <b>362,142</b>         | <b>20,382</b>               | <b>314</b>       | <b>4,421</b>   | <b>61,833</b>             | <b>449,092</b>                      | <b>43,844</b>         |
| <b>Restated</b>                                |                        |                             |                  |                |                           |                                     |                       |
| 2021/22  | Other Land & Buildings | Vehicles, Plant & Equipment | Community Assets | Surplus Assets | Assets Under Construction | Total Property, Plant and Equipment | PFI Assets within PPE |
|  | £'000                  | £'000                       | £'000            | £'000          | £'000                     | £'000                               | £'000                 |
| <b>Cost or Valuation</b>                       |                        |                             |                  |                |                           |                                     |                       |
| At 1 April 2021                                | 352,417                | 58,508                      | 179              | 2,636          | 4,826                     | <b>418,566</b>                      | 67,720                |
| Additions                                      | 5,714                  | 5,021                       | 222              | -              | 28,891                    | <b>39,848</b>                       | 1,504                 |
| Donations                                      | -                      | -                           | -                | -              | -                         | -                                   | -                     |
| Re-classification                              | 993                    | 275                         | 9                | 1,851          | (3,470)                   | <b>(342)</b>                        | -                     |
| Revaluations                                   | 7,821                  | -                           | -                | 1,936          | -                         | <b>9,757</b>                        | 355                   |
| Impairments                                    | (3,590)                | (54)                        | (158)            | -              | -                         | <b>(3,802)</b>                      | -                     |
| Disposals                                      | (320)                  | (14,867)                    | -                | -              | -                         | <b>(15,187)</b>                     | -                     |
| <b>At 31 March 2022</b>                        | <b>363,035</b>         | <b>48,883</b>               | <b>252</b>       | <b>6,423</b>   | <b>30,247</b>             | <b>448,840</b>                      | <b>69,579</b>         |
| <b>Accumulated Depreciation and Impairment</b> |                        |                             |                  |                |                           |                                     |                       |
| At 1 April 2021                                | (8,346)                | (41,495)                    | -                | -              | -                         | <b>(49,841)</b>                     | (22,802)              |
| Depreciation Charge in Year                    | (12,851)               | (3,991)                     | -                | -              | -                         | <b>(16,842)</b>                     | (1,709)               |
| Re-classification                              | 418                    | -                           | -                | -              | (14)                      | <b>404</b>                          | -                     |
| Revaluation Impact                             | 3,817                  | -                           | -                | -              | -                         | <b>3,817</b>                        | -                     |
| Disposals                                      | 73                     | 14,772                      | -                | -              | -                         | <b>14,845</b>                       | -                     |
| <b>At 31 March 2022</b>                        | <b>(16,889)</b>        | <b>(30,714)</b>             | <b>-</b>         | <b>-</b>       | <b>(14)</b>               | <b>(47,617)</b>                     | <b>(24,511)</b>       |
| <b>Net Book Value</b>                          |                        |                             |                  |                |                           |                                     |                       |
| At 1 April 2021                                | 344,071                | 17,013                      | 179              | 2,636          | 4,826                     | <b>368,725</b>                      | 44,918                |
| <b>At 31 March 2022</b>                        | <b>346,146</b>         | <b>18,169</b>               | <b>252</b>       | <b>6,423</b>   | <b>30,233</b>             | <b>401,223</b>                      | <b>45,068</b>         |

## Infrastructure Assets

|                                   | 2021-22        | 2022-23        |
|-----------------------------------|----------------|----------------|
| <b>Net Book Value at 1 April</b>  | <b>147,597</b> | <b>151,210</b> |
| Additions                         | 10,004         | 5,341          |
| Disposals                         | (87)           | (2,296)        |
| Depreciation                      | (7,115)        | (5,896)        |
| Impairment                        | (104)          | (728)          |
| Other movements in Cost           | 915            | (175)          |
| <b>Net Book Value at 31 March</b> | <b>151,210</b> | <b>147,456</b> |

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

The authority has determined in accordance with Regulation 24L Wales of the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 (as amended) that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

## 6 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.

## 7 LONG TERM CREDITORS

|                           | Restated<br>31-Mar-22 | 31-Mar-23       |
|---------------------------|-----------------------|-----------------|
|                           | £'000                 | £'000           |
| Other long term creditors | (17,251)              | (21,650)        |
|                           | <u>(17,251)</u>       | <u>(21,650)</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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## 8 DEBTORS

|                             | Restated<br>31-Mar-22 |                    |               | 31-Mar-23      |                    |               |
|-----------------------------|-----------------------|--------------------|---------------|----------------|--------------------|---------------|
|                             | Gross<br>£'000        | Provision<br>£'000 | Net<br>£'000  | Gross<br>£'000 | Provision<br>£'000 | Net<br>£'000  |
| General                     | 19,119                | (6,517)            | 12,602        | 22,183         | (4,913)            | 17,270        |
| Council tax payers          | 9,877                 | (6,365)            | 3,512         | 10,795         | (7,156)            | 3,639         |
| NHS bodies                  | 2,444                 | -                  | 2,444         | 4,380          | -                  | 4,380         |
| Central government bodies * | 53,774                | -                  | 53,774        | 49,235         | -                  | 49,235        |
| Other local authorities     | 3,847                 | -                  | 3,847         | 4,309          | -                  | 4,309         |
|                             | <b>89,061</b>         | <b>(12,882)</b>    | <b>76,179</b> | <b>90,902</b>  | <b>(12,069)</b>    | <b>78,833</b> |

## 9 CREDITORS

|                            | Restated           |                    |
|----------------------------|--------------------|--------------------|
|                            | 31-Mar-22<br>£'000 | 31-Mar-23<br>£'000 |
| General                    | (44,896)           | (41,635)           |
| Central government bodies  | (14,055)           | (13,431)           |
| Prepayments of council tax | (1,449)            | (1,604)            |
| NHS bodies                 | (583)              | (395)              |
| Other local authorities    | (12,004)           | (13,012)           |
|                            | <b>(72,987)</b>    | <b>(70,077)</b>    |

## 10 CASH AND CASH EQUIVALENTS

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

|  | Restated           |                    |
|--|--------------------|--------------------|
|  | 31-Mar-22<br>£'000 | 31-Mar-23<br>£'000 |
| Cash held by the authority             | 9,760              | 25,164             |
| Bank Current accounts                  | (2,467)            | (593)              |
| <b>Total Cash and Cash Equivalents</b> | <b>7,293</b>       | <b>24,571</b>      |

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## 11 PROVISIONS

|                                   | 31-Mar-22      | Unused<br>amounts<br>reversed | Amounts<br>used | Further<br>provisions | 31-Mar-23      |
|-----------------------------------|----------------|-------------------------------|-----------------|-----------------------|----------------|
|                                   | £'000          | £'000                         | £'000           | £'000                 | £'000          |
| <i>Current Provisions</i>         |                |                               |                 |                       |                |
| Accumulated absence provision     | (2,958)        | 2,958                         | -               | (5,187)               | (5,187)        |
| Insurance / MMI Provision         | (2,304)        | -                             | 1,009           | (11)                  | (1,306)        |
| Energy Provision                  | (30)           | -                             | -               | -                     | (30)           |
| Health & Safety Fine              | (1,100)        | -                             | -               | -                     | (1,100)        |
| Overpaid Court Fees reimbursement | (122)          | -                             | -               | -                     | (122)          |
| Other                             | -              | -                             | -               | (196)                 | (196)          |
|                                   | <b>(6,514)</b> | <b>2,958</b>                  | <b>1,009</b>    | <b>(5,394)</b>        | <b>(7,941)</b> |
| <i>Long Term Provisions</i>       |                |                               |                 |                       |                |
| Landfill Capping                  | (6,620)        | -                             | 535             | (104)                 | (6,189)        |
| Other                             | (242)          | -                             | -               | -                     | (242)          |
|                                   | <b>(6,862)</b> | <b>-</b>                      | <b>535</b>      | <b>(104)</b>          | <b>(6,431)</b> |

## 12 CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

|                                     | Restated<br>31-Mar-22 | 31-Mar-23    |
|-------------------------------------|-----------------------|--------------|
|                                     | £'000                 | £'000        |
| Interest received                   | (21)                  | (1,098)      |
| Interest paid                       | 10,974                | 11,091       |
| Loss on disposal of tangible assets | (13)                  | 89           |
| Taxation                            | 125                   | (321)        |
|                                     | <b>11,065</b>         | <b>9,761</b> |

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

|  | Restated<br>31-Mar-22 | 31-Mar-23       |
|--|-----------------------|-----------------|
|  | £'000                 | £'000           |
| Depreciation                               | (23,626)              | (23,885)        |
| Impairment and downward valuations         | (1,872)               | (6,594)         |
| (Increase) / Decrease in creditors         | (21,636)              | (2,746)         |
| Increase / (Decrease) in debtors           | 9,458                 | 944             |
| Increase / (Decrease) in stock             | 829                   | (730)           |
| Pensions liability                         | (35,262)              | (33,490)        |
| Carrying amount of non-current assets sold | (2,922)               | (1,531)         |
| Other non cash adjustments                 | 4,482                 | 9,563           |
|  | <b>(70,549)</b>       | <b>(58,469)</b> |

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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:

|  | Restated<br>31-Mar-22<br>£'000 | 31-Mar-23<br>£'000 |
|--|--------------------------------|--------------------|
| Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries) | -                              | (36,139)           |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets   | 2,655                          | 440                |
| Any other items for which the cash effects are investing or financing cash flows   | 38,356                         | 53,592             |
| <b>Net cash flows from Operating activities</b>  | <b>41,011</b>                  | <b>17,893</b>      |

## 13 CASH FLOW STATEMENT – INVESTING ACTIVITIES

|  | Restated<br>31-Mar-22<br>£'000 | 31-Mar-23<br>£'000 |
|--|--------------------------------|--------------------|
| Purchase of property, plant and equipment, investment property and intangible assets               | 46,209                         | 54,049             |
| Purchase of short-term and long-term investments   | 41,000                         | 10,412             |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (2,655)                        | (440)              |
| Other receipts from investing activities   | (30,117)                       | (51,337)           |
| <b>Net cash flows from investing activities</b>  | <b>54,437</b>                  | <b>12,684</b>      |

## 14 CASH FLOW STATEMENT - FINANCING ACTIVITIES

|  | Restated<br>31-Mar-22<br>£'000 | 31-Mar-23<br>£'000 |
|--|--------------------------------|--------------------|
| Cash receipts of short- and long-term borrowing  | 545                            | (4,674)            |
| Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts | 1,079                          | 2,426              |
| Repayments of short- and long-term borrowing   | 10,456                         | 8,551              |
| Government Grant Income  | (5,295)                        | (9,625)            |
| <b>Net cash flows from financing activities</b>  | <b>6,785</b>                   | <b>(3,321)</b>     |

# Group Accounts

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## 15 TAXATION

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2022 - higher than) the standard rate of corporation tax in the UK of 19% (2022 - 19%). The differences are explained below:

|   | Restated<br>31-Mar-22 | 31-Mar-23    |
|---|-----------------------|--------------|
|   | £'000                 | £'000        |
| Profit / (Loss) on Ordinary Activities before Tax   | <b>851</b>            | <b>1,341</b> |
| Profit / (Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2022 - 19%) | 162                   | 255          |
| Effects of:   |                       |              |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairment                           | 11                    | 8            |
| Capital allowances for year in excess of depreciation   | 13                    | 16           |
| Changes in deferred tax rate  | (30)                  | 88           |
| Adjustments to tax charge in respect of prior periods   | -                     | -            |
| Rate difference regarding other comprehensive income  | -                     | -            |
| Deferred tax not recognised   | (281)                 | (45)         |
| Other timing differences leading to an increase (decrease) in taxation  | -                     | -            |
| Changes in provisions leading to an increase (decrease) in the tax charge   | -                     | -            |
| <b>Total tax charge for the year</b>  | <b>(125)</b>          | <b>322</b>   |

## 16 UN-USABLE RESERVES

|  | Restated<br>31-Mar-22 | 31-Mar-23        |
|--|-----------------------|------------------|
|  | £'000                 | £'000            |
| Profit and loss - Newport Transport                            | (2,460)               | (3,484)          |
| Revaluation Reserve - Newport Transport                        | (1,227)               | (1,321)          |
| Revaluation Reserve - Newport City Council                     | (208,222)             | (221,569)        |
| Capital Adjustment Account                                     | (95,988)              | (136,913)        |
| Financial Instruments Adjustment Account                       | 1,045                 | 954              |
| Deferred Capital Receipt Reserve                               | (21)                  | (21)             |
| Pensions Reserve   | 403,201               | 96,143           |
| Accumulated Absence Account                                    | 2,958                 | 5,187            |
| Cardiff City Region Aggregated Un-useable Reserves (NCC share) | (4,371)               | (4,371)          |
|  | <b>94,916</b>         | <b>(265,394)</b> |

## 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 non-current 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 non-current assets.
- **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 2021/22

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 2021/22

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 non-current 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 non-current 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 2021/22

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 2021/22

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 non-current assets held by the Council arising from increases in value as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

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

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

- **Treasury Management**

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

- **Trust Funds**

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

- **Unsupported (Prudential) Borrowing**

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

# Glossary of Acronyms

Statement of Accounts 2021/22

Newport City Council

|        |   |
|--------|---|
| 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.