

Report

Audit Committee

Part 1

24 September 2015

Item No 08

Subject **Audit and Adoption of the 2014-15 Statement of Accounts**

Purpose This report presents results of the external audit of the 2014-15 Statement of Accounts (Accounts), highlights the changes since they were initially published at the end of June 2015 and seeks their formal adoption as required by the Accounts and Audit (Wales) regulations 2014.

Author Assistant Head of Finance

Ward General

Summary The Accounts were published at the end of June 2014 by the Head of Finance and added to the Council's website at that time. The Accounts were available for public scrutiny, as required by the Accounts and Audit (Wales) regulations 2014, for a 20 working day period ending 21 August 2015.

Our auditors have reviewed the 2014/15 Statement of Accounts in detail, and a number of required changes have been identified. The Wales Audit Office's (WAO) accompanying report shows a summary of the agreed changes. Appendix A presents the revised Accounts which members are invited to review and subsequently approve in accordance with the Council's standing orders. Representatives from the WAO and finance staff will be available to clarify any points arising from the audit changes and the content of the Accounts as required.

Proposal Committee is recommended:

- To review the content of the 2014/15 Accounts and the WAO's Financial Statements (ISA260) report on the 2014/15 Accounts and comment as appropriate.
- To authorise the Chairman to adopt the Accounts 2014/15, in accordance with the Accounts and Audit (Wales) regulations 2014.

Action by (i) Assistant Head of Finance – publish final accounts on Council website

(ii) Head of Finance – Consulting with the WAO, review processes and agree on any improvements required for 15/16 accounts production. Reporting back to later 2015/16 Audit Committee.

Timetable Immediate

This report was prepared after consultation with:

- Monitoring Officer

Background

The Accounts were prepared in accordance with the Code of Practice on Local Authority Accounting in the UK published by CIPFA for 2014/15.

The Accounts includes the statutory "Annual Governance Statement" providing a summary of the system of internal control operating within the Council for the year to 31 March 2015. This Statement includes actions to address any identified risks.

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

The Head of Finance signed the draft set of accounts on the 30 June 2015. The complete accounts were available for public scrutiny between 27 July and 21 August 2015.

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

Members should note that the accounts preparation process suffered significant resource issues this year due to a number of changes in staff, including an experienced member of staff integral in year-end accounts production leaving the Authority. This had an impact on implementing some of the improvements that were agreed in 2013/14, however the Committee was informed that a number of these changes had not be implemented in the 2014/15 accounts when presented with the draft accounts in July.

Despite this, with the extremely hard work by the finance officers, the accounts were produced within the statutory deadline and final accounts are presented to the Committee to approve within the final statutory deadline of end of September.

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

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

WAO Financial Statements Report

The WAO's report confirms that they have completed the majority of their work and are happy to provide an unqualified opinion and that the accounting statements give a **true and fair view** of the financial position of the Authority and have been properly accounted for in accordance with the Code.

However the report also includes an 'emphasis of matter' in relation to the non-preparation of Group accounts in relation to inclusion of Newport Transport. It is important that this matter is taken into context, and is explained in further detail in this report.

The report further details the agreed changes applied to the Statement of Accounts from the original publication through to completion of the audit review. The majority of these related to disclosure notes, some amendments to lines across the comprehensive income and expenditure account and items relating to Property, Plant and Equipment, all of which had no impact on the bottom line of the accounts. There are a number of uncorrected misstatements included in the ISA260 report which is discussed further below.

Group Accounts – Newport Transport Ltd (ISA260 - Page 5)

As highlighted above, the Audit Report of the Auditor General to Newport City Council has included an 'emphasis of matter' in relation to Group Accounts within his report for the financial statements 2014/15.

It is important for members to note that the preparation of Group Accounts to include Newport Transport Ltd would have no impact on the single entity accounts (i.e. Newport City Council's accounts only) included within the Statement of Accounts. The Group Accounts are a separate financial statement included at the back of the main Statement of Accounts. There are a number of reasons Group Accounts have not been prepared for 2014/15, but as included in the Statement of Accounts, we have given assurances that these will be prepared for 2015/16 and WAO are content with these assurances. The main reasons Group Accounts have not been included in 2014/15 accounts are as follows:

- **Consistency** – The Authority has not prepared Group Accounts in the past, and has included the summary financial statements for Newport Transport Ltd in the notes to the accounts (Note 45). This gives a full view of Newport Transport Ltd's finances and explains that they are a wholly-owned "arms-length" company of the Authority, and this control has not changed from previous years. Therefore, it was our opinion we were being consistent with previous years.
- **Planning** – During the planning phase and discussions with the auditors, it was not made clear that the stance on Group Accounts from Wales Audit Office's point of view had changed from previous years, despite the level of control remaining consistent in the company. Therefore plans were not put in place to include.
- **Processes and Timing** – Group Accounts were not included in the draft financial statements presented to Wales Audit Office and then to Audit Committee in July. At this time we were not made aware that this would be an issue in terms of emphasis of matter. Following discussion with interim Assistant Head of Finance, we were made aware that it would be an emphasis of matter on 3rd September. Due to the processes and time required to consolidate Newport Council and Newport Transport's accounts, this was not possible in the time available and processes are not currently in place to obtain this information. These processes will be put in place in time for 2015/16 Statement of Accounts.
- **Disclosure** – As discussed above within note 45 the financial statements of Newport Transport are disclosed, which gives the reader of the accounts full information on the company's finances. Also disclosed is the amount the group accounts would differ from the single entity accounts.

Property Plant and Equipment Additions inclusion of VAT (ISA260 – Page 6)

- VAT which should have been repaid by the contractor was deducted from funding that we provided to the contractor, therefore the impact was net nil, however this should have been done as a separate repayment. As stated, this was an isolated issue, and will be rectified in the future following discussion with the contractor.

Landfill capping Provision (ISA260 – Page 6)

- The landfill provision will be reviewed in 2015/16 and adjustment made to include revised amount.

Equal Pay Provision and Reserve (ISA260 – Page 6)

- The provision of £500,000 for bridging payments was estimated at a time when the values of estimated equal pay claims were at a lot higher value and the period covered was greater. Therefore the provision was created at this value. Following review, this amount should have been provided for at a lower amount. The Pay reserve also includes elements to cover Equal Pay issues. All reserves were agreed at Cabinet at year end.

A full review of the provision and Pay reserve will be undertaken in 2015/16, to ascertain the appropriate level required to cover for future unknown pay issues, such as Equal Pay and Total Reward which will begin to be finalised in the financial year.

Pension Liability (ISA260 – Page 6)

- The Authority provides an estimated value for pension contributions during the year to its actuary to calculate pensions information for the accounts. The final actual figures compared to the estimated figures provided was a 1% error in the payroll figure provided. The final information provided by the actuary is subject to a great deal of judgement and estimation. The estimated impact of £120,000 is in the context of an overall pension liability of £252.15m (0.05% impact). This liability is also offset by a pension reserve, so there would be no impact on the outturn reported.

Accrual of expenditure (ISA260 – Page 7)

- An accrual for Tredegar House lease and creditors included in 2014/15 was based on information used in 2013/14. Due to an incorrect posting this caused an error in the accounts across a number of areas. The incorrect posting was corrected to amend the figures for the lease premiums, long-term debtors and long-term creditors, which all have separate identifiable notes in the accounts; this left a net-error of £154,500 on the accrual. Wales Audit Office have extrapolated this error over the total of accruals and given a **potential** error of £513,500, which is still below materiality.

Note 28 - Resource Allocation (ISA260 – Page 7)

- This note reconciles our revenue outturn reported to Council in June 2015 back to the Surplus/Deficit on the provision of services within the Comprehensive Income and Expenditure Account (CI&E). There remains an adjusting item of £3.991m for which we are unable reconcile back to the CI&E. This is due to two separate reports being run for both the CI&E and the note 28. Given that this is a net nil adjustment, it will not have an impact on the bottom line.
A single report is being worked on for 2015/16 which will be able to be run for the note 28 and CI&E which will allow these to be tied up.

Jointly Controlled Operations (ISA260 – Page 7)

- As we reported to members in previous years, the Council is involved in a number of Joint Ventures, where assets are controlled and income are shared by a number of Authorities, for example the Greater Gwent Crematorium Committee.
- The LG Code requires that the appropriate % of the Joint Ventures income and assets should be included within the relevant line of our accounts. Our CIES and Balance Sheet does not currently include these amounts. Instead we have provided a detailed disclosure of the balances of these ventures and our % share within Note 47.
- While it was the intention to include these in the accounts in 2014/15 due to the changes in staff and the subsequent pressure on resources, given the materiality level it was decided that these would not be included in our accounts.
- A report will be brought to Audit Committee in the future to outline the companies in which we have an element of control such as Joint committees and Joint ventures, and a proposed treatment of these within the context of the Code and materiality. This will be shared with the auditor's

Other Issues arising from the audit (ISA260 – Page 8)

As highlighted in the ISA260 report, there were a number of issues in regards to delivering some of the aspects that were expected. As explained previously there were significant staff changes in 2014/15, and this included the vast majority of officers who dealt with closing 2013/14 accounts. Therefore it was both difficult from an operational point of view, but also taking on

improvements/lessons learned that were agreed in 2013/14. There were also areas where due to time pressures, previous working papers were used to carry out year-end adjustments, which without the level of staff turnover wouldn't have been an issue.

Given the above, the accounting team worked extremely hard through the closing period, working over and above the hours expected from them and a set of accounts was prepared by the statutory deadlines, with no material misstatements. Within the challenging context, and there being no change to the Council's reserves following audit, the result has been very positive.

Financial Summary:

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

Risks:

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

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

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

Options Considered/Available

Approve the modified Statement of Accounts for 2014/15 with promise that Group Accounts will be included from 2015/16.

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

Preferred choice and reasons

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

Comments of Chief Financial Officer

The accounts here have been adjusted for material corrections but they do not impact on the Council's level of reserves. They relate to various notes etc.

The 'emphasis of matter' from the auditor's is clearly disappointing but in essence, just tells any reader that group accounts have not been prepared – it does not relate to any financial transactions of the single entity Newport City Council's accounts in-itself. The Committee should take comfort from this and note that group accounts will be prepared for 2015/16.

In the context of the very challenging position in relation to experienced staffing issues, the fact that draft accounts were produced by 30th June and then no significant audit corrections were required and in particular one's that affected level of reserves should be seen as a success. This is due in no small part to the hard work by finance staff, in particular those in the capital/corporate finance teams.

Comments of Monitoring Officer

Audit Committee are required to approve and sign off the modified Statement of Accounts for 2014/15 before 30th September in accordance with the Accounts and Audit (Wales) (Amendment) Regulations 2014. This function has been delegated by full Council to the Audit Committee.

The WAO Report provides an unqualified opinion in relation to the Statement of Accounts and confirms that the accounting statements give a true and fair view of the Council's financial position.

The "emphasis of matter" is simply a technical point regarding the treatment of the Group Accounts relating to Newport Transport and the financial position of the company is already disclosed in the summary financial statements and notes to the accounts.

Staffing Implications-: Comments of Head of Human Resources and Policy

There are no staffing implications arising from the report

Background Papers

Draft Statement of Accounts 2014/15 circulated to all Members

Revised Statement of Accounts (Attached)

Statement of Accounts 2014/15



Contents

	Page No.
Head of Finance's Explanatory Foreword and Report	5
Statement of Responsibility	15
Annual Governance Statement	16
Auditor's Report	40
Comprehensive Income and Expenditure Statement	41
Movement in Reserves Statement	42
Balance Sheet	43
Cash Flow Statement	44
Accounting Policies	45
Notes to the Statement of Accounts	60
Glossary of Accounting Related Terminology	131
Glossary of Acronyms	136
Further Information	137

Notes to the Statement of Accounts Index

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

Contents

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

Head of Finance's Explanatory Foreword and Report

Statement of Accounts 2014/15

Newport City Council

Introduction

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

These Statement of Accounts cover the period 1 April 2014 to 31 March 2015 and have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2014/2015' (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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

- **The Comprehensive Income and Expenditure Statement (CIES):** showing the accounting cost in year of providing services in accordance with generally accepted accounting practices;
- **The Movement in Reserves Statement:** summarises the Authority's income and expenditure activity and shows how this is adjusted to arrive at the Authority's funding, or council tax position, and how surpluses/ deficits have been distributed to reserves;
- **The Balance Sheet:** shows the value as at the 31 March 2015 of the assets and liabilities held and recognised by the Authority;
- **The Cash Flow Statement:** shows the movements in cash and cash equivalents of the Authority during the reporting period.

Background

The Statement of Accounts need to be seen in the context of the challenging funding position which Local Government faces and local events within the Authority.

Impact of Current Economic Climate on the Authority

In line with other Authorities, Newport City Council's reducing grant settlement continues to put pressure on the budget, with the need to invest in baseline services and meet increasing demand for services far outweighing funding availability. In 2014/15, like the previous 2-3 years, significant savings were required to produce a balanced budget and maintain essential services, resulting in summary from the following:

- Investment in budgets for key priorities of nearly £4m (excluding transfer of specific grants into the base budget)
- Inflationary pressures e.g. annual pay rises, on base budget at just over £2m
- Reduction in Revenue Support Grant of nearly £3m (excluding transfers of specific grants into the settlement)
- Resulting savings required of nearly £8m with Council Tax increase making up the difference

Delivering this scale of savings year on year brings with it financial risks in terms of delivery and the need to have the resources to fund the 'cost of change'. The Authority has a good level of

Head of Finance's Explanatory Foreword and Report

Statement of Accounts 2014/15

Newport City Council

base budget contingency at £2m (£1.5m in 2015/16) and an Invest to Save reserve to help in these respects.

In 2014/15, the Welsh Government signalled a likely deterioration in future funding for Local Authorities and indeed, this was borne out in terms of the 2015/16 financial settlements, with all Authorities suffering cash decreases in their Revenue Support Grant, most above 2.5% and many above 3% and up to 4.5%. When inflationary pressures are added on, the real terms decrease is very high. The outlook continues to look very challenging for the public sector. The need to think radically about the role of Local Government within their communities, what and how we continue to deliver services in the future remain crucially important. And of course, change can be expensive to implement and ensuring we have sufficient funds to do this remains a key priority for the Authority.

Local Issues

In 2014/15, the Authority entered into a partnership with Norfolk County Councils owned Property Company and established 'Newport Norse'. The Authority's own property department were transferred into the company. Details on this are contained in the related party disclosure (note 33) and note 45 (Limited Companies). The financial plan for this will bring a share of future profits from this company into the Authority as it expands and wins further contracts and work.

The continuation of the Authority's loan agreement with Queensberry Newport for the building of the Friar's Walk retail/leisure scheme and finalisation of the Total Reward project which is dealing with historical equal pay claims and our new pay/grading structure remain key issues which impact on these Statement of Accounts.

- In 2013/14, the Authority agreed to a loan facility of up to £89.110m to Queensberry Newport. As at the end of the 2014/15 financial year, they had drawn down some £39.925m of this facility. The Authority has also had to draw on long term loans in order to facilitate the loan payments to Queensberry, albeit at a lower level due to a general positive cash flow position. The loans made and taken out feature in the Authority's Balance Sheet under long term borrowing; the agreement is also noted in the contingent liabilities (note 43) in these Statement of Accounts.
- In 2014/15, the Authority continued to settle its outstanding equal pay claims and further settlements of £412k were made in 2014/15, this was funded from the Pay Reserve within earmarked reserves.

The unusable equal pay back pay reserve, which had an equal offsetting amount within provisions of £310k have both been written down to zero with a nil effect on outturn. At the 31 March 2015, there were still outstanding claims in relation to a number of staffing groups and as a result there has been an additional provision for their payments of bridging payments and back pay which amounted to £900k; this amount is cash backed.

- A new Pay and Grading framework made significant progress in 2014/15 and will be implemented in the first half of 2015/16. The Authority has provision for the one off costs associated with this (backdated elements, pay protection etc.) in its 'Pay Reserve' and the base budget has nearly £3.8m for the on-going increase in revenue costs that the new framework introduces. The 'Pay reserve' has been kept high as we now enter implementation and Cabinet agreed to widen the scope of the use of the reserve to cover

Head of Finance's Explanatory Foreword and Report

Statement of Accounts 2014/15

Newport City Council

risks associated with our medium term financial planning assumptions on future pay increases.

Having highlighted the key issues, the following notes refer to the main statements contained within these Statement of Accounts, key financial risks and the Authority's capital and borrowing activities.

Comprehensive Income and Expenditure Statement – 'Managing our budget'

Summary

It is pleasing to note that under challenging financial conditions, mainly arising from spending pressures in social care and waste/recycling operations, the Authority managed its budget in 2014/15 and produced a small (1.9% of the total budget) underspend. In overall terms, this came from the Authority's revenue contingency budget not required in 2014/15 (c£2.0m), and net under spending by departments (£3.1m), which was generated mainly from vacancies. This underspend was put into reserves, which is explained more fully in the balance sheet section below.

This underspend was reported to the Authority's Cabinet in their June 2015 meeting and the table summarising the position is shown below.

	Budget	Actual Expenditure	Variance To Original
	£'000	£'000	£'000
Lifelong Learning and Leisure			
- Education Inc schools	99,307	99,711	404
- Culture, Libraries and Leisure	5,837	5,688	(149)
Social Services	61,361	60,558	(803)
Environment and Regeneration	22,693	22,222	(471)
Corporate Services	16,345	15,589	(756)
Capital Financing Costs & Interest	30,067	27,904	(2,163)
Total Expenditure On Services	235,610	231,672	(3,938)
Levies/Other	19,610	18,906	(704)
Transfer to / (from) Reserves	5,653	6,300	647
Restructuring / other savings related expenditure	1,084	2,199	1,115
General Contingency	1,973	-	(1,973)
Net Council Fund	263,930	259,077	(4,853)
Government Grants	(214,826)	(214,826)	-
Council Tax	(49,104)	(49,364)	(260)
Underspend available to be distributed from Reserves	-	(5,113)	(5,113)
Adjustments to Outturn following Cabinet		599	599
Transfer to / (from) Earmarked Reserves as agreed by Cabinet	-	(4,514)	(4,514)
Amount to be transferred to General Reserves	-	(3,926)	(3,926)

Head of Finance's Explanatory Foreword and Report

Statement of Accounts 2014/15

Newport City Council

In terms of these Statement of Accounts, the position is made more complicated by our need to comply with relevant accounting requirements. In essence, we have to charge certain expenditure into the accounts, however, these are not 'cash related' expenditure and therefore do not need funding from the Authority's main funding sources – its revenue support grant and council tax. Therefore, in these Statement of Accounts, in line with the accounting regulations, we also reverse them out which leaves a 'bottom line' based on how we are funded i.e. on our 'funding base'. After this reversal – the 'bottom line' agrees to what was reported to Cabinet.

Within the Comprehensive Income & Expenditure account, the Authority is reporting a surplus on provision of services of £9.747m, under the relevant accounting basis. As said, we then reverse certain costs charged to the Income & Expenditure accounts, and this is done through the 'Movement in Reserves' statement which immediately follows the Comprehensive I&E Statement, to show a final position based on its funding basis.

The key movements are:

- £18.2m of depreciation and impairment charges on non-current assets;
- £336k revaluation gains on property, plant and equipment assets;
- £4.7m relating to the difference between pension costs chargeable under regulation and those under accounting requirements; and
- £20.7m of capital grants applied during the year, are now recognised in full in the Comprehensive Income & Expenditure Statement.

Following these adjustments, the Authority achieved a surplus on a 'funding' basis of £3.925m. Following the agreed transfer of £588,000 to earmarked reserves, the surplus was lower than that reported to Cabinet in its June 2015 meeting. The Cabinet report highlighted some adjustments that were outstanding at that time, mainly in the pensions area and a further provision requirement. Note 28 provides a full reconciliation between the accounting based deficit and the funding based surplus.

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

The Authority has a strong balance sheet position with usable reserves of £89.8m. This provides a good platform to meet future challenges and risks.

Usable reserves

Note 8 to the Statement of Accounts lists the Authority's main cashable reserves and the movements within those reserves in 2014/15 and balances at 31 March 2015.

In summary, the Authority's underspend of £4.514m was allocated as follows:

- £388k to specific new reserves from departmental requests to utilise parts of their under spending
- £100k to the existing Schools Redundancy Reserve
- £100k to the Authority's New City Deal and Western Cities projects
- £3.926m to general reserves.

Head of Finance's Explanatory Foreword and Report

Statement of Accounts 2014/15

Newport City Council

In addition, the under-spend above is inclusive of already agreed transfers into / out of specific reserves as Note 8 shows. The Note highlights the reserves within categories which are closely linked to why we have them.

The categories are:

- (i) to cover potential risk
- (ii) to equalise expenditure over the long term
- (iii) to enable future developments
- (iv) funding future capital works
- (v) other/miscellaneous

Impact of Pension Deficit on Reserves

The Authority participates in the Local Government Pension Scheme. Employees and employers contribute into the fund and along with investment income and growth generated; the funds are used to pay its pension obligations. The Fund is valued every three years to assess if the assets are sufficient to fund its pension obligations, taking account of actuarial assumptions of members life expectancy, investment returns, value of pensions paid out etc. The last valuation was 2013 and this is used to assess what future contributions might be required to ensure, that in the long run, the fund is sufficiently funded.

On an annual basis, and for the purpose of providing information to meet pensions costs reporting regulations, the schemes actuaries provide an interim update. As at 31 March 2015, this assessed the scheme as in deficit at £252.150m.

However, this position must not be taken out of context. The fund is there for the long term funding of pensions. Therefore, this deficit on the pension scheme and its impact on the Authority's overall reserves is also a long term issue – the deficit and liability would not arise in any single year. The deficit is currently being addressed over the long term by increased employer and employee contributions in the 2014/15 year on-going, as well as the pension scheme benefits being calculated differently, such as moving to career average salaries as opposed to final salary.

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

Provisions

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

Following our assessment of risks, total provisions increased by £2.689m, to £10.77m, due largely to increases to equal pay and accumulated absence provisions. Details of the movements of individual provisions are shown in Note 21.

Contingencies

A number of contingent liabilities are disclosed in the Statement of Accounts (note 43). No financial provisions have been made for these as they are in relation to events where the Authority has little influence or control over, much certainty that they will actually happen, whether there will be any financial impact and if so, how much. However, where applicable, the Authority have taken

Head of Finance's Explanatory Foreword and Report

Statement of Accounts 2014/15

Newport City Council

a prudent approach and put funds aside within reserves to deal with two of the issues disclosed, as noted below.

However, along with the provisions note 21, it gives the reader of the Statement of Accounts information about the financial risks facing the Authority. For 2014/15, contingent liabilities disclosures covered:

- Municipal Mutual Insurance (MMI) run off claims, where the Authority may be required to meet balance of remaining claims;
- On-going insurance claims against the Authority, for which no provision is justifiable at this point under accounting regulations. A reserve of £1.772m has been set aside to fund these potential risks however;
- Outstanding single status claims against the Authority. Again, the Authority's pay reserve has sums set aside to fund the settlement of these;
- City Centre Regeneration agreement to loan Queensberry Newport Limited a maximum of £89.110m in order to fund development of Friars Walk. The repayment of loan is due by November 2016 within 12 months of practical completion and opening of the development in November 2015.

Capital Expenditure and Funding

Total capital expenditure in 2014/15 was £27.2m (£24.5m in 2013/14). The main items within this figure are shown below:

	Adjusted Estimate	Actual Expenditure	Variance To Original
	£'000	£'000	£'000
Education & Young People	14,107	3,962	(10,145)
Leisure & Culture	991	205	(786)
Regeneration & Development	9,865	7,254	(2,611)
Human Resources & Assets	7,267	3,314	(3,953)
Licensing & Statutory Functions	320	11	(309)
Social Care & Well-Being	3,675	3,356	(319)
Infrastructure	15,935	9,095	(6,840)
Total Capital Expenditure	52,160	27,197*	(24,963)

* Actual expenditure via capital programme excludes £1.469m Adopted Roads which are included in Note 12 and Note 34 of the Statement of Accounts.

The most significant capital expenditure during the year related to:

- £1.4m to commence works within the 21st Century Schools Programme;
- £1.6m on the Fleet Replacement Programme;
- £1.8m on the Highways Local Government Borrowing Initiative scheme;

Head of Finance's Explanatory Foreword and Report

Statement of Accounts 2014/15

Newport City Council

- £2.0m on Housing Renovation schemes including disabled facilities and energy efficiency grants;
- £2.1m on delivering the Super Connected Cities urban broadband and public Wi-Fi schemes;
- £3.1m on construction of the bus station as part of the city centre development; and
- £5.8m on delivering the regeneration schemes within the Vibrant & Viable Places Programme.

Financial Year 2014/15 was the first year of the new four year capital programme approved in February 2014. This new programme is ambitious in terms of its size (£115.1m including new schemes added during the course of 2014/15), and significant slippage has already been experienced. It is envisaged that further slippage will contribute to reduced annual spend (rather than reduction of individual schemes) for the remainder of the medium term programme. Responsible officers will continue to carry out a robust review of the profiling of the programme on an on-going basis.

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

However, the Authority has required to undertake additional borrowing to cover the loan facility to Queensberry Newport in relation to the development of Friars Walk. At 31 March 2015, the level of borrowing for the Authority has increased, from £166m in 2013/14 to £193m in 2014/15. As highlighted in the contingent liabilities note to the Statement of Accounts, the repayment of the loan with interest is due by November 2016 within 12 months of the practical completion and opening of the development in November 2015. The loan will be repaid by the developer by either re-financing or selling the completed development.

Material Assets/Liabilities

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

Changes to Accounting Policies

There are no changes to accounting policies that impact significantly on the Statement of Accounts.

Financial Resilience

It should be noted that whilst the Authority's outturn for 2014/15 was favourable and allowed funds to be set aside in the general reserves, there was significant overspending within some service areas, in particular within Social Care on community care and out of authority placements which were offset by vacancy savings, and pressures within StreetScene and underlying issues still remain in those areas. In addition, a number of 2014/15 savings remain outstanding in terms of

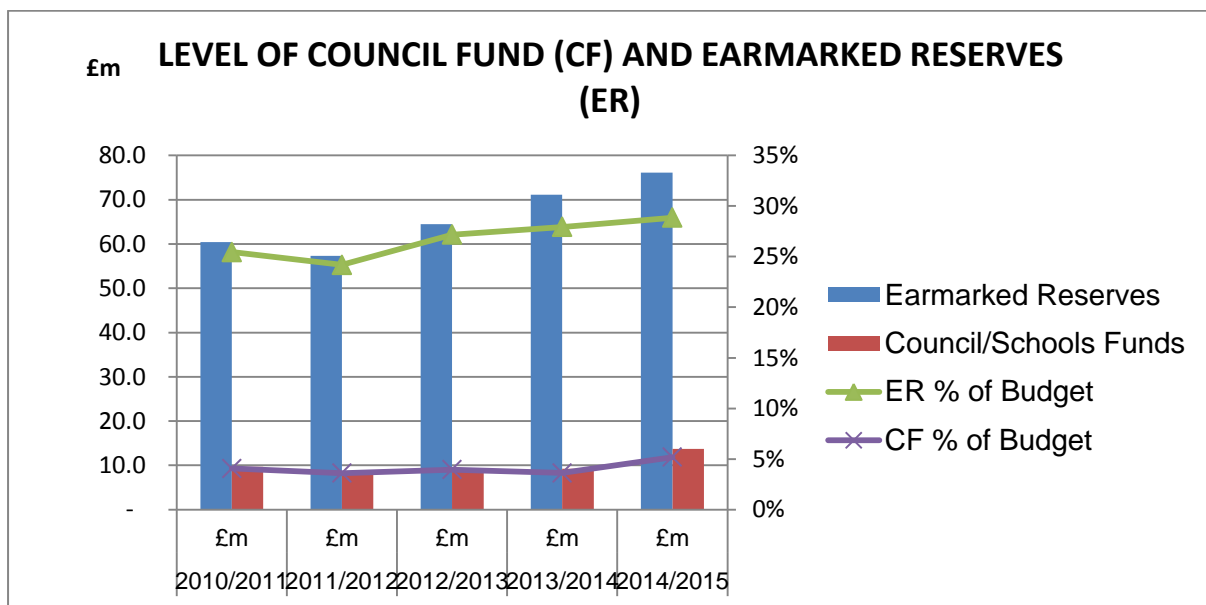
Head of Finance's Explanatory Foreword and Report

deliverability in particular 'cross-cutting' savings and the delivery of these delayed savings and management of underlying budget issues in the areas highlighted, in addition to new 2015/16 budget savings, remains a key area of risk to be monitored as the year unfolds. The Authority has a general contingency in its base budget which provides short-term mitigation to these issues and protects the overall budget but the resolution to these outstanding issues are key considerations in ensuring the Authority's base budget is robust in going forward.

Level of Reserves

The level of Earmarked Reserves (excluding Council and School Funds) has increased since 2011/12 to 2014/15 from £57.4m to £76.1m, the key movements are detailed earlier in this foreword. This provides the Authority with a level of resilience against future uncertainties and risks, and also allows the smoothing of expenditure where the future impact on funding or expenditure is significant i.e. PFI reserves.

The graph below shows the increase in both the level of earmarked and council fund reserve from 2010/11 to 2014/15.



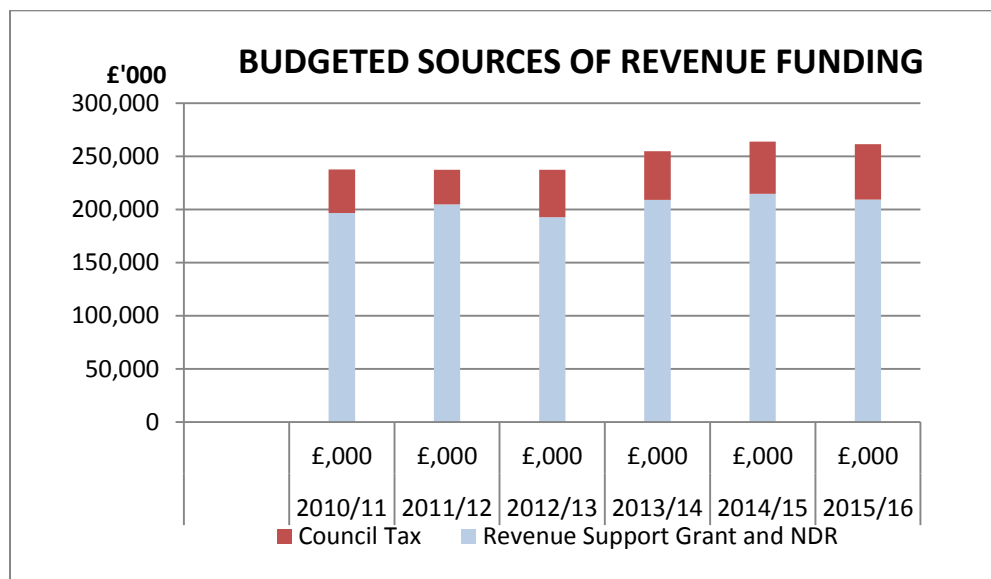
Sources of Funding

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

Head of Finance's Explanatory Foreword and Report

Statement of Accounts 2014/15

Newport City Council



Future developments – Looking Forward

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

Medium Term Financial Plan (MTFP)

The Authority implemented its 'Prospectus for Change 2013-17' programme in 2013, as part of the development of the 2014/15 budget and medium term financial plan process. It underpins the Authority's budget strategy and the Council's Corporate Plan 'Standing up for Newport'. The document outlines a range of improvement initiatives to be implemented over a 4 year period. A change and efficiency programme was developed, supported by detailed business plans, which included the detailed change and other saving proposals to meet the predicted financial challenges known at that time. The Prospectus and Programme were key parts of the 'golden thread' that linked the Council's vision with the detailed change and efficiency projects and ultimately, annual service plans.

This document is still the currently approved overall strategy for delivering sustainable services with less resource over this period and which drives service area thinking on formulating budget saving proposals linked to their strategic direction of travel. The financial challenge increased for the 2015/16 financial year and the programme above was necessarily 'expanded' to meet that challenge.

Given the on-going challenges, a new document is now being prepared, with a working title of "Newport 2020". This document will set out how services will need to change to continue to deliver the priorities set out in the corporate plan and the overall mission of the Authority – "Improving People's Lives". This document will be brought to Cabinet in the Autumn 2015 for consideration and approval as the Council's long term strategy for service strategic changes.

Head of Finance's Explanatory Foreword and Report

Statement of Accounts 2014/15

Newport City Council

In addition, a number of key 'themes' have been developed to provide an overarching context to identify medium term savings. More work is required to develop the themes and what overarching strategies and proposals could be developed within them. In saying that, a number of budget proposals for savings currently being developed fit under these headings and along with the above 'Newport 2020' strategy, will be brought to Cabinet in the Autumn for consideration. The themes are:

- 1) Better use of technology
- 2) Reduce unnecessary customer contact
- 3) Better community engagement
- 4) More effective commissioning
- 5) More effective asset management
- 6) Income generation
- 7) Evaluate demand

The current Prospectus and Programme, issues identified through the Council's Corporate Risk Register, the Council's financial resilience and performance management reports will form the basis of the financial strategy and MTFP for 2016/17 and beyond.

Statement of Responsibility for the Statement of Accounts

Report & Accounts 2014/15

Newport City Council

The Authority's responsibilities

The Authority is required to:

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

The Head of Finance's Responsibility

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

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

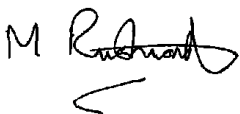
- selected suitable accounting policies and then applied them consistently
- made judgments and estimates that were reasonable and prudent
- complied with the local authority Code.

The Head of Finance has also:

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

Head of Finance Certificate

I certify that the Statement of Accounts set out in pages 41 to 136 give a true and fair view of the financial position of Newport City Council at 31 March 2015 and its income and expenditure for the year ended 31 March 2015.



Meirion Rushworth

Meirion Rushworth
Head of Finance

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

2 Scope of Responsibility

2.1 Newport City Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and to proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government (Wales) Measure 2009 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to strategic effectiveness, service quality, service availability, fairness, sustainability, efficiency and innovation.

2.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and which includes arrangements for the management of risk.

2.3 The Council's financial management arrangements conform to the governance requirements of the 'CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)'.

2.4 The code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government', was initially approved by Cabinet and then Council in July 2013 with a further update approved by Cabinet in July 2014. A copy of the code can be obtained from the Head of Finance. This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit (Wales) Regulations 2005.

3 The Purpose of the Governance Framework

3.1 The governance framework comprises the systems and processes, culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

3.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

3.3 The governance framework has been in place at the Council for the current year 2014/15, and up to the date of approval of the statement of accounts.

4 The Governance Framework

4.1 The Council's code of governance has been developed in line with the following principles:

- Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area;
- Members and officers working together to achieve a common purpose with clearly defined functions and roles in order to achieve the best possible outcomes for citizens;
- Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk in order to foster innovation;
- Developing the capacity and capability of members and officers to be effective; and
- Engaging with local people and other stakeholders to ensure robust public accountability.

The key elements of the Council's governance framework are as follows:

4.2 The Council's vision is to be recognised as a high performing Council, ensuring the right services are provided to our communities, our councillors and our staff.

4.3 The Council's mission is 'Improving people's lives – providing the best affordable services'.

4.4 The Council's Corporate Plan for 2012-2017 "Standing Up For Newport" sets out the 5 year vision for the Council. The strategy is set out in the Corporate Plan and these have been adopted as the Council's Improvement Objectives:

- A Caring City;
- A Fairer City;
- A Learning and Working City;
- A Greener and Healthier City;
- A Safer City.

The [strategic planning process](#) shows how the corporate plan fits in with the improvement plan and other key plans and strategies in Newport.

4.5 The [Improvement Plan](#) is the delivery vehicle for the Corporate Plan. The Improvement Plan summary leaflet highlights what the Council is aiming to do and how it is going to measure its success towards the aims set out above; 10 Improvement Objectives have been agreed.

4.6 The Single Integrated Plan (SIP) (Cabinet February 2013) – 'Feeling good about Newport represents the combined strategic planning intent of a partnership of the key public service providers in Newport which includes the Council – for improving the quality of life in terms of the social, economic and environmental well-being of the whole

community. It is agreed by all partner organisations that are members of the One Newport Local Service Board (LSB). A review of partnership arrangements, in line with Welsh Government planning guidance has resulted in an integrated partnership structure and Single Integrated Plan (SIP) that replaces the Community Strategy and four core partnerships of:

- Healthy Newport (Health, Social Care and Wellbeing Strategy)
- Young Newport (Children and Young People's Plan)
- Prosperous Newport (Prosperous Newport Plan)
- Safer Newport (Community Safety Plan)

The priorities within the SIP are:

- Skills and work
- Economic opportunity
- Safe and cohesive communities
- Health and wellbeing
- City centre
- Alcohol and substance misuse

4.7 The Council's values are Accountable, Open and United.

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

4.9 The Council's Risk Management Policy requires the proactive participation of all those responsible for planning and delivering services in identifying, evaluating and managing significant risks to the Council's priorities, services and major projects. The risks and the controls necessary to manage them are recorded in the respective service plans, and any required improvements to controls are monitored to ensure implementation.

4.10 Processes are in place to ensure the economic, effective and efficient use of resources and for securing continuous improvement in the way that functions are exercised. This is supported by reviews undertaken by the external auditors and inspectors, and co-operating with the Welsh Government and as part of the wider collaborative agenda.

4.11 The Chief Executive and the Strategic Directors are accountable for ensuring that the Council Priorities are delivered, and performance against key targets is regularly monitored via the performance management framework, Views, and is regularly reported to the Performance Board.

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

4.13 The Constitution, which can be found on the Council's website, sets out:

- how the Council operates and makes decisions;
- the procedures to ensure that decision-making is transparent and accountable to local people and other stakeholders;

- the key roles of all members and senior officers, including the lead responsibilities for corporate governance of the Leader, the Chief Executive and other designated senior officers;
- a scheme of delegated powers for decision-taking;
- responsibilities for reviewing and agreeing the Council's corporate governance arrangements;
- arrangements for ensuring it is regularly reviewed and updated;
- its related codes and protocols.

4.14 The Council takes its decisions by way of the full Council meeting or the Executive. The Executive comprises the Cabinet working as a collective. Decisions are also taken by individual Cabinet Members and Chief Officers. The Scheme of Delegation and the Terms of Reference which are included in the Constitution, make it clear at which level decisions are taken. Agendas, reports, decision schedules and minutes of all meetings of the Council or the Cabinet are available to the public by way of the Council's website except in exceptional circumstances where reports are not available to the public as they may contain exempt or confidential matters. Any minutes or decisions arising from the consideration of such reports are, however, available to the public via the website. Report and Decision schedules showing decisions taken by individual Cabinet Members are also available to the public via the websites except in similar exceptional circumstances. Every report considered as part of the decision making process by Members must contain comments by the Council's Monitoring Officer and by the Section 151 Officer and (where there are staffing issues) by the Head of People and Business Change. The report template ensures report authors consider potential risks and financial implications of their proposals.

4.15 The Council has appointed 3 Scrutiny Committees to assist in policy development and also to hold the executive to account:

- Learning, Caring and Leisure Scrutiny
- Street Scene, Regeneration and Safety Scrutiny
- Community Planning and Development Scrutiny

Each Committee is politically balanced and the chairs are allocated in proportion to the number of seats held by political groups. In response to the Local Government Measure the Council established an Audit Committee and a Democratic Services Committee. Agendas, reports, decision schedules and minutes of all meetings of these Committees are available to the public by way of the Council's website except in exceptional circumstances where exempt or confidential matters are discussed. The Audit Committee has appointed an independent chairman; he is not part of the political structure of the Council.

4.16 There are robust arrangements for effective financial control through the Council's accounting procedures, Financial Regulations and Contract Standing Orders (CSOs). These include established budget planning procedures, which are subject to risk assessment, and regular reports to members comparing actual revenue and capital expenditure to annual budgets. The Head of Finance is responsible for the proper administration of the Council's financial affairs, as required by Section 151 of the Local Government Act 1972. Procedures for tendering and contract letting are included in the CSOs. The Council's Treasury Management arrangements follow professional practice and are subject to regular review by the Council's Audit Committee and full Council.

4.17 The ethical governance framework includes:

- codes of conduct for officers and members, which are regularly reviewed, updated and tested for compliance;
- a protocol governing Member/Officer relations;
- a whistle-blowing policy widely communicated within the Council and which is regularly reviewed;
- registers of personal and business interests for Members and Chief Officers;
- an agreed policy and associated corporate procedures for ensuring that complaints about services can be properly made and investigated, and for ensuring that any lessons can be applied; and
- the [Strategic Equality Plan and Equality Objectives March 2013](#).

- 4.18 The Head of Law and Regulation is the designated 'Monitoring Officer' in accordance with the Local Government and Housing Act 1989, and ensures compliance with established policies, procedures, laws and regulations. After appropriate consultation, this officer will report to the full Council in respect of any proposals, decisions or omissions which could be unlawful or which have been subject to an Ombudsman Investigation resulting in a finding of maladministration.
- 4.19 Established anti-fraud and corruption arrangements provide a deterrent, promote detection, identify a clear pathway for investigation and encourage prevention. These include procedures designed to combat money-laundering, the anti-fraud and corruption policy and the whistleblowing policy.
- 4.20 The Audit Committee considers the work of external auditors and the responses to audit recommendations. It also has responsibility for approving the Annual Statement of Accounts and its associated reports (which include this statement).
- 4.21 All reports to Scrutiny forums, Cabinet Members and Cabinet incorporate a risk assessment. Scrutiny forums also consider and monitor service plans which include the key risks of service provision within that area.
- 4.22 Internal Audit operate to the standards set out in the Public Sector Internal Audit Standards (PSIAS) and its role and status is set out in the Council's Internal Audit Terms of Reference. The Chief Internal Auditor is accountable to the Head of Finance and the Audit Committee.
- 4.23 The Chief Internal Auditor reports to the Audit Committee a summary of audit findings for each quarter, and also reports annually an opinion on the overall adequacy and effectiveness of the Council's control environment. The overall opinion for 2014/15 was 'Reasonable'.
- 4.24 The Council has an objective and professional relationship with its external auditors and statutory inspectors, as evidenced by the Annual Information Risk Report. This can be found on the Council's website. The Council is subject to external compliance requirements such as the Wales Audit Office high level risk assessments for its financial systems and information and technology, and the extensive requirements of Public Services Network (PSN) compliance, assessed annually by the Cabinet Office, and Payments Card Industry Data Security Standards (PCI-DSS).
- 4.25 Local Authorities collect, store, process, share and dispose of a vast amount of information. The Council must meet its statutory responsibilities effectively and protect the personal information it holds throughout its life cycle; from creation through storage;

uses, retention, archiving and deletion, outlined in the Information and Technology Strategy 2011-2014 (to be reviewed and updated in 2015/16).

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

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

Information risks are also covered in the [Corporate Risk Strategy](#) and Register.

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

4.28 The Council's recruitment procedures provide equality of employment opportunities. An equality-assessed pay structure to meet the requirements of the Single Status Agreement of 1997 is currently being implemented.

4.29 Agreed arrangements enable the Council to comply with statutory requirements in respect of child protection and the protection of vulnerable adults. Recruitment procedures help ensure that Council employees and Members working with children or vulnerable adults are checked for their suitability to do so.

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

4.31 The Council is required to meet statutory obligations regarding the handling of data and as part of the development of the Information & Technology Strategy, has adopted an Information Risk Management Policy which outlines roles and responsibilities for information risk management. This ensures that the requirements of legislation, including the Data Protection Act 1998, Environmental Information Regulations 2004 and the Freedom of Information Act 2000 are met and that the risks around information are managed appropriately. The Information Risk Management Policy also formalised the requirement for an Annual Information Risk Report which was reviewed by Scrutiny Committee before being reported to the Deputy Leader in August 2014, and will be reviewed shortly.

4.32 The [Annual Information Risk Report](#) provides an annual assessment of the Council's information governance arrangements and key risks, supported by an action plan. The highest level information risks are escalated in the Corporate Risk Register as appropriate.

- 4.33 There are also agreed procedures to meet the requirements of the Regulation of Investigatory Powers Act 2000.
- 4.34 In terms of Transparency, the Council publishes all expenditure >£500 on its website on a quarterly basis in accordance with the Information Commissioners Office (ICO) and Central Government guidance.
- 4.35 In line with the Local Government Measure a separate Democratic Services Committee was established during 2012/13 along with a Chief Democratic Services Officer; this committee meets quarterly dealing with national consultation exercises, national policy and Members codes and development.

5 Review of Effectiveness

- 5.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Senior Leadership Team within the Council which has responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
- 5.2 The governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework.
- 5.3 The processes that have been applied to maintain, review and improve the effectiveness of the governance framework include:
- i) periodic reviews of the Constitution and ethical governance arrangements (including the extent of compliance with the Regulation of Investigatory Powers Act) by the Monitoring Officer;
 - ii) periodic reviews of the financial controls by the Chief Finance Officer;
 - iii) formal risk management and regular on-going review of the processes involved;
 - iv) the Internal Audit function, whose work takes account of identified risks through regular audits of the major systems, establishments and major projects in accordance with the annual internal audit plan, and which includes 'follow-up' work to ensure that Heads of Service implement agreed management actions;
 - v) the work of the Scrutiny Forums and other Committees, including its Standards Committee and Audit Committee;
 - vi) the opinions and recommendations of the Council's external auditors and other inspection and review agencies;
 - vii) regular monitoring of performance against the Improvement Plan and service plans and of key targets, and reporting of this to senior management and members;
 - viii) the outcomes of the Annual Information Risk Report.
- 5.4 Audit Committee Members attended a training session on 'The Effectiveness of an Audit Committee' and commenced a self-assessment of the effectiveness of the Audit Committee.

6 Principle 1: Focusing on the purpose of Newport City Council and on outcomes for the community and creating and implementing a vision for the local area

- 6.1 One Newport's Single Integrated Plan (SIP) – Feeling Good about Newport – was produced and published in May 2013. A Single Integrated Plan (SIP) is a defining statement of strategic planning intent for the local authority area and contains the LSB's vision for improving the city. No single organisation can meet the total needs of a community, so there is a requirement to plan and deliver services in collaboration with other public and private sector organisations.
- 6.2 The SIP identifies key priorities and programmes that the LSB will work towards achieving over a set period of time. These priorities have been identified as those where the LSB and other key stakeholders must work together to achieve success.
- 6.3 The One Newport Local Service Board annual report 2013/14 was taken to the Local Service Board in May 2014, with updates presented in November 2014 and March 2015.
- 6.4 An update of the Council's Corporate Plan was taken to Cabinet in July 2014; this report provides the story behind the programmes and activities that have taken place over the last 12 months that have contributed to the City's on-going improvement journey and the council's commitment to 'Improving people's lives'.
- 6.5 The annual review of the 2013/14 Improvement Plan was presented to Cabinet in October 2014 – Overall progress against the 2013/14 plan is assessed as being 'good', with most Improvement Objectives performing well with Community Insight, Waste Management and Streetscene Management assessed as excellent.
- 6.6 Progress reports on the Council's Improvement Plan were taken through Cabinet regularly in 2014/15.
- 6.7 The ten Improvement Objectives were selected by Cabinet in January 2014 which then went through the scrutiny process in February and March 2014. An Improvement Objectives report and the Improvement Plan for 2014/15 was also taken to Cabinet in March 2014, along with service area updates and was approved by Cabinet in April 2014; this incorporated consultation feedback. In September 2014 Cabinet received a progress report to Q1; the overall assessment of progress towards achieving the Improvement Objectives set out in the plan was classed as 'Amber – Good; Good progress is being made in a number of key areas and this is not to be overlooked, however there are a number of measures that require action to address performance'.
- 6.8 In December 2014 Cabinet received a progress report to Q2; the overall assessment of progress towards achieving the Improvement Objectives set out in the plan was classed as 'Amber – Good; Good progress is being made in a number of key areas and this is not to be overlooked, however there are a number of measures that require action to address performance'.
- 6.9 In June 2015 Cabinet received a progress report to Q4; "the overall assessment of progress towards achieving the Improvement Objectives set out in the plan is classed as 'Amber – Good'. Good progress is being made in a number of key areas.
- 6.10 Improvement Plan priorities for 2015/16 were taken through Cabinet in January 2015 following a consultation exercise. Eight Improvement Objectives were identified as priorities of the Corporate Plan.

Annual Governance Statement

Statement of Accounts 2014/15

Newport City Council

- 6.11 The Wales Audit Office Annual Improvement Assessment Letter went to Cabinet in February 2014, with the Wales Audit Office Annual Improvement Report going in July 2014; the Council is likely to make arrangements to secure continuous improvement for 2014-15 if it continues to maintain the pace of change.
- 6.12 The Wales Audit Office Data Quality Review was considered by Performance Board in March 2014; the key message was "Improvement planning is developing but still needs strengthening and processes for dealing with data are not consistently applied or embedded across services leading to significant weaknesses in the accuracy of reported data". In their Corporate Assessment Review issued in May 2015, the Wales Audit Office stated "that there have been some enhancements to the Council's improvement planning and performance management arrangements, but the scrutiny of performance is not sufficiently challenging to consistently drive improvement." The Performance Team are working on an action plan to further improve the processes in place.
- 6.13 Early analysis of Performance Indicators 2013/14 was presented to the Performance Board in June 2014; 64% of measures had met or exceeded targets; 56% of measures had met or exceeded previous year's targets. Further monitoring of declining performance indicators would continue throughout the year. Overall 2013/14 performance was reported to the Performance Board in September 2014. Early performance analysis of the 2014/15 performance was reported to the performance Board in June 2015; 76% measures exceeded the target and 62% performed better than last year.
- 6.14 Progress has been made in ensuring that the Strategic Director's vision of 'Every Child, Every Chance, Every Day' is shared and understood by Education Service staff and schools. This also forms the basis of the foreword to the Education Service Plan which is a public document. The Strategic Director's vision links to the Corporate Plan and Medium Term Financial Plan.
- 6.15 2014/15 service planning incorporated an understanding of customer needs, service area outcomes and improvement priorities, performance management and monitoring, an action plan to achieve the outcomes, an assessment of service related risk, an acknowledgement of regulators' proposals for improvement and an equalities impact assessment.
- 6.16 A Prospectus for Change 2013-17 – Improving People's Lives – Providing the Best Affordable Services was introduced in 2013/14, with an update presented to Cabinet in October 2014. The Cabinet was informed that good progress had been made towards delivering the first year targets for the Change and Efficiency programme with a number of key successes in the first half year of 2014/15.
- 6.17 Reports were taken through the Scrutiny process during the year which linked service plans to the Council's policies, priorities and objectives. The agendas and minutes of which became public documents available through the Council's website.
- 6.18 Communication is important to Newport; the Annual Statement of Accounts was taken through the Audit Committee process before being endorsed by Cabinet and Council. All Council decisions, reports and questions asked by Members are available on the website. Headline figures of the Council's financial position were included in the Council tax leaflets distributed with all bills. Financial information, Improvement Plan progress, Council activities, achievements, developments, updates and events were included in

Annual Governance Statement

Statement of Accounts 2014/15

Newport City Council

Newport Matters which is distributed to every household in the City, is available on the Council's intranet and website.

- 6.19 Equality Impact Assessments are required by law under the Equality Act 2010. Newport's assessments also examine 'Fairness' and the Welsh language to ensure that the needs of other vulnerable people are considered, as well as the effect on different areas within Newport. A range of these were undertaken during 2014/15 which have been published on the website.
- 6.20 To ensure that users receive a high quality of service, service plans were reviewed mid-year and at the end of the year through Scrutiny. The Customer Complaints Policy was updated and reported through Cabinet; the process of which is available on the website, where the public can also report a problem or concern via the StreetScene pages.
- 6.21 Dealing with customer complaints helps Newport to identify and deal with failures in service delivery. The Council's complaint / compliment procedure is available on the website. The following table shows the number of complaints received for the past three years:

	2012/13	2013/14	2014/15
Stage 1 Complaints	520	475	387
Stage 2 Complaints	21	30	50
Complaints to Ombudsman	1	2	8*
Customer Feedback / Compliments	215	347	227

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

- 6.22 The Customer Services Strategy included a target of increasing the number of people using online services – monitored by Customer Service and Digital Innovation service plan.
- 6.23 And where things are not working as well, the Performance Board has recognised the shared role of Cabinet Members in performance against Improvement targets. The Performance Board also recognises the role of scrutiny in looking at any systematic failures. Newport is learning from its mistakes. The implementation of action plans continued across the board with the Corporate Assessment, Improvement Plan, Estyn Inspections, service plans and internal audit reports.
- 6.24 Where value for money of the public pound is concerned, the budget proposals were examined by a joint meeting of Scrutiny Committees and then by the individual committees as part of the budget process. It is intended that the Medium Term Financial Plan (MTFP) will form the basis of some of the Scrutiny Reviews in the coming year. As part of its review process the internal audit team checks to ensure corporate contacts are being utilised.

Annual Governance Statement

Statement of Accounts 2014/15

Newport City Council

6.25 Some examples of achieving value for money through the procurement process included:

Contract	Collaborative	Type	Savings
Home to School Transport	Yes with Monmouthshire County Council	Competitive Tender Robust Qualification and Specification; 100% Price evaluation	Newport City Council - £123,120 per annum, equates to 4.2% Monmouthshire County Council - £531,973 per annum, equates to 15%
Tree Assessment Surveys	No	Competitive Tender	Estimated saving of approx. £33,000 over next 3 years based on improved rates, equates to 29%
Staff Travel	No	Direct Award from framework	Resource efficiency – travel booked by staff/travel bookers not via HR Transaction charges saving £5,000 p.a.
CCTV Network - Community Safety	No	Competitive Tender	Successful bid cost £1,684,992 which was £637,685 cheaper than the 2 nd place bid, and £988,575 cheaper than 3 rd place bid. Not replacing old network or equipment therefore efficiency based upon undertaking a competitive process, so alternative bid efficiency rather than cashable savings.

Medium Term Financial Plan

6.26 Regular budget / outturn reports for revenue and capital were presented to and approved by Cabinet during the year. The updated MTFP and budget monitoring reports were presented to and approved by Cabinet February 2014, July 2014, September 2014, November 2014, December 2014 and February 2015. The 2015/16 Budget consultation and MTFP were submitted to Council in January 2015 and

February 2015; budget proposals also went through the Learning, Caring and Leisure Scrutiny, Street Scene, Regeneration and Safety Scrutiny, Community Planning and Development Scrutiny, in September 2014, October 2014, December 2014, January 2015 and through joint scrutiny in January 2015. The Council recognises that timely and accurate budget monitoring information is essential for effective decision making purposes. A public consultation exercise was also undertaken to determine the 2015/16 budget proposals.

6.27 The Local Service Board review includes the monitoring of targets to ensure policies are delivering the agreed outcomes to ensure services are effective, focused on local people and improved quality of life in the city. In terms of measuring the environmental impact of policies, plans and decisions, the Council is working with the Welsh Local Government Association as one of 10 lead authorities for sustainability.

7 Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles in order to achieve the best possible outcomes for citizens.

7.1 Developing the Relationship between Cabinet and Scrutiny was a major focus of both the National Scrutiny Study and the Corporate Assessment, highlighting the need to clarify roles and responsibilities of Cabinet and Scrutiny. A meeting was held on 11th March 2014 between the Scrutiny Improvement Group and Cabinet, to discuss how the relationship between Scrutiny and the Executive can be strengthened. Regular meetings will now take place to develop the links further.

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

7.3 The Democratic Services Committee will review any necessary changes to the Constitution. Over the past year some changes to Standing Orders have occurred following deliberations by the Committee. A more wide ranging review of the Constitution is planned to commence in the coming year.

7.4 Appropriate and relevant job descriptions were in place for the Chief Executive, Senior Leadership Team (SLT), Monitoring Officer and Head of Finance. The minutes of the SLT were also made available on the Intranet during the year.

7.5 To ensure agreed procedures and all applicable statutes are complied with the Monitoring Officer attends all Council meetings; authors of all scrutiny, audit committee, Cabinet, Council reports need to obtain comments from the Monitoring Officer, Chief Finance Officer and the Head of People and Business Change before submission. All reports taken in 2014/15 included such comments.

7.6 A protocol on Members / Officers relations is included within the Council's Constitution and this was reviewed by the Standards Committee during 2013/14. A Planning Committee Code of Best Practice is also in place.

7.7 Remunerating Members - The Members' scheme is now determined by the Independent Remuneration Panel. A report on any discretionary payments is presented to the Council following consideration by the Democratic Services Committee.

- 7.8 In order to effectively monitor service delivery, the Performance Board monitors the Improvement Plan and addresses areas of under-performance; Performance Board agendas and minutes. Service plans are monitored by the Scrutiny Committees as evidenced in minutes.

Partnerships / Collaboration Working

- 7.9 Partnership and Co-operative Principles (Outcome Agreement) are included within the Council's Improvement Plan with its aim being to support the delivery of public sector reform by working collaboratively with our partners to improve outcomes for the City. A single plan for partnership working in Newport is being delivered via the "One Newport" Local Service Board (Single Integrated Plan) – inter-related work streams include: health and wellbeing, skills and work, economic opportunity, safe and cohesive communities, the city centre and alcohol and substance misuse.
- 7.10 Although the majority of partnership and collaborative arrangements were identified during 2013/14 for all service areas, the governance arrangements for individual relationships needs to be worked through and clarified in order to determine the continuation of the partnership relationships.
- 7.11 The establishment of the Education Achievement Service (EAS) for 5 South East Wales Education authorities in 2012 including Newport, has appropriate governance arrangements in place. Revised governance arrangements for the EAS were taken through Cabinet in October 2014.
- 7.12 Prosiect Gwyrdd is a key partnership Newport is involved in with 5 neighbouring local authorities (Cardiff, Vale of Glamorgan, Caerphilly and Monmouthshire); Newport's Contract Waste Profile has been reported to Cabinet March 2012. This partnership is covered by an Inter-Authority Agreement (IAA).
- 7.13 The Gwent Frailty Programme was launched in April 2011. The Frailty Programme is a multi-agency partnership aimed at improving Intermediate Care services in Gwent and spans the Aneurin Bevan Health Board (ABHB), 5 Local Authority partners and a number of voluntary sector organisations.
- 7.14 In One Place obtained Cabinet support in November 2013 to facilitate collaboration between Aneurin Bevan Health Board (ABHB), the five local authorities and Housing Associations within Gwent with the aim of streamlining the process of developing suitable accommodation for people with complex health and social care needs in Gwent.
- 7.15 One Newport Local Service Board includes health, police, colleges, local government, housing, third sector and central government; it has a shared strategic purpose detailed in the Single Integrated Plan with terms of reference and the Performance Management Framework.
- 7.16 The South East Wales Improvement Collaborative (SEWIC) Fostering Group is a working group to develop a marketing strategy, with the objective of creating a unified brand to represent all 10 of the local authorities in South East Wales. It reports to SEWIC Board of Social Services Directors.
- 7.17 There is a Council policy on information sharing along with numerous information sharing protocols with our partners. Information sharing is key to joined up service delivery. The Wales Accord on the Sharing of Personal Information (WASPI) was

Annual Governance Statement

Statement of Accounts 2014/15

Newport City Council

developed as a practical approach to multi agency sharing for the public sector in Wales, and Newport signed up to this in January 2011. The Council is required to meet statutory obligations regarding the handling and sharing of data, in accordance with the Data Protection Act 1998. The Information Sharing Policy has been developed to ensure information is only shared appropriately, safely and compliantly.

8 Principle 3: Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour

8.1 The code of conduct and member / employee relationship document are set out in the constitution.

8.2 There were no successful “call-in” challenges to decisions on procedural grounds and no judicial review challenges on grounds of legality during the year.

8.3 There were no complaints of Member misconduct made to the Ombudsman in 2014/15 involving City Councillors. Therefore, there were no referrals to the Standards Committee and no findings of misconduct or breaches of the Member Code.

8.4 All waivers of the Contract Standing Orders are reported through the Audit Committee quarterly. The Internal Audit team continues to deliver awareness raising sessions on the importance of compliance with these Contract Standing Orders.

8.5 The Audit Committee has the power to call in a Head of Service and Cabinet Member to hold them to account for addressing required improvements to the internal control environment within their service area.

8.6 34 Internal Audit opinions were issued in 2014-15; 8 were good, none were deemed to be unsound. The overall opinion on the adequacy of the internal control environment for 2014-15 was therefore **REASONABLE**.

	2012-13	2013-14	2014-15
Very Good	2	2	0
Good	9	21	8
Reasonable	29	18	21
Unsatisfactory	5	0	5
Unsound	0	0	0
Total	45	41	34

8.7 Management have agreed to implement the action points in order to address the weaknesses identified and Internal Audit will be following this up in 2015/16.

8.8 The audit opinions are about the adequacy of the internal control environment within a particular service area or establishment at a particular point in time. They are not a reflection of how well the service is delivered or the establishment is run.

Annual Governance Statement

Statement of Accounts 2014/15

Newport City Council

9 Principle 4: Taking informed and transparent decisions, which are subject to effective scrutiny and managing risk in order to foster innovation.

- 9.1 Minutes, Agendas & Reports along with their subsequent decision schedules and questions to Cabinet Members are all available on the web site. Council, Cabinet, Scrutiny and Audit Committee reports are available on the Council's website.
- 9.2 A Scrutiny Improvement Group was established in 2013/14 to review and improve the scrutiny function, which is supported by Cabinet. The group comprises of members and officers and meets monthly.
- 9.3 Audit Committee meets regularly and its activities can be seen via the Council's website.
- 9.4 To enable good, quality information, advice and support to ensure that services are delivered effectively and are what the community wants / needs, a report template has been developed which helps authors to consider relevant issues in report writing and insists that statutory officers are consulted. Minutes, Agendas & Reports along with decision schedules are all available on the website. Legal / Finance / HR officers attend key meetings to respond to questions as required.

Risk Management

- 9.5 The Council's Corporate Risk Strategy and Risk Register was updated and taken through Cabinet in September 2014 after being considered by the Audit Committee. The Corporate Risk Register was further updated and presented to Cabinet in December 2014 and April 2015; further updates were presented to Audit Committee during the year.
- 9.6 Mitigation of risk is incorporated within the risk register, which moves the risk from inherent to residual. The major risks Newport has identified, following an assessment of current controls or mitigation in place; identifies that the top 9 risks facing the Council as at March 2015 were as follows:

	Risk	Risk Assessment August 2014 Pre Mitigation	Risk Assessment August 2014 Post Mitigation	Risk Assessment August 2014	Risk Assessment March 2015
1	Social Services and Well-being (Wales) Act 2014 – potential lack of finances to fulfil	20	6	16	9
2	Increasing Ageing Population – increasing strain on demand led services	16	2	8	12
3	Total Reward – insufficient funds to achieve a collective	25	12	20	12

Annual Governance Statement

Statement of Accounts 2014/15

Newport City Council

	agreement				
4	Welsh Language Standards – fines and court proceedings if the requirements are not fully satisfied	25	4	16	16
	Risk	Risk Assessment	Risk Assessment	Risk Assessment	Risk Assessment
		August 2014	August 2014	August 2014	March 2015
		Pre Mitigation	Post Mitigation		
5	Reducing Budgets & the Delivery of Statutory Services	16	8	12	12
6	Closing the Financial Gap	25	6	-	-
7	Safeguarding – policies and procedures may not be adequate to protect vulnerable adults and children	16	4	8	8
8	Investment in Friars Walk Development	25	1	12	8
9	Information Governance – significant fines and reputational damage if adequate arrangements not in place	16	4	6	6

- 9.7 The Audit Committee felt that managing the risks faced by service areas was an important aspect of the manager's role and should be part of his / her day to day responsibilities. Further work was required to ensure that risk management became fully embedded within Council operations so that it became more of a living document so that operational managers took greater responsibility for owning and dealing with the risks identified in their areas.
- 9.8 A report template for all formal member and scrutiny reports, requires authors to consider risk and its management or mitigation when writing reports.
- 9.9 Heads of Service submitted their 2014/15 service plans to the respective scrutiny forum in July 2014. The plan included an overview of the service area, budget information and links to the medium term financial plan, an understanding of its customers' needs, service area outcomes, service improvement priorities, performance measures, links to corporate priorities and equalities assessments. The key risks for each service area were identified in each of the service plans. Service Plans were reviewed by Scrutiny

members in November 2014 to ensure that the delivery of the service was on track and key objectives were being met. These will continue to be reviewed.

- 9.10 Each Head of Service incorporates the keys risks to their service within operational plans which identified the impact, the likelihood and any mitigation in place to manage those risks.

Information Governance

- 9.11 The purpose of the Annual Information Risk Report is to provide an assessment of the information governance arrangements for the Council and identify where action is required to address weaknesses and make improvements. This was received by Scrutiny in [June 2015](#) and will be reported to the Deputy Leader with the Scrutiny Committee comments in July 2015.

- 9.12 The Annual Information Risk Report forms an important element of information risk management, and includes an action plan. Progress on the actions will be reported in the 2014/15 report and included:

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

Other work is on-going, and the report for 2014/15 will also consider security incidents, and data breaches through the year;

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

- 9.13 The Council's website includes other information which the Council is required to publish, such as allowances paid to members in accordance with statutory provisions, and developing the transparency agenda for the publication of data on Council spending over £500. There are also agreed procedures to meet the requirements of the Regulation of Investigatory Powers Act 2000.

(Link to transparency data): www.newport.gov.uk/transparency

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

- 9.15 Following a WAO view that there was a conflict of interest with the Chairman of the Information Governance Group, the Strategic Director for Place will now chair this group.

10 Principle 5: Developing the capacity and capability of Members and Officers to be effective.

- 10.1 Councillor programmes have been held mainly based on their various roles within the Council. The Democratic Services Committee recognised the Council needed to do more to base the programme on individual needs as identified by Councillors. To this end the Committee agreed to pilot a series of interviews with the Organisation Development team to participate in this pilot.
- 10.2 There is an on-going programme of events for Members involved in Planning & Licensing Committees and Sub Committees.
- 10.3 The majority of employees have undertaken the 'my review' process. This ensures that all officers and managers reflect on continued professional development (CPD) opportunities which are needed to improve their skill, knowledge and understanding base. Education Service confirmed that all staff in their service had gone through the process. Corporate Health Measures were taken to the Performance Board in June 2014.
- 10.4 Senior Management lead Cabinet Member briefings on a regular basis. Briefings stimulate discussion around the need for Member training. These considerations are followed up with Democratic Services, ensuring that an appropriate and timely Members training programme is planned.
- 10.5 Overview and Scrutiny are leading a programme of training and support aimed at improving challenge and scrutiny. The Gwent Scrutiny Challenge is being undertaken in partnership with Gwent colleagues and with support from Welsh Government's Scrutiny Development Fund, Wales Audit Office, Welsh Local Government Association and Centre for Public Scrutiny.

11 Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability

- 11.1 The Scrutiny Annual Report is produced for the Council meeting in July each year.
- 11.2 The Scheme of Delegation sets out responsibilities for decision making. The Council's website includes the Cabinet and Cabinet Member decisions / Member profiles. The Scrutiny Handbook was updated in 2013/14. Development of Customer Insight to better understand our communities. Dissemination of ward meeting minutes.
- 11.3 Social media, Twitter and Facebook for example, is increasingly being used to engage local people and communicate the corporate message.
- 11.4 The majority of meetings are held in public as shown from Committee agendas and minutes which are then available on the website. The Council now broadcasts Council meetings and Planning / Licensing Committees live on the internet and is working towards webcasting other formal member meetings.

Annual Governance Statement

Statement of Accounts 2014/15

Newport City Council

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

	2012-13	2013-14	2014-15
No' of FOI requests	698	869	895
No' responded to within 20 days	631	757	785
Percentage of FOIs responded to within 20 days [Target 87% - national standard 85%]	90%	87%	88%

Annual Governance Statement

12 Action Plan 2014/15

- 12.1 Action taken to address the issues raised in the 2013/14 Annual Governance Statement are shown at Appendix 1.
- 12.2 The Wales Audit Office have undertaken a Corporate Assessment and a follow up assessment of Newport City Council. The Corporate Management Team on behalf of the Council, is working on an action plan to incorporate the recommendations of these assessments to further improve and strengthen the governance arrangements and their effectiveness in future years.

13 Conclusion

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

Signed:Date..... 2015

Leader

Signed:Date..... 2015

Chief Executive

Annual Governance Statement

Statement of Accounts 2014/15

Newport City Council

Appendix 1

Action Plan 2013/14

Action taken during 2014/15 to address the issues raised in the 2013/14 Annual Governance Statement to further enhance the Council's governance arrangements.

	Governance issue to be addressed	How	Responsible Officer	By when	Action Taken
1	Principle 2 Ensure that relationships between the Council, its partners and the public are clear so that each knows what to expect of the other	Review the Partnership Evaluation to clarify the governance arrangements in place and to determine the continuation of the partnership relationships.	Framework Partnership Manager Heads of Service	March 2015	Partnership evaluation undertaken on an annual basis. Governance arrangements reviewed and changes made. This has been agreed by the Local Service Board in May 2015, resulting in an amended structure for 2015/16.
2	Principle 4 Risk Management Arrangements	Strengthening the risk management arrangements through improved processes and governance arrangements to ensure it becomes more of a living document	Head of People and Business Change	March 2015	Corporate Risk Strategy updated, now also includes Information Risk. Corporate Risk Register and Strategy now in place. Quarterly updates on the Corporate Risk Register are received by Strategic Leadership Team, Cabinet and Audit Committee. Through the Corporate Assessment Review 2015 WAO have concluded "The Council has improved its approach to and presentation of its corporate risk register"
3	Principle 6 Engaging with local people and stakeholders	Develop use of Customer and Community Insight to ensure understanding of	Information Governance Manager/ Partnership	On-going	Local Service Board using ward profile data to support Community Engagement and area specific approaches to

Annual Governance Statement

Statement of Accounts 2014/15

Newport City Council

		communities	Manager		<p>tackling disadvantage. Work on-going in 2015/16.</p> <p>Newport City Council began an on-going conversation with the public regarding service priorities and how to make savings in September 2014. Implementation of a three pronged approach through engagement (September – November 2014), formal consultation (December 2014 – January 2015) and feedback (on-going). Consultation now embedded in Fairness and Equality Impact Assessment process.</p> <p>NCC has commissioned Tros Gynnal to provide impartial support for Newport Youth Council and Newport Children in Care Council, to better enable the voices of children and young people to be heard by decision makers.</p> <p>Central Education have now adopted the creation of an Everyday Summary Version – Children & Young People consultation document for all reorganisation proposals.</p>
4	<p>Principle 6</p> <p>Commitment transparency and openness</p>	Move to a more open approach with publication of data.	Head of CS&DI Information Governance Manager	2014/15, monitored as part of CIS service plan	<p>Development work on-going, included in CSDI draft service plan 2015/16.</p> <p>Freedom of Information publication scheme</p>

Annual Governance Statement

Statement of Accounts 2014/15

Newport City Council

					<p>updated.</p> <p>Ward profiles to be published 15/16.</p> <p>Re-affirmed the Council's commitment to publishing its spend over £500 and improved processes to remove any personal data held.</p>
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Independent Auditor's Report to the Members of Newport City Council

Statement of Accounts 2014/15

Newport City Council

I have audited the accounting statements and related notes of Newport City Council for the year ended 31 March 2015 under the Public Audit (Wales) Act 2004.

Newport City Council's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet and the Cash Flow Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the responsible financial officer and the independent auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 15, the responsible financial officer is responsible for the preparation of the statement of accounts which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the accounting statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to Newport City Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited accounting statements and related notes. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the accounting statements of Newport City Council

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Newport City Council as at 31 March 2015 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Emphasis of Matter – failure to prepare Group Accounts

In forming my opinion on the financial statements, which is not modified, I have considered the Council's compliance with the group accounting requirements of the CIPFA LASAAC Code of Practice on Local Authority Accounting 2015-16 ('the Code'). I draw attention to the accounting policies in Note 1 and Note 45 of the financial statements which sets out the Council's non-compliance with the Code. The note explains that the Council has not prepared Group accounts that include the financial statements of Newport Transport Ltd, a company wholly owned by the Council.

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

Statement of Accounts 2014/15

Newport City Council

Opinion on other matters

In my opinion, the information contained in the Explanatory Foreword for the financial year for which the accounting statements and related notes are prepared is consistent with the accounting statements and related notes.

Matters on which I report by exception

I have nothing to report in respect of the Governance Statement on which I report to you if, in my opinion, it does not reflect compliance with 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE in June 2007, or if the statement is misleading or inconsistent with other information I am aware of from my audit.

Certificate of completion of audit

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

**For and on behalf of
Auditor General for Wales
24 Cathedral Road
Cardiff
CF11 9LJ**

Date:

Comprehensive Income and Expenditure Statement

Statement of Accounts 2014/15

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.

2013/14			2014/15				
Gross Expenditure	Gross Income	Net Expenditure	Notes	Gross Expenditure	Gross Income	Net Expenditure	
£'000	£'000	£'000		£'000	£'000	£'000	
4,214	(2,750)	1,464		7,399	(5,060)	2,339	
21,499	(5,536)	15,963		16,384	(5,411)	10,973	
23,533	(6,930)	16,603		16,855	(2,419)	14,436	
12,921	(4,205)	8,716		7,090	(6,680)	410	
170,039	(34,449)	135,590		176,453	(45,356)	131,097	
19,380	(5,413)	13,967		24,415	(8,137)	16,278	
63,233	(57,702)	5,531		63,064	(60,414)	2,650	
59,336	(13,793)	45,543		64,550	(19,343)	45,207	
4,884	-	4,884		3,785	(30)	3,755	
452	-	452		306	(305)	1	
789	-	789		32	-	32	
380,280	(130,778)	249,502	Cost of services	380,333	(153,155)	227,178	
-	-	-	Exceptional items	6	1,525	-	1,525
20,609	-	20,609	Other operating expenditure	9	21,964	(1,846)	20,118
24,596	(9,323)	15,273	Financing and investment income and expenditure	10	22,775	(1,826)	20,949
-	-	-	(Surplus) / deficit on discontinued operations		-	-	-
-	(274,792)	(274,792)	Taxation and non-specific grant income	11	-	(279,517)	(279,517)
425,485	(414,893)	10,592	(Surplus) / Deficit on Provision of services	426,597	(436,344)	(9,747)	
		6,033	(Surplus) / deficit on revaluation of Property Plant and Equipment assets			(2,846)	
		(59,018)	Actuarial (gains) / losses on pensions assets / liabilities			62,767	
		(52,985)	Other Comprehensive Income and Expenditure			59,921	
		(42,393)	Total Comprehensive Income and Expenditure			50,174	

Movements in Reserves Statement

Statement of Accounts 2014/15

Newport City Council

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

	Council Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at the 31 Mar 2013 carried forward	(5,000)	(65,294)	(3,551)	(73,845)	20,177	(53,668)
Movement in reserves during 2013/14						
(Surplus) / deficit on the provision of services	10,592	-	-	10,592	-	10,592
Other comprehensive Income and Expenditure	-	-	-	-	(52,985)	(52,985)
Total Comprehensive Income and Expenditure	10,592	-	-	10,592	(52,985)	(42,393)
Adjustments between accounting basis and funding basis under regulations (Note 7)	(15,264)	-	(1,851)	(17,115)	17,115	-
Net Increase / Decrease before Transfers to Earmarked Reserves	(4,672)	-	(1,851)	(6,523)	(35,870)	(42,393)
Transfer to/ from Earmarked Reserves	4,672	(4,672)		-	-	-
Increase/ Decrease in 2013/14	-	(4,672)	(1,851)	(6,523)	(35,870)	(42,393)
Balance at the 31 Mar 2014 carried forward	(5,000)	(69,966)	(5,402)	(80,368)	(15,693)	(96,061)
Balance at the 31 Mar 2014 carried forward	(5,000)	(69,966)	(5,402)	(80,368)	(15,693)	(96,061)
Movement in reserves during 2014/15						
(Surplus) / deficit on the provision of services	(9,747)	-	-	(9,747)	-	(9,747)
Other comprehensive Income and Expenditure	-	-	-	-	59,921	59,921
Total Comprehensive Income and Expenditure	(9,747)	-	-	(9,747)	59,921	50,174
Adjustments between accounting basis and funding basis under regulations (Note 7)	1,854	-	(1,566)	288	(288)	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(7,893)	-	(1,566)	(9,459)	59,633	50,174
Transfer to/ from Earmarked Reserves (Note 8)	3,967	(3,967)	-	-	-	-
(Increase) / Decrease in 2014/15	(3,926)	(3,967)	(1,566)	(9,459)	59,633	50,174
Balance at the 31 Mar 2015 carried forward	(8,926)	(73,933)	(6,968)	(89,827)	43,940	(45,887)

Balance Sheet

Statement of Accounts 2014/15

Newport City Council

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

31 March 2014 £'000		Notes	31 March 2015 £'000
465,976	Property, Plant and Equipment	12	469,932
12,944	Heritage Assets	13	12,946
7,240	Investment Property	14	7,237
251	Long Term Investments	15	251
13,313	Long Term Debtors	15	54,193
499,724	Long Term Assets		544,559
6,595	Assets Held for Sale	19	5,199
262	Inventories	16	237
36,727	Short Term Debtors	17	51,040
94	Cash and Cash Equivalents	18	2,666
43,678	Current Assets		59,142
(789)	Bank Overdrafts	18	(4,481)
(10,421)	Short Term Borrowing	15	(16,212)
(37,689)	Short Term Creditors	20	(36,900)
(6,087)	Provisions	21	(8,619)
(54,986)	Current Liabilities		(66,212)
(6,684)	Long Term Creditors	15	(8,805)
(2,001)	Long Term Provisions	21	(2,158)
(145,625)	Long Term Borrowing	15	(176,827)
(238,044)	Other Long Term Liabilities	15	(303,812)
(392,354)	Long Term Liabilities		(491,602)
96,062	Net Assets		45,887
(80,368)	Usable Reserves	22	(89,827)
(15,693)	Unusable Reserves	23	43,940
(96,061)	Total Reserves		(45,887)

Cash Flow Statement

Statement of Accounts 2014/15

Newport City Council

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

2013/14		Note	2014/15
£'000			£'000
10,592	Net (surplus) / deficit on the provision of services as shown on the Comprehensive Income and Expenditure Statement		(9,747)
(44,248)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	27	28,592
2,278	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	25	1,846
<u>(31,378)</u>	Net cash flows from Operating Activities		<u>20,691</u>
18,333	Investing Activities	25	15,487
10,464	Financing Activities	26	(35,058)
<u>(2,581)</u>	Net (increase) or decrease in cash and cash equivalents		<u>1,120</u>
(3,276)	Cash and cash equivalents at the beginning of the reporting period	18	(695)
<u>(695)</u>	Cash and cash equivalents at the end of the reporting period	18	<u>(1,815)</u>

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

I ACCOUNTING POLICIES

The Statement of Accounts summarises the Authority's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. The Authority is required to prepare an annual Statement of Accounts by the Public Accounts and Audit (Wales) Regulations 2005, and in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15 and supported by International Financial Reporting Standards (IFRS).

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

Accruals of Income and Expenditure

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

In particular:

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

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

Discontinued Operations

Discontinued operations arise where an activity has permanently ceased; terminates during the period or within three months of the period end; has a material impact on the Authority's service provision or

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

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

Exceptional Items

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

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

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

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

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

Charges to Revenue for Non-Current Assets

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

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

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

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

Employee Benefits

Benefits Payable during Employment

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

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

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

Termination Benefits

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

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

Post-Employment Benefits

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

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

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

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

The Local Government Pension Scheme

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

- The liabilities of the Torfaen County Borough (Greater Gwent) pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate (based on the indicative rate of return on high quality corporate bonds).
- The assets of the Torfaen County Borough (Greater Gwent) pension fund attributable to the Authority are included in the Balance Sheet at their fair value
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value.
- The change in the net pensions liability is analysed into the following components:

Service Costs

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

Re-measurements

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

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

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

Discretionary Benefits

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

Full pension's details are included in notes 40 and 41.

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

Events after the Balance Sheet Date

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

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

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

Financial Instruments

Financial Liabilities

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

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

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

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

Financial Assets

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

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

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

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

Government Grants and Contributions

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

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

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

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

Museum Collection

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

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

Tredegar House – Property and Contents

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

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

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

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

Public Art and Features

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

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

Archaeology

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

Heritage Assets – General

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

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

Interest in Companies and Other Entities

The Authority has considered the status of its relationships with its partner organisations and continues to prepare single entity accounts only with any material interest in companies and other entities being recorded as investments (i.e. cost less any provision for losses). The Authority has acknowledged that Group Accounts should have been prepared to comply with the Code, and has disclosed potential impact to the Statement of Accounts within the notes.

Inventories and Long Term Contracts

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

Investment Property

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

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

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

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

Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Authority in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Authority does not recognise on its Balance Sheet the assets that it controls and the liabilities that it incurs and its debits and credits the Comprehensive Income and Expenditure Statement with the only the expenditure and income it incurs directly with the operation. It does not include the the share of expenditure with or income it earns from the activity of the operation. As as result these have not been incorporated into the 2013/14 or 2014/15 Statement of Accounts.

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

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

Leases

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

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

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

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Authority as Lessor

Finance Leases

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

The Authority 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 12.

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).

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

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

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

Operating Leases

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

Overhead and Support Service

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2014/15* (SERCOP). The full cost of overheads and support services are shared between users in proportion to the benefits received. The proportions used are: Central departments - allocated on a time allocation or usage basis; administrative buildings - floor area; and Computing costs - usage. Exceptions to this are: Corporate and Democratic Core (costs relating to the Authority's status as a multi-functional democratic organisation); and Non-Distributed Costs (the cost of discretionary benefits awarded to employees retiring early). These two categories are accounted for as separate headings in the Comprehensive Income and Expenditure Account, as part of the Net Cost of Services.

Property, Plant and Equipment

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

Recognition

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

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

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

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 – lower of net current replacement costs or net realisable value in existing use;
- Vehicles, plant and equipment – depreciated historical cost as a proxy for net realisable value on materiality grounds;
- Infrastructure assets – depreciated historical cost or nominal value if unavailable;
- Community assets – lower of net current replacement costs or net realisable value in existing use;
- Assets under construction – historical cost;
- Non-specialised operational properties – existing use value;
- Specialised operational properties – depreciated replacement cost; and
- Investment properties and surplus assets – market value.

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.

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

Valuations are undertaken by Mrs Eirian Jones (MRICS), Senior Estates Portfolio Officer at Newport Norse Ltd.

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

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

Impairment

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

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

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

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

Depreciation

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

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

Depreciation is calculated on the following bases:

ASSET	POLICY	Life
Land	No depreciation charged	
Buildings	Straight line depreciation on estimated remaining life	As advised by Valuer
New roads	Straight line depreciation on estimated remaining life	40 years
Vehicles & Plant	Straight line depreciation on estimated remaining life or over the term of the lease in the case of assets acquired by finance leases	5 - 7 years
Computer Equipment	Straight line depreciation on estimated remaining life	Usually 5 years

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

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

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

Componentisation

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

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

Non-current Assets Held for Sale and Disposals

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

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

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

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

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

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

Private Finance Initiative (PFI)

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

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

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

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

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

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

Provisions

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

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

Contingent Assets / Liabilities

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

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

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

Reserves

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

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

Earmarked Reserves:

The Authority has discretion to set aside specific amounts as reserves where they wish to earmark available funds for future policy purposes; to cover contingencies or manage cash flows. These are summarised in Note 8. The most significant reserve is the Southern Distributor Road PFI which will meet future liabilities over the lifetime of the PFI scheme.

Unusable Reserves

A number of reserves exist to manage the accounting for non-current Assets, financial instruments and employee benefits; these do not represent usable funds for the Authority, these are explained in the relevant policies and notes and are classed as Unusable Reserves, found in Note 23.

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

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

Value Added Tax (VAT)

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

Carbon Reduction Commitment Allowances

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

Changes to Accounting Policies

Accounting Policies for employee benefits have been updated in light of changes to International Accounting Standard (IAS) 19. No prior year adjustment was considered necessary as this relates to disclosure changes only and the overall balances held by the Authority have not changed.

2 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2016. If these had been adopted for the financial year 2015/16 there would be no material changes as detailed below.

IFRS 13 Fair Value Measurement. This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions). The adoption of this standard will require surplus assets (assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale) to be re-valued to market value rather than value in existing use as at present. Operational property, plant and equipment assets are outside the scope of IFRS 13. Overall this standard is not expected to have a material impact on the Statement of Accounts.

IFRIC 21 Levies. This standard provides guidance on levies imposed by government in the Statement of Accounts of entities paying the levy. The IFRIC specifies the obligating event as the activity that triggers the timing of the payment of the levy. The amount payable may be based on information

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

relating to a period before the obligation to pay arises or the levy is payable only if a threshold is reached, or both. This standard will not have a material impact on the Statement of Accounts.

Annual Improvements to IFRSs (2011 – 2013 Cycle). These improvements are minor, principally providing clarification and will not have a material impact on the Statement of Accounts.

The Code requires implementation from 1 April 2015 and there is therefore no impact on the 2014/15 Statement of Accounts.

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- There remains a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision;
- 2014/15 is the first year the CIPFA LASAAC Code of Practice on Local Authority Accounting 2015-16 ('the Code') has adopted IFRS10. For the financial year 2014/15 the Authority did not consolidate the financial statements of Newport Transport Ltd into Group Accounts on the Authority's view on grounds of materiality. The principal statements of Newport Transport Ltd were included instead which the Authority believes provides useful disclosure of this 'group entity' as the company is 100% owned by the Council. In deciding on this course of action, the Authority subsequently did not put in the processes and resources required to collect the detail available to consolidate the financial statements of Newport Transport Ltd into Group Accounts. The Authority acknowledges the group accounting requirements of the Code. Newport Transport's accounts are summarised in Note 45 as noted above.

The Authority will produce Group Accounts as required by the Code, including the consolidation for Newport Transport Ltd in the 2015/16 Statement of Accounts and for future years as applicable.

- Following the publication of updated guidance from CIPFA the Council has reviewed its recognition and treatment of the various types of schools and the assets they operate from. Schools governing bodies are separate entities to the Authority but for the purpose of preparing Statement of Accounts they are within the group boundary and their activities must be reported.

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

In Newport's case it has been judged that faith schools (voluntary aided or controlled) which are not sited on Authority land and over which it has no long term guarantees of availability do not meet the criteria for recognition as an asset under IAS16. This results in the exclusion of 20 schools from the Authority's non-current assets.

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

4 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Head of Finance on 30 June 2015 and included all known information at that date relating to the figures compiled up to 31 March 2015. There have been no significant events since this time which would impact on the accuracy of any of the figures in the financial statements.

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

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

The items in the Authority's Balance Sheet at 31 March 2015 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
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied. The actuary has advised the effects of a 0.1% increase in the following criteria: Discount Rate – £11.75m decrease to liability. Inflation – £11.97m increase to liability A one year increase in life expectancy would result in an additional liability of £12.27m
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. Due to the uncertainty about the actual useful life of an asset there is uncertainty of this charge if the useful life was to change.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.
Provisions	The Authority makes a number of provisions for liabilities that it may face where a reasonable estimate of value	The provisions are based on information known at the Balance Sheet date and best estimates and

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

	<p>can be made. In most cases these are subject to legal claims such as Insurance claims and other items as disclosed in the provisions note. Provisions relating to landfill sites, due to their significant value and long life are subject to a high level of estimation of future liabilities, this is detailed further in the provisions note.</p>	<p>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>
Provisions in relation to arrears	<p>At 31 March 2015, the Authority had amounts it was owed for items such as sundry debtors, Council Tax, Non Domestic Rates (NDR) and rents. After taking into account trends in past collection experience and other relevant changes that may impact on collectability such as the economic climate, a level of impairment is assumed which may or may not be deemed to be sufficient.</p>	<p>Improvements in collection will improve future reported outturn position, however where customers are finding it difficult to pay for Council services, this will require increases in the level of provisions currently set aside.</p>

6 MATERIAL ITEMS OF INCOME AND EXPENSE

Material items occurring outside of the Authority's normal activities and which, by virtue of their size and potential incidence on the Statement of Accounts are disclosed separately to give a true and fair view.

In 2014/15 the following one-off payments totalling £1.525m have been made which have been classed as exceptional items. These are:

- £500k provision for bridging payments in relation to equal pay claims
- £400k provision for outstanding equal pay claims
- £625k transfer to Pay reserve to cover future costs in relation to Total Reward

The provisions relating to the equal pay claims will be reviewed in 2015/16, when the final settlement of the issues should become clear.

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

7 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

2014 / 15

	Usable Reserves		
	Council Fund Balance	Capital Receipts Reserve	Movement in Unusable Reserves
	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:	6,373	-	(6,373)
Reversal of Items debited or credited to the Comprehensive Income and Expenditure Account	(6,882)	-	6,882
Charges for depreciation and impairment of non-current assets	(18,179)	-	18,179
Revaluation losses on PPE & Assets Held for Sale	336	-	(336)
Movements in the fair value of Investment Properties	(3)	-	3
Capital grants and contributions applied	20,680	-	(20,680)
Revenue expenditure funded from capital under statute	(8,148)	-	8,148
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	(1,568)	-	1,568
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:	13,255	-	(13,255)
Statutory provision for the financing of capital investment	12,820	-	(12,820)
Capital expenditure charged against the General Fund	435	-	(435)

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

	Council Fund Balance	Usable Reserves Capital Receipts Reserve	Movement in Unusable Reserves
	£'000	£'000	£'000
Adjustments primarily involving the Capital Receipts Reserve:	1,846	(1,566)	(280)
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	1,846	(1,846)	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	280	(280)
Transfer from Deferred Capital Receipts Reserve on receipt of cash	-	-	-
Adjustment primarily involving the Financial Instruments Adjustment Account:	141	-	(141)
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	141	-	(141)
Adjustments primarily involving the Pensions Reserve:	(4,770)	-	4,770
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	(19,976)	-	19,976
Movement in Pension Strain	159	-	(159)
Employer's pensions contributions and direct payments to pensioners payable in the year	15,047	-	(15,047)
Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account:	310	-	(310)
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	310	-	(310)

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

	Council Fund Balance	Usable Reserves Capital Receipts Reserve	Movement in Unusable Reserves
	£'000	£'000	£'000
<i>Adjustment primarily involving the Accumulated Absences Account:</i>	(2,046)	-	2,046
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	(2,046)	-	2,046
TOTAL ADJUSTMENTS	1,854	(1,566)	(288)

2013/14 Comparative figures

<i>Adjustments primarily involving the Capital Adjustment Account:</i>	(16,631)	-	16,631
<i>Reversal of Items debited or credited to the Comprehensive Income and Expenditure Account</i>	(31,510)	-	31,510
Charges for depreciation and impairment of non-current assets	(24,109)	-	24,109
Revaluation losses on Property Plant and Equipment	(14,235)	-	14,235
Movements in the market value of Investment Properties	(15)	-	15
Capital grants and contributions applied	18,550	-	(18,550)
Revenue expenditure funded from capital under statute	(8,453)	-	8,453
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(3,248)	-	3,248
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>	14,879	-	(14,879)
Statutory provision for the financing of capital investment	13,044	-	(13,044)
Capital expenditure charged against the General Fund	1,835	-	(1,835)

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

	Council Fund Balance	Usable Reserves Capital Receipts Reserve	Movement in Unusable Reserves
	£'000	£'000	£'000
Adjustments primarily involving the Capital Receipts Reserve:	2,309	(1,851)	(458)
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,278	(2,278)	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	1,427	(1,427)
Transfer from Deferred Capital Receipts Reserve on receipt of cash	31	(1,000)	969
Adjustment primarily involving the Financial Instruments Adjustment Account:	124	-	(124)
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	124	-	(124)
Adjustments primarily involving the Pensions Reserve:	(11,080)	-	11,080
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	(25,335)	-	25,335
Employer's pensions contributions and direct payments to pensioners payable in the year	14,255	-	(14,255)
Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account:	7,998	-	(7,998)
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	7,998	-	(7,998)
Adjustment primarily involving the Accumulated Absences Account:	2,016	-	(2,016)
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	2,016	-	(2,016)
TOTAL ADJUSTMENTS	(15,264)	(1,851)	17,115

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

8 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 2014/15.

	Movements between Reserves		Via Comprehensive I&E Account			
	Balance at 31-Mar-14	Transfers Out	Transfers In	Transfers Out	Transfers In	Balance at 31-Mar-15
	£'000	£'000	£'000	£'000	£'000	£'000
Council Fund:	(5,000)				(3,926)	(8,926)
Balances held by schools for future use	(4,214)				(546)	(4,760)
Earmarked Reserves:						
Works of art	(21)					(21)
Music Service	(105)				(60)	(165)
School Works	(339)			86	(171)	(424)
STEP School Computers	(696)			83	(266)	(879)
Theatre & Arts Centre	(233)					(233)
Residual Housing Functions	-					-
Invest to Save	(9,659)			2,139		(7,520)
Capital Expenditure	(113)			62		(51)
Insurance Reserve	(1,772)				-	(1,772)
MMI Insurance Reserve	(415)				(250)	(665)
Cymorth Income	(38)				0	(38)
Legal Claims	(100)				0	(100)
Super Connected Cities	(1,003)				(38)	(1,041)
Snooker	-					-
Pay Reserve	(5,946)			1,424	(2,780)	(7,302)
Municipal Elections	(49)				(37)	(86)
Local Development Plan	(621)			145		(476)
Pupil Referral Unit	(60)					(60)
Health & Safety	(16)					(16)
Council Tax Reduction	(500)					(500)
Landfill	(213)			50		(163)
Education Achievement Service	(92)					(92)
Schools Redundancies	(125)				(100)	(225)
Christmas Lights	(75)					(75)
Capital Works	(1,275)			25		(1,250)
Friars Walk	(1,750)				(879)	(2,629)
Usable Capital Receipts	(5,402)			280	(1,846)	(6,968)
Glan Usk PFI	(118)				(300)	(418)
Southern Distributor Road PFI	(40,418)				(2,066)	(42,484)
Chartist Commission	-				(50)	(50)
Gypsy and Traveller Site	-				(20)	(20)
Homeless Prevention	-				(38)	(38)
Environmental Health - Improve Air Quality	-				(50)	(50)
Gem Services Reserves	-				(100)	(100)
Refurbishment of Childrens/Older Peoples Homes	-				(80)	(80)
ECDL Training Package	-				(50)	(50)
City Deal Reserve	-				(50)	(50)
Great Western Cities	-				(50)	(50)
Total	(80,368)	-	-	4,294	(13,753)	(89,827)

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

Key Reserves to note are:

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

9 OTHER OPERATING EXPENDITURE

31-Mar-14		31-Mar-15
£'000		£'000
	Precepts and levies:	
221	Community Councils	228
6,854	South Wales Fire Authority	6,912
927	Caldicot and Wentlooge Drainage Board	928
117	Home Office	151
10,612	Police and Crime Commissioner for Gwent	11,186
940	(Gains) and Losses on assets held for sale	991
938	Loss / (Profit) on the disposal of non-current assets	(278)
20,609	Total	20,118

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

31-Mar-14		31-Mar-15
£'000		£'000
15,172	Interest payable and similar charges	14,915
9,410	Pensions interest cost and expected return on pensions assets	7,860
(121)	Interest receivable and similar income	(1,147)
(8,598)	PFI special grant	(96)
(590)	Income and expenditure in relation to investment properties and changes in their fair value	(583)
15,273	Total	20,949

11 TAXATION AND NON SPECIFIC GRANT INCOME

31-Mar-14		31-Mar-15
£'000		£'000
(47,071)	Council tax income	(50,331)
(43,951)	Non domestic rates	(44,745)
(166,558)	Non-ring fenced government grants	(171,628)
(17,212)	Capital grants and contributions	(12,813)
(274,792)	Total	(279,517)

National Non-Domestic Rates (NNDR)

The total rateable value for non-domestic rates was £154,389,156 at 31 March 2015 (£156,571,049 at 31 March 2014). The rate poundage for occupied properties was 47.3p per £ of rateable value (46.4p in 2013/2014) with empty properties being charged at 47.3p (46.4p in 2013/2014).

31-Mar-14		31-Mar-15
£'000		£'000
(65,602)	NNDR collectable	(65,433)
64,578	Payments to NNDR pool	64,497
704	NNDR bad debts written off and/or provided for	616
320	NNDR cost of collection allowance	320
-		-

In 2014/2015, Newport received £44.745m from the Welsh NNDR pool in support of its services (£43.951m – 2013/2014).

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

LOCAL TAXATION

Council Tax Collection

	31-Mar-14 £'000	31-Mar-15 £'000
INCOME		
Council Taxes (net of Council Tax benefits)	(48,107)	(50,855)
Council Tax benefits	(10,268)	(10,448)
Total income	(58,375)	(61,303)
EXPENDITURE		
Precepts payable		
- Gwent Police Authority	10,612	11,186
- Community Councils	221	228
Newport Council Fund requirement	45,763	49,104
Council tax written off and provided for	905	420
Total expenditure	57,501	60,938
Net surplus for the year	(874)	(365)

Council Tax Requirement

	31-Mar-14		31-Mar-15	
	Dwellings	Tax Base	Dwellings	Tax Base
Total number of properties on valuation list	64,274	64,274	64,679	64,679
Adjusted as follows				
Less exempt properties @ 100%	1,996	(1,996)	2,115	(2,115)
Less single discounts @ 25%	23,779	(5,945)	24,058	(6,015)
Less multiple discounts @ 50%	1,047	(524)	1,198	(599)
Band D conversion		(278)		(323)
Losses on collection		(1,999)		(984)
Tax Base		53,532		54,643
		£		£
Council tax requirement		56,595,992		60,517,448
Less payable to Gwent Police		(10,611,577)		(11,185,538)
Less payable to Community Councils		(220,918)		(227,673)
Net requirement Newport City Council		45,763,497		49,104,237
Band D tax for the year		854.88		893.36

Losses on collection have been calculated at 1.75% (3.6% 2013/14)

This basic amount of £893.36 for a band D property (£854.88 in 2013/2014) 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

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

12 PROPERTY, PLANT AND EQUIPMENT

	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets within PPE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2014	293,248	28,965	203,933	376	7,796	1,302	535,620	70,939
Re-classification	(962)	-	2	195	17	177	(571)	-
Additions	3,074	2,887	5,472	-	-	7,684	19,117	-
Impairments & Revaluations	2,855	(5)	(121)	3	(1,056)	-	1,676	-
Disposals	(317)	(1,978)	-	-	(251)	-	(2,546)	-
At 31 March 2015	297,898	29,869	209,286	574	6,506	9,163	553,296	70,939
Accumulated Depreciation and Impairment								
At 1 April 2014	(7,873)	(19,711)	(42,060)	-	-	-	(69,644)	(12,743)
Re-classification	-	-	-	-	-	-	-	-
Depreciation Charge in Year	(8,199)	(1,815)	(6,033)	-	(105)	-	(16,152)	(1,846)
Revaluation Impact	374	-	-	-	105	-	479	-
Disposals	-	1,953	-	-	-	-	1,953	-
At 31 March 2015	(15,698)	(19,573)	(48,093)	-	-	-	(83,364)	(14,589)
Net Book Value								
At 1 April 2014	285,375	9,254	161,873	376	7,796	1,302	465,976	58,196
At 31 March 2015	282,200	10,296	161,193	574	6,506	9,163	469,932	56,350

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets within PPE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2013	312,354	25,713	188,242	3,308	6,055	4,066	539,738	74,555
Re-classification	(8,982)	520	6,181	334	4,348	(3,896)	(1,495)	-
Additions	11,136	3,398	10,002	27	-	1,132	25,695	-
Impairments & Revaluations	(20,670)	-	(492)	(3,281)	(1,519)	-	(25,962)	(3,616)
Disposals	(590)	(666)	-	(12)	(1,088)	-	(2,356)	-
At 31 March 2014	293,248	28,965	203,933	376	7,796	1,302	535,620	70,939
Accumulated Depreciation and Impairment								
At 1 April 2013	(2,134)	(18,224)	(36,114)	(4)	(6)	-	(56,482)	(12,809)
Re-classification	11	-	(17)	-	6	-	-	-
Depreciation Charge in Year	(8,630)	(2,040)	(5,978)	(1)	(143)	-	(16,792)	(1,865)
Revaluation Impact	2,877	-	49	5	76	-	3,007	1,931
Disposals	3	553	-	-	67	-	623	-
At 31 March 2014	(7,873)	(19,711)	(42,060)	-	-	-	(69,644)	(12,743)
Net Book Value								
At 1 April 2013	310,220	7,489	152,128	3,304	6,049	4,066	483,256	61,746
At 31 March 2014	285,375	9,254	161,873	376	7,796	1,302	465,976	58,196

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

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

Infrastructure Assets includes £1,469k of adopted assets (2013/14: £5,099k), which relate to a number of roads built by and adopted from developers through the year.

Depreciation

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

ASSET	POLICY	LIFE
Land	No depreciation charged	
Buildings	Straight line depreciation on estimated remaining life	As advised by Valuer
New Roads	Straight line depreciation on estimated remaining life	40 years
Vehicles and Plant	Straight line depreciation on estimated remaining life or over the term of the lease in the case of assets acquired by finance leases	5 - 7 years
Computer equipment	Straight line depreciation on estimated remaining life	Usually 5 years

Capital Commitments

The Authority approved a four-year programme of capital investment in 2014/15 to improve the infrastructure and facilities in Newport. Of this programme, the Authority is contractually committed to carry out works as follows:

	31-Mar-14	31-Mar-15
	£'000	£'000
Central Services	-	-
Cultural & Related Services	274	-
Education	166	909
Environmental Services	-	-
Highways, Roads & Transport	2,958	1,519
Housing (General Fund)	-	-
Planning & Development Services	273	975
	<u>3,671</u>	<u>3,403</u>

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

Revaluations

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

	Other Land & buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at Historic Cost	418	29,869	209,286	-	-	9,163	248,736
Valued at fair value as at:							
31 March 2015	17,376	-	-	54	6,506	-	23,936
31 March 2014	42,910	-	-	376	-	-	43,286
31 March 2013	235,642	-	-	144	-	-	235,786
31 March 2012	1,552	-	-	-	-	-	1,552
31 March 2011	-	-	-	-	-	-	-
Total Cost or Valuation	297,898	29,869	209,286	574	6,506	9,163	553,296

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

13 Heritage Assets

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

	Museum Collection	Tredegar House & Park	Public Art & Features	Archaeology	Total Heritage Assets
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation					
At 1 April 2014	8,005	1,930	2,917	92	12,944
Additions	-	-	-	11	11
Revaluations	-	-	-	-	-
Impairment Losses/(reversals) recognised in the CI&ES	-	-	-	-	-
Disposals	-	-	-	-	-
At 31 March 2015	8,005	1,930	2,917	103	12,955
Accumulated Depreciation and Impairment					
At 1 April 2014	-	-	-	-	-
Re-classification	-	-	-	-	-
Depreciation charge in year	-	(9)	-	-	(9)
Revaluation impact	-	-	-	-	-
At 31 March 2015	-	(9)	-	-	(9)
Net Book Value					
At 1 April 2014	8,005	1,930	2,917	92	12,944
At 31 March 2015	8,005	1,921	2,917	103	12,946

Revaluations for the Museum Collection are as at 25 September 2012, and were completed by Patrick Bowen Fine Art Consultants (Patrick Bowen MRICS). Valuations were completed based on a high auction or market value, and there were no significant limitations to the valuation.

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

	Museum Collection	Tredegar House & Park	Public Art & Features	Archaeology	Total Heritage Assets
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation					
At 1 April 2013	7,925	5,980	3,282	94	17,281
Additions	-	-	-	15	15
Revaluations	80	(4,050)	-	-	(3,970)
Impairment Losses/(reversals) recognised in the CI&ES	-	-	-	-	-
Disposals	-	-	(365)	(17)	(382)
At 31 March 2014	8,005	1,930	2,917	92	12,944
Accumulated Depreciation and Impairment					
At 1 April 2013	-	(279)	-	-	(279)
Re-classification	-	-	-	-	-
Depreciation charge in year	-	(63)	-	-	(63)
Revaluation impact	-	342	-	-	342
At 31 March 2014	-	-	-	-	-
Net Book Value					
At 1 April 2013	7,925	5,701	3,282	94	17,002
At 31 March 2014	8,005	1,930	2,917	92	12,944

Additions of Heritage Assets 2014/15

Additions comprise:	£'000
Capital expenditure on Newport Medieval Ship	11
	11

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

	31-Mar-11	31-Mar-12	31-Mar-13	31-Mar-14	31-Mar-15
	£'000	£'000	£'000	£'000	£'000
Cost of Acquisitions					
Museum Collection	-	26	-	-	-
Tredegar House & Park	2	-	(3)	-	-
Public Art & Features	-	16	-	-	-
Archaeology	-	47	30	15	11
Total	2	89	27	15	11

Assets Acquired by Donation

Museum Collection	-	-	-	-	-
Tredegar House & Park	-	-	-	-	-
Public Art & Features	-	-	-	-	-
Archaeology	-	-	-	-	-
Total	-	-	-	-	-

Impairments recognised in the period

Museum Collection	-	-	-	-	-
Tredegar House & Park	(2)	-	3	-	-
Public Art & Features	-	-	-	-	-
Archaeology	-	-	-	-	-
Total	(2)	-	3	-	-

	31-Mar-11	31-Mar-12	31-Mar-13	31-Mar-14	31-Mar-15
	£'000	£'000	£'000	£'000	£'000
Disposal of Assets					
Museum Collection					
Carrying Value	-	-	-	-	-
Proceeds	-	-	-	-	-
Tredegar House & Park					
Carrying Value	-	-	-	-	-
Proceeds	-	-	-	-	-
Public Art & Features					
Carrying Value	-	-	-	(365)	-
Proceeds	-	-	-	-	-
Archaeology					
Carrying Value	-	-	-	(17)	-
Proceeds	-	-	-	-	-

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

Disposal of Heritage Assets

No cash amounts have been received for any asset disposals. The amounts included above relate to assets that have been derecognised from the fixed asset register or donated to other bodies. No disposals took place in 2014/15.

Further information on the collections held

Museum Collection

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

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

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

Tredegar House & Park

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

Public Arts & Fixtures

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

Archaeology

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

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

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

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

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

The management of the collections is overseen by the Museums Officer (Collections and Premises). The Museums Officer manages a small team of professional staff which curates the collections and monitors its wellbeing. A project to establish a full computerised inventory of the collections is currently underway. The project started in 2006 and encompasses all collections cared for by the Museums & Heritage Service. Completing the documentation plan remains an important goal for the museum, but due to staffing resourcing issues the timetable for completion has slipped and it is hoped to be completed by 2016/17. This programme of work allows for improvements in storage conditions and highlights specific conservation needs of objects and collections. While the in-house focus is on preventive conservation measures which aim to stabilise an object's condition, specialist active conservation treatment is out-sourced and generally sought before objects are displayed.

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

14 INVESTMENT PROPERTIES

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

	31-Mar-14	31-Mar-15
	£'000	£'000
Rental income from investment property	608	586
Direct operating expenses arising from investment property	-	-
Net gain / (loss)	608	586

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

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

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

	31-Mar-14	31-Mar-15
	£'000	£'000
Balance at start of the year	7,349	7,240
Additions:		
- Purchases	-	-
- Construction	-	-
- subsequent expenditure	-	-
Disposals	-	-
Net gains/ (losses) from fair value adjustments	(15)	(3)
Transfers:		
- to/ from inventories	(75)	-
- to/ from Property, Plant and Equipment	(19)	-
Other changes	-	-
Balance at end of the year	<u>7,240</u>	<u>7,237</u>

15 FINANCIAL INSTRUMENTS

a) Long Term Investments

The investments held by the Authority (at cost) consist of:

	31-Mar-14	31-Mar-15
	£'000	£'000
Newport Transport Limited	251	251
	<u>251</u>	<u>251</u>

The Authority has assessed that the fair value of its investment in Newport City Transport Limited would not be significantly different from the historic cost presented.

South East Wales Education Achievement Service (SEWES) is a Company Limited by Guarantee, and as such had no share capital. The general funds of the company as at 31 March 2015 were nil, and this has been assessed as the fair value of the Authority's investment.

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

b) Long Term Debtors

Long-term debtors, held at cost, are amounts outstanding from sales of council houses, advances for house purchase/repair, and the officers' car loan scheme. It also includes debt in relation to the Police Authority which did not transfer when that function was removed from local authority control, Tredegar House Lease Premium, and monies owed by Gwent Crematorium. The Crematorium has paid a significant amount in this financial year. The Authority also hold a long term debt relating to the Friars Walk development and the Kings Hotel redevelopment. It is envisaged that this will be repaid within the agreed time frame in 2016.

	31-Mar-14	31-Mar-15
	£'000	£'000
Tredegar House Lease Premium	11,327	11,086
Gwent Crematorium	1,488	744
Deferred debt - Gwent Police	132	245
Officers' car loan scheme	149	79
Council house mortgages	30	25
Friars Walk Development	-	39,925
Kings Hotel Development	-	1,714
House purchase/repair loans	28	61
Other long term debtors	159	314
	<u>13,313</u>	<u>54,193</u>

c) Long Term Creditors

The largest holding is in respect of the Tredegar Lease Premium which relates to funds due to the National Trust for their running of Tredegar House.

Section 106 deposits also make up a major part of the balance, at the end of the year this was £4.955m. These amounts are paid by developers and recognise that their works impact on the local infrastructure which, in turn requires improvement. Section 106 deposits are generally held by the Authority to fund specific projects.

	31-Mar-14	31-Mar-15
	£'000	£'000
Section 106 deposits	(2,835)	(4,955)
Tredegar Lease Premium	(3,733)	(3,733)
Other long term creditors	(116)	(117)
	<u>(6,684)</u>	<u>(8,805)</u>

d) Short Term Investments

There are £2.56m temporary investments outstanding at 31 March 2015. The funds are held on call deposit with the Authority's bank.

e) Borrowings

Short-term borrowing includes loans borrowed for up to 364 days and any principal or interest payable within this period. At 31 March 2015 total short-term borrowing was £16.212m (31 March 2014 - £10.421m) including principal outstanding of £10.006m (31 March 2014 - £5.9m).

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

The following is an analysis of all borrowing shown in the Balance Sheet:

	31-Mar-14		31-Mar-15	
Outstanding debt and interest rate spread	% rates	£'000	% rates	£'000
Public Works Loans Board (fixed)	1.72-10.00	72,075	1.72-10.00	69,961
Stock	8.88	39,704	8.88	39,653
Market loans	3.77-5.05	35,645	3.77-5.05	35,655
Other	0.00	8,622	1.0-1.5	47,770
		156,046		193,039

With maturity in the following periods

Maturity Analysis	31-Mar-14	31-Mar-15
	£'000	£'000
<i>Short-term borrowing</i>	10,421	16,212
<i>Long-term borrowing</i>		
More than 1 and less than 2 years	3,937	3,405
More than 2 and less than 5 years	10,423	88,814
More than 5 and less than 10 years	57,179	14,855
More than 10 years	74,086	69,753
Total long-term borrowing	145,625	176,827
Total borrowing	156,046	193,039

The principal value of the outstanding debt relates to the stock issue £40m, market loans £35m Local Authority Debt of £34.975m and PWLB £105.106m. The respective debt of £39.653m, £35.655m and £101.161m shown in the Balance Sheet and the table above results from the Code requirement to re-measure loans and disclose liabilities at amortised cost.

There is also a requirement to calculate and disclose the fair values associated with the Authority's long-term borrowing and these are as follows:

	31-Mar-14		31-Mar-15	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
PWLB	69,974	92,944	66,186	100,050
Market loans	35,654	43,508	35,655	53,147
Stock	39,704	49,820	39,653	53,026
Other	293	293	35,333	33,534
Total	145,625		176,827	

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

The PWLB fair value has been calculated by reference to the premature repayment set of rates in force on 31 March 2014. In the absence of fair values being provided by the majority of the lenders for the Authority's market loans, the fair value has been calculated using market rates available on 31 March 2014. The Stock Issue fair value has been calculated using a UK Treasury Gilt yield for a similar period and interest rate as the Stock.

The fair value is generally greater than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest payable is higher than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest above current market rates increases the amount that the Authority would have to pay if the lender requested or agreed to early repayment of the loans.

Following the reorganisation of local government in Wales, Newport became responsible for managing Gwent County Council debt that could not be dis-aggregated. All costs, interest and principal repayments in respect of these loans are fully recharged to those authorities and are not included in these Statement of Accounts.

f) Other Long Term Liabilities

PFI Liabilities

Under the Code, assets under PFI arrangements are held on the Authority's Balance Sheet. In creating these assets an opposite PFI liability is created within Other Long Term Liabilities. These are written down over the contract period.

More details are available in note 36. However, the balances on the PFI Liabilities are represented as:

	31-Mar-14	Grant	Other	31-Mar-15
	£'000	£'000	£'000	£'000
Southern Distributor Road - PFI	(41,157)	-	1,137	(40,020)
Glan Usk Primary School - PFI	(12,206)	-	604	(11,602)
Total PFI Other Long Term Liabilities	(53,363)	-	1,741	(51,622)

Pension Liabilities

Represent the Authority's net liability in respect of its past and current employees for current and future pensions. The Statement of Accounts are prepared in accordance with recommended best practice. The liability varies according to revaluation gains and losses and is balanced by the un-usable Pensions reserve. The liabilities are secured by the Authority's future council tax levies.

	31-Mar-14	Movement	31-Mar-15
	£'000	£'000	£'000
Pensions liabilities	(184,614)	(67,536)	(252,150)
Total Pensions Other Long Term Liabilities	(184,614)	(67,536)	(252,150)

The valuation of this liability is provided by the fund actuaries, details are included in Note 41.

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

	31-Mar-14 £'000	Movement £'000	31-Mar-15 £'000
Finance leases	(37)	22	(15)
Total Finance Lease Other Long Term Liabilities	(37)	22	(15)

Housing mortgages

Outstanding council home mortgage advances are included in Other Long Term Liabilities as deferred capital receipts and valued at cost.

	31-Mar-14 £'000	Movement £'000	31-Mar-15 £'000
Total Housing Mortgages (Other Long Term Liabilities)	(30)	5	(25)
Total Long Term Liabilities	(238,044)	(65,768)	(303,812)

16 INVENTORIES

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

	31-Mar-14 £'000	31-Mar-15 £'000
Stocks		
Building Services	205	176
Leisure & Catering	28	27
Museum Shop	7	5
Printing/Stationery	15	21
Monwel Hankinson	7	8
	262	237

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

17 SHORT TERM DEBTORS

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

	31-Mar-14			31-Mar-15		
	Gross	Provision	Net	Gross	Provision	Net
	£'000	£'000	£'000	£'000	£'000	£'000
General	10,019	(2,769)	7,250	21,348	(2,536)	18,812
Council tax payers	5,215	(2,810)	2,405	5,209	(2,983)	2,226
NHS bodies	381	-	381	582	-	582
Central government bodies *	26,414	(1,290)	25,124	28,685	(1,253)	27,432
Other local authorities	1,567	-	1,567	1,988	-	1,988
	43,596	(6,869)	36,727	57,812	(6,772)	51,040

*Client Account NNDR debts and pre-payments are incorporated into Government Departments in accordance with the Code.

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

18 CASH AND CASH EQUIVALENTS

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

The bank overdraft includes un-cleared payments within the banking system. In practice, the treasury management policy of the Authority is to maintain the pooled bank account balance as near to zero as possible to minimise interest charges on overdrawn balances and maximise interest earned by short-term lending of surplus funds. The actual pooled bank balance at the close of business on 31 March 2015 was a credit balance of £272k (31 March 2014 – overdrawn balance of £6k).

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

	31-Mar-14	31-Mar-15
	£'000	£'000
Short-Term Investments classified as cash equivalent	-	2,560
Cash held by the authority	94	106
Bank Current accounts	(789)	(4,481)
Total Cash and Cash Equivalents	(695)	(1,815)

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

19 ASSETS HELD FOR SALE

	31-Mar-14	31-Mar-15
	£'000	£'000
Assets at the start of the year	7,078	6,595
Assets newly classified as held for sale:		
Property, Plant and Equipment	1,589	671
Revaluation losses	(940)	(991)
Revaluation gains	-	-
Impairment losses	-	-
Assets declassified as held for sale:		
Property, Plant and Equipment	-	(100)
Assets sold	(1,132)	(976)
Transfers	-	-
Assets at year-end	6,595	5,199

20 SHORT TERM CREDITORS

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

	31-Mar-14	31-Mar-15
	£'000	£'000
General	(21,593)	(25,494)
Central government bodies	(9,407)	(7,678)
Prepayments of council tax	(1,208)	(1,210)
NHS bodies	(1,342)	(141)
Other local authorities	(4,139)	(2,377)
	(37,689)	(36,900)

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

21 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-14	Further provisions	Amounts used	Unused amounts reversed	31-Mar-15
	£'000	£'000	£'000	£'000	£'000
<i>Current Provisions</i>					
Accumulated absence provision	(4,121)	(2,047)	-	-	(6,168)
Pill Kiosk	(47)	37	-	-	(10)
MMI Provision	-	(60)	17	-	(43)
Insurance Provision	(1,589)	(615)	876	-	(1,328)
Equal Pay - Outstanding Claimants	-	(400)	-	-	(400)
Equal Pay - Bridging Payments	-	(500)	-	-	(500)
Equal pay - Back pay provision	(310)	-	-	310	-
Local Land charges provision	-	(150)	-	-	(150)
Other	(20)	-	-	-	(20)
	(6,087)	(3,735)	893	310	(8,619)
<i>Long Term Provisions</i>					
Landfill Capping	(2,001)	(157)	-	-	(2,158)
	(2,001)	(157)	-	-	(2,158)

Equal Pay	Provision to comply with recommended practice in respect of equal pay claims. The majority of payments have been made, and final negotiations are on-going with agreement expected during 2015/16.
Accumulated Absences	Accounting provision to recognise impact of accruing leave at the end of the year. No payment is made as employees have to take leave prior to leaving the Authority. This is therefore not cash backed.
Land Charges	A provision to recognise the recovery of land charges.
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.
Insurance	Provision for known insurance claims currently being made against the Authority for a variety of incidents.

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

22 USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and Note 8.

23 UNUSABLE RESERVES

	31-Mar-14	31-Mar-15
	£'000	£'000
Revaluation Reserve	(88,466)	(89,893)
Capital Adjustment Account	(118,064)	(126,136)
Financial Instruments Adjustment Account	2,074	1,933
Deferred Capital Receipt Reserve	(31)	(31)
Transport Company Realisation Account	(251)	(251)
Pensions Reserve	184,614	252,151
Equal Pay - Back Pay	310	-
Accumulated Absence Account	4,121	6,167
	(15,693)	43,940

Revaluation Reserve

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

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

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

	31-Mar-14	31-Mar-15
	£'000	£'000
Balance at 1 April	(97,452)	(88,466)
Upward revaluation of assets	(5,913)	(4,945)
Downward revaluation of assets and impairment losses not charged to provision of services	11,946	2,099
Surplus or deficit on revaluation of non-current assets not charged to provision of services	6,033	(2,846)
Other Adjustments	(123)	-
Difference between fair value depreciation and historic cost depreciation	659	1,050
Accumulated gains on assets sold or scrapped	2,417	369
Amount written off to the Capital Adjustment Account	2,953	1,419
Balance at 31 March	(88,466)	(89,893)

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

Capital Adjustment Account

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

	31-Mar-14	31-Mar-15
	£'000	£'000
Balance at 1 April	(130,315)	(118,064)
<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</i>		
Charges for depreciation and impairment of non-current assets	24,109	18,179
Revaluation losses/gains on Property, Plant and Equipment	13,295	(1,327)
Amortisation of intangible assets		
Revenue Expenditure Funded from Capital under Statute	8,453	8,148
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	3,248	1,568
	49,105	26,568
Adjusting amounts written out of the Revaluation Reserve	(2,953)	(1,419)
Net written out amount of the cost of non-current assets consumed in the year	46,152	25,149
<i>Capital financing applied in the year:</i>		
Use of Capital Receipts Reserve to finance new capital expenditure	(1,427)	(280)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(18,550)	(20,680)
Statutory provision for the financing of capital investment charged against the Council Fund balances	(13,044)	(12,820)
Capital expenditure charged against the Council Fund balance	(1,835)	(435)
	(34,856)	(34,215)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	15	3
Movements in the market value of Assets Held for Sale debited or credited to the Comprehensive Income and Expenditure Statement	940	991
Balance at 31 March	(118,064)	(126,136)

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

Financial Instruments Adjustment Account

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

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

	31-Mar-14	31-Mar-15
	£'000	£'000
Balance at 1 April	2,198	2,074
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	(124)	(141)
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	(124)	(141)
Balance at 31 March	2,074	1,933

Deferred Capital Receipts Reserve

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

	31-Mar-14	31-Mar-15
	£'000	£'000
Balance at 1 April	(1,000)	(31)
Transfer of deferred sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	(31)	-
Transfer to Capital Receipts Reserve	1,000	-
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	969	-
Balance at 31 March	(31)	(31)

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

Pensions Reserve

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

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

	31-Mar-14	31-Mar-15
	£'000	£'000
Balance at 1 April	232,552	184,614
Actuarial gains or losses on pensions assets and liabilities	(59,018)	62,767
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	25,335	19,817
Employer's pensions contributions and direct payments to pensioners payable in the year	(14,255)	(15,047)
Balance at 31 March	184,614	252,151

Equal Pay - Back pay Account

The Equal Pay Back Pay Account compensates for the differences between the rate at which the Authority provides for the potential costs of back pay settlements in relation to Equal Pay cases and the ability under statutory provisions to defer the impact on the Council Fund Balance until such time as cash might be paid out to claimants. This is a best practice accounting requirement which is not cash backed.

	31-Mar-14	31-Mar-15
	£'000	£'000
Balance at 1 April	8,308	310
Decrease in provision for back pay in relation to Equal Pay cases	(3,869)	(310)
Cash settlements paid in the year	(4,129)	-
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	(7,998)	(310)
Balance at 31 March	310	-

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

Accumulated Absences Account

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-14	31-Mar-15
	£'000	£'000
Balance at 1 April	6,137	4,121
Settlement or cancellation of accrual made at the end of the preceding year	(6,137)	(4,121)
Amounts accrued at the end of the current year	4,121	6,167
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	(2,016)	2,046
Balance at 31 March	4,121	6,167

24 CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items reported under Financing Activities:

	31-Mar-14	31-Mar-15
	£'000	£'000
Interest received	(121)	(59)
Interest paid	14,960	16,453
	14,839	16,394

25 CASH FLOW STATEMENT - INVESTING ACTIVITIES

	31-Mar-14	31-Mar-15
	£'000	£'000
Purchase of property, plant and equipment, investment property and intangible assets	20,611	17,333
Purchase of short-term and long-term investments	476,810	304,035
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,278)	(1,846)
Proceeds from short-term and long-term investments	(476,810)	(304,035)
Net cash flows from investing activities	18,333	15,487

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

26 CASH FLOW STATEMENT - FINANCING ACTIVITIES

	31-Mar-14	31-Mar-15
	£'000	£'000
Cash receipts of short- and long-term borrowing	(23,030)	(151,085)
Other receipts from financing activities	-	-
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	2,536	1,955
Repayments of short- and long-term borrowing	30,958	114,072
Net cash flows from financing activities	10,464	(35,058)

27 CASH FLOW STATEMENT – NON CASH MOVEMENTS

	31-Mar-14	31-Mar-15
	£'000	£'000
Depreciation	(16,855)	(16,156)
Impairment and downward valuations	(21,489)	(945)
(Increase) / Decrease in bad debt provision	(513)	97
Increase / (Decrease) in short term debtors	(1,688)	14,216
Increase / (Decrease) in long term debtors	(458)	40,880
(Increase) / Decrease in short term creditors	(4,611)	789
(Increase) / Decrease in long term creditors	1,363	(2,121)
Increase / (Decrease) in stock	78	(25)
(Increase) / Decrease in provisions	9,389	(2,689)
Pensions liability	(11,080)	(4,770)
Carrying amount of non-current assets sold	(3,248)	(2,310)
Financial Instrument adjustments	(124)	141
Movement in Value of Investment Properties	(15)	(3)
Other non cash adjustments	5,003	1,488
	(44,248)	28,592

28 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice.

Decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across Service Areas.

The resource allocation reports are prepared on a cash limited basis so that managers are responsible for income and expenditure for which they have direct control. This is different from the accounting policies used in preparing the Statement of Accounts. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement);
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year as contained within the Comprehensive Income and Expenditure Statement; and
- Expenditure on some support services is budgeted for centrally and only charged to services at the year-end.

The Authority monitors spending on the basis of its management structure, not SERCOP. The statements on the following pages facilitate a better understanding as to how the Authority monitors its income and expenditure in the new structure during the year and how it reports the financial accounts position through the Comprehensive Income and Expenditure Statement.

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

Item	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
CIES TOTAL																						
Corporate Amounts																						
Cost of Services																						
Amounts not included in I&E																						
Amounts not reported for Decision Making																						
Services and Support Services not in Analysis																						
Revised Out-turn																						
Adjustments to Out-turn following Cabinet																						
Out-turn Reported to Management																						
Council Tax and Grant Funding																						
Extraordinary Expenditure																						
Restructuring and Invest to Save																						
Non Departmental Costs / Levies etc.																						
Capital Financing & Interest																						
Sub Total Service Analysis																						
Corporate Services																						
Street Scene																						
Regeneration & Regulatory																						
Social Services																						
Lifelong Learning & Leisure (inc Schools)																						
Fees, Charges & Other Service Income	(28,192)	(8,711)	(7,071)	(10,857)	(3,665)	(58,496)	(58,801)	-	-	-	-	(58,801)	40,290	-	-	-	-	-	-	-	-	(18,511)
Government Grants and Contributions	(26,875)	(18,034)	(6,322)	(6,857)	(4,469)	(62,557)	(37,751)	(60,368)	(214,826)	-	(20,680)	(337,751)	-	-	-	-	-	-	-	-	-	(358,431)
Interest & Investment Income	-	-	-	-	-	-	(1,125)	-	-	-	-	(1,147)	-	-	-	-	-	-	-	-	-	(1,147)
Income from Council Tax	-	-	-	-	-	-	-	-	(49,364)	-	-	(49,364)	-	-	-	-	-	-	-	-	-	(60,777)
Total Income	(55,067)	(26,745)	(13,393)	(17,714)	(8,134)	(121,053)	(47,041)	(60,673)	(264,190)	-	(264,190)	(447,063)	40,290	(20,680)	(11,413)	(438,866)	-	-	-	-	-	(438,866)
Employee Expenses	103,169	27,908	9,821	10,091	15,160	166,149	168,289	1,608	532	-	-	168,450	(40,290)	-	6,506	134,666	-	-	-	-	-	134,666
Other Service Expenses	57,298	59,395	12,761	20,656	8,563	158,673	230,067	71,394	-	-	-	230,264	-	-	981	231,245	-	-	-	-	-	231,245
Invest to Save Funding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Support Service Recharges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation, amortisation and Impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Precepts & Levies	-	-	-	-	-	-	-	8,243	-	-	-	8,243	-	-	-	-	-	-	-	-	-	-
Capital Financing Costs	-	-	-	-	-	-	19,391	-	-	-	19,391	-	-	-	-	-	-	-	-	-	-	-
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	713
Total Expenditure	160,467	87,303	22,582	30,747	23,723	324,822	435,628	81,245	532	-	621	436,249	(40,290)	6,574	23,665	426,198	-	-	-	-	-	426,198
Reserves Transfers	-	-	-	-	-	-	6,300	-	-	-	588	6,888	-	-	(3,967)	2,921	-	-	-	-	-	2,921
(Surplus) / Deficit on Service Provision	105,400	60,558	9,189	13,033	15,589	203,769	(5,113)	20,572	532	(264,190)	1,187	(3,926)	-	(14,106)	8,285	(9,747)	-	-	-	-	-	(9,747)
	Amounts reported to Council as part of Budget Monitoring Process											Adjustments Required for Financial Reporting										

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

2013-14

Item	£'000	
	2013-14	2012-13
CIES TOTAL	£'000	
Corporate Amounts	£'000	
Cost of Services	£'000	
Amounts not included in I&E	£'000	
Amounts not reported for Decision Making	£'000	
Services and Support Services not in Analysis	£'000	
Out-turn Reported to Management	£'000	
Council Tax and Grant Funding	£'000	
Extraordinary Expenditure	£'000	
Restructuring and Invest to Save	£'000	
Non Departmental Costs / Levies etc.	£'000	
Capital Financing & Interest	£'000	
Sub Total Service Analysis	£'000	
Corporate Services	£'000	
Environment & Regeneration	£'000	
Social Services	£'000	
Lifelong Learning & Leisure (inc Schools)	£'000	
Fees, Charges & Other Service Income	(25,443)	(7,877)
Government Grants and Contributions	(25,379)	(18,037)
Interest & Investment Income	-	-
Income from Council Tax	-	-
Total Income	(50,822)	(25,914)
Employee Expenses	103,481	28,978
Other Service Expenses	53,248	58,770
Invest to Save Funding	-	-
Support Service Recharges	-	-
Depreciation, amortisation and Impairment	-	-
Interest Payments	-	-
Precepts & Levies	-	-
Capital Financing Costs	-	-
Gain or Loss on Disposal of Fixed Assets	-	-
Total Expenditure	156,729	87,748
Reserves Transfers	-	-
(Surplus) / Deficit on Service Provision	105,907	61,834
Amounts reported to Council as part of Budget Monitoring Process		
Adjustments Required for Financial Reporting		
Services and Support Services not in Analysis	(41,471)	33,070
Amounts not reported for Decision Making	-	45,177
Amounts not included in I&E	-	1,065
Cost of Services	172,066	219,568
Corporate Amounts	-	-
CIES TOTAL	(41,471)	(41,471)
Reserves Transfers	(23)	(23)
(Surplus) / Deficit on Service Provision	105,907	61,834
Total Expenditure	421,887	421,887
Total Income	170,553	170,553
Sub Total Service Analysis	(115,656)	(54,897)
Capital Financing & Interest	(121)	(363)
Non Departmental Costs / Levies etc.	(1,475)	(1,475)
Restructuring and Invest to Save	-	-
Extraordinary Expenditure	(185)	(185)
Council Tax and Grant Funding	(209,035)	(209,035)
Out-turn Reported to Management	(46,587)	(55,082)
Services and Support Services not in Analysis	-	41,471
Amounts not reported for Decision Making	-	(17,212)
Amounts not included in I&E	-	-
Cost of Services	(57,420)	(13,611)
Corporate Amounts	-	-
CIES TOTAL	(57,420)	(13,611)

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

29 MEMBERS' ALLOWANCES AND EXPENSES

All Councils are required to publish details of the amounts paid to elected members each year. Information on the amounts actually paid to each Council member is published on the Authority's web site. The total allowances and expenses paid in the financial year was £915,834 (2013/2014 – £908,774). All members are entitled to the same basic allowance of £13,300 per annum (2013/2014 - £13,175). Also additional responsibility allowances are paid to members holding the following positions:

	31-Mar-14	31-Mar-15
	£	£
Leader of the Council	34,325	34,700
Deputy Leader	20,285	20,200
Cabinet Member	15,605	15,700
Chair of Scrutiny Forum	8,735	8,700
Chair of Planning	8,735	8,700
Chair of Licensing	8,735	8,700
Opposition Leader	8,735	8,700

The Authority also pays seven lay (unelected) members a total of £5,134 (2013/14: £2,626) to sit on a number of committees. This includes both fees and expenses.

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

30 OFFICER REMUNERATION

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

Post Holder Information		Salary/ Payment* £	Car Allowances £	Pensions contributions £	Total £
Chief Executive (Took up office 1 January 2013)	2014/15	134,638	900	25,850	161,388
	2013/14	134,638	900	25,850	161,388
Strategic Director (People) * (Appointed 1 June 2013)	2014/15	100,249	900	19,248	120,397
	2013/14	99,109	922	19,029	119,060
Strategic Director (Place)	2014/15	106,875	900	20,520	128,295
	2013/14	108,444	900	20,819	130,163
Chief Education Officer	2014/15	87,819	675	16,861	105,355
	2013/14	87,302	-	16,866	104,168
Head of Legal Services (Monitoring Officer)	2014/15	76,800	450	14,746	91,996
	2013/14	76,418	450	14,672	91,540
Head of Finance (Section 151 Officer) (Took up office 20 January 2014)	2014/15	72,538	450	13,927	86,915
	2013/14	76,772	459	14,740	91,971
Head of People and Business change (formally Transformation) (Took up senior role 14 May 2013)	2014/15	76,800	675	14,746	92,221
	2013/14	67,222	594	12,903	80,719
Head of Customer and Information Services	2014/15	76,800	675	14,746	92,221
	2013/14	76,418	675	14,672	91,765
Head of Regeneration and Regulatory Services (took up role March 2015)	2014/15	5,059	77	971	6,107
Head of Regeneration and Regulatory Services (acting up April - January 2015)	2014/15	52,533	800	10,086	63,419
	2013/14	49,717	776	9,546	60,039
Head of Continuing Learning and Leisure (left June 2014)	2014/15	12,510	128	2,402	15,040
	2013/14	66,232	675	12,717	79,624
Head of Continuing Learning and Leisure (From June to Mar 2015)	2014/15	51,391	336	9,867	61,594
	2013/14				
Head of Adult and Community Services	2014/15	66,563	675	12,780	80,018
	2013/14	64,167	675	12,320	77,162
Head of Children and Family Services (Staff secondment from Barnardo's) Current postholder commenced secondment July 2013	2014/15	78,221	922	0	79,143
	2013/14	45,024	585	0	45,609
Head of Children and Family Services -April to May	2013/14	9,436	153	0	9,589
Head of StreetScene (Total inclusive costs of agency staff *) Acting Head of StreetScene (April - October)	2014/15*	142,212	-	-	142,212
	2013/14	36,831	388	7,315	44,534
Acting Head of StreetScene (Jan- March)	2013/14	4,649	-	-	4,649

*Payments made to third parties are not necessarily the payments made to Officers

This table has been restated to include all Heads of Service
+ Election Returning Officer Fees are not included in these figures
* Includes statutory responsibility as Director of Social Services

This table has been restated to account for Heads of Service that were previously not included.

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

Election Returning Officer Fees

During 2014/15 the Chief Executive received £5,001 for his role as the Authorities Returning Officer.

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

The ratio between the Authority's highest paid employee and the median position for 2014/15 was 1:6.8 (2013/14: 1:7.0)

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

	31/03/2014 (Restated)		31-Mar-15	
	Teaching	Other	Teaching	Other
£115,000-£119,999	-	-	1	0
£105,000-£114,999	-	-	-	-
£100,000 - £104,999	-	-	1	1
£95,000 - £99,999	4	-	3	1
£90,000 - £94,999	2	1	2	1
£85,000 - £89,999	2	-	3	1
£80,000 - £84,999	1	1	1	1
£75,000 - £79,999	2	1	3	0
£70,000 - £74,999	4	1	8	2
£65,000 - £69,999	16	3	12	1
£60,000 - £64,999	14	6	24	0
Total	45	13	58	8

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

	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages	Total Cost of exit packages in each band
	31-Mar-14	31-Mar-14	31-Mar-14	31-Mar-14 £
£0 - £20,000	21	117	138	1,112,309
£20,001 - £40,000	5	40	45	1,287,275
£40,001 - £60,000	-	12	12	535,684
£60,001 - £80,000	-	1	1	64,339
£80,001 - £100,000	-	1	1	99,048
Total	26	171	197	3,098,655

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages	Total Cost of exit packages in each band
	31-Mar-15	31-Mar-15	31-Mar-15	31-Mar-15
				£
£0 - £20,000	16	88	104	1,289,881
£20,001 - £40,000	5	28	33	1,143,898
£40,001 - £60,000	0	9	9	550,057
£60,001 - £80,000	1	3	4	280,759
£80,001 - £100,000	0	1	1	86,647
Total	22	129	151	3,351,242

31 EXTERNAL AUDIT COSTS

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

	31-Mar-14	31-Mar-15
	£'000	£'000
Fees payable with regard to external audit of accounts	191	191
Fees payable in respect of local government measure	133	104
Fees payable for the certification of grant claims and returns for the year	115	82
Total	439	377

32 GRANTS INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15:

	31-Mar-14 (Restated)	31-Mar-15
	£'000	£'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	165,084	170,081
Outcome Agreement Grant	1,475	1,547
Other Welsh Government Grant	-	-
Total	166,559	171,628

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

	31-Mar-14 (Restated)	31-Mar-15
	£'000	£'000
Credited to Services		
<i>Lifelong Learning - Grants</i>		
Streets Ahead	472	32
Foundation Phase	4,801	4,956
ISB Funding	7,375	7,682
Flying Start	3,497	4,069
Adult Education	532	393
SEG Poverty	1,203	1,129
Pupil Deprivation	1,752	4,030
GEMS	1,674	1,292
Education Management	565	299
Families First Youth	28	458
Other	3,045	3,343
<i>Lifelong Learning Contributions</i>		
Gwent Music	480	417
Other	111	151
<i>Lifelong Learning Donations</i>	936	931
<i>Social Services Grants</i>		
Supporting People	6,838	6,933
Substance Misuse	1,338	4,381
Preventions	463	501
Integrated Family Support	850	850
Families First	1,038	1,165
Training	394	400
Youth Offending Service	359	425
Intermediate Care Fund	-	451
Other	1,120	341
<i>Social Services Contributions</i>		
Section 28A funding	2,095	2,095
Other	490	612
<i>Environment & Regeneration Grants</i>		
Housing Benefit Subsidy	57,057	59,532
Communities First Grants	1,907	2,505
Sustainable Waste	2,865	2,879
Other	2,319	1,854
<i>Environmental and Regeneration Contributions</i>	394	606
<i>Environment and Regeneration Donations</i>	1	46
<i>Corporate Services Grants</i>		
PFI Grants	8,560	-
Housing Benefit Subsidy	1,199	879
NNDR	320	320
Other	1,056	704
<i>Corporate Service Contributions</i>		
Other	113	154
Total	117,247	116,815

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

This table has been restated to include contributions and donations by service. Where grants, contributions and donations are given, subject to conditions being met, they are held as Capital Grants Received in Advance (Unapplied) until the conditions are met.

33 RELATED PARTIES

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

Welsh Government

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

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

Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of Members' allowances paid in 2014/15 is shown in Note 29. During 2014/15, works and services to the value of £9.64m (2013/14: £9.23m) were commissioned from or paid to companies in which thirteen members had an interest. This included balances of £4.23m paid to Newport Transport Limited (2013/14: £4.80m) which is further disclosed below.

Within these payments, the Authority also made payments to Newport Waste Savers Ltd amounting to £1.540m in 2014/15 (£1.641m in 2013/14). This is a company that has charitable status and is independent from the Authority. The company have invited four Members of the Council on the board, in their capacity as elected members, not private individuals. The council contract with the company for waste recycling services.

Grants totalling £0.521m were paid in 2014/15 (£0.174m in 2013/14) to voluntary organisations in which two members had an interest. In all instances, grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members' Interest, open to public inspection at the Civic Centre during office hours.

Officers

The Head of Children and Young People Service has been seconded from Barnardo's. The Authority also makes payments to Barnardo's and in 2014/15 this amounted to £1.690m (2013/14 £1.205m). These payments relate to grants and contracts that were in existence prior to this agency appointment. The majority of these payments relate to Family First Grant projects and costs relating to the preferred provided family support team partnership arrangements. There were no declared organisations in which senior officers of the Authority held pecuniary interests.

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 9 to these accounts.

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

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

Entities Controlled or Significantly Influenced by the Authority

Newport Transport Ltd

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

Newport Norse

The Authority's first joint venture company, Newport Norse, was launched on July 1st 2014. The new JV company, which now oversees the Authority's property maintenance, estates, facilities management and capital projects design functions, employs over 200 members of staff. Newport Norse and their subsidiary NPS Newport Limited, are Joint Venture Companies in which the Authority has a 20% share and minority representation on the Board. The Authority has a 50% "gain share" in the profits, which reduces the Authority's service charge. The first year's trading (accounting period covering July 2014 to January 2015) delivered a provisional profit share of £60,450 to Newport City Council. In 2014/15 the Authority made payments amounting to £3.78m to Newport Norse. The draft unaudited accounts of the company are summarised in note 45 to these Statement of Accounts.

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

34 CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	31-Mar-14	31-Mar-15
	£'000	£'000
<i>Opening Capital Financing Requirement</i>	286,920	286,227
<u>Capital investment</u>		
Property, Plant and Equipment	25,695	18,793
Heritage Assets	15	11
Revenue Expenditure Funded from Capital Under Statute	8,453	8,148
Long Term Debtors	-	1,714
<u>Sources of finance</u>		
Capital receipts	(1,427)	(280)
Government grants and other contributions	(18,550)	(20,680)
Sums set aside from revenue	(995)	(212)
Direct revenue contributions	(840)	(223)
Minimum Revenue Provision	(13,044)	(12,820)
<i>Closing Capital Financing Requirement</i>	286,227	280,678
<u>Explanation of movements in year</u>		
Increase in underlying need to borrow:		
Supported by government financial assistance	3,942	3,936
Un-supported by government financial assistance	8,409	3,335
Assets acquired under finance leases	-	-
Repayment of PFI Liability	-	-
Assets acquired under PFI contracts	-	-
Minimum Revenue Provision	(13,044)	(12,820)
<i>Increase in Capital Financing Requirement</i>	(693)	(5,549)

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

35 LEASES

Authority as Lessee

Finance Leases

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

	31-Mar-14 £'000	31-Mar-15 £'000
Vehicle, Plant, Furniture and Equipment	<u>188</u>	<u>9</u>
	188	9

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

	31-Mar-14 £'000	31-Mar-15 £'000
Finance lease liabilities (net present value of minimum lease payments)		
- current	37	15
- non-current	-	-
Finance costs payable in future years	<u>-</u>	<u>-</u>
Minimum lease payments	<u>37</u>	<u>15</u>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31-Mar-14 £'000	31-Mar-15 £'000	31-Mar-14 £'000	31-Mar-15 £'000
Not later than one year	37	15	37	15
Later than one year and not later than five years	-	-	-	-
Later than five years	-	-	-	-
	<u>37</u>	<u>15</u>	<u>37</u>	<u>15</u>

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

Operating Leases

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

	31-Mar-14	31-Mar-15
	£'000	£'000
Not later than one year	882	986
Later than one year and not later than five years	2,755	2,909
Later than five years	3,429	3,424
	<u>7,066</u>	<u>7,319</u>

Authority as Lessor

Finance Leases

The Authority does not currently lease out any properties under a finance lease.

Operating Leases

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

- to enable the Authority to provide services for the local community; or
- to provide an income stream to help support the council tax levy.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31-Mar-14	31-Mar-15
	£'000	£'000
Not later than one year	1,083	1,451
Later than one year and not later than five years	3,807	3,781
Later than five years	85,110	87,118
	<u>90,000</u>	<u>92,350</u>

The Authority leases out a number of farms on a life tenancy basis. These leases have been assumed to have a 99 year lease term.

36 PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

Southern Distributor Road PFI Scheme

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

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

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

Property Plant and Equipment

The assets used to provide services on the Southern Distributor Road are recognised on the Authority's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 12.

Payments

The Authority makes an agreed annual payment which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments, remaining to be made under the PFI contract at 31 March 2015 (excluding any estimation of inflation and availability/ performance deductions), are as follows:

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£'000	£'000	£'000	£'000
Payable in 2015/16	675	1,510	4,434	6,619
Payable within two to five years	2,881	6,491	18,101	27,473
Payable within six to ten years	4,179	8,218	24,253	36,650
Payable within eleven to fifteen years	4,588	10,036	24,826	39,450
Payable within sixteen to twenty years	5,384	11,736	25,308	42,428
Payable within twenty one to five years	5,908	12,710	24,937	43,555
Payable within twenty six to thirty years	2,704	5,284	9,371	17,359
Total	26,319	55,985	131,230	213,534

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-14	31-Mar-15
	£'000	£'000
Balance outstanding at start of year	42,711	41,157
Payments during the year	(1,691)	(1,461)
Other	137	324
Balance outstanding at year-end	41,157	40,020

*The PFI liability above includes and estimated lifecycle cost of £324k within 2014/15.

Glan Usk Primary School

2014/2015 was the sixth 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.

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

Property Plant and Equipment

The assets used to provide services on the Glan Usk Primary School are recognised on the Authority's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 12.

Payments

The Authority makes an agreed annual payment which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2015 (excluding any estimation of inflation and availability/ performance deductions) are as follows:

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£'000	£'000	£'000	£'000
Payable in 2014/15	611	606	734	1,951
Payable within two to five years	2,615	2,455	2,962	8,032
Payable within six to ten years	4,077	2,901	3,618	10,596
Payable within eleven to fifteen years	5,281	2,599	3,410	11,290
Payable within sixteen to twenty years	4,683	3,041	3,521	11,245
Payable within twenty one to five years				-
Total	17,267	11,602	14,245	43,114

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-14	31-Mar-15
	£'000	£'000
Balance outstanding at start of year	12,836	12,206
Payments during the year	(630)	(604)
Balance outstanding at year-end	12,206	11,602

37 IMPAIRMENT LOSSES

Impairment losses and impairment reversals by class of assets are disclosed within the Property, Plant and Equipment balances consolidated in Note 12. 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 2014/15 the Authority has recognised the following impairment losses:

	31-Mar-14	31-Mar-15
	£'000	£'000
Land & Buildings	6,932	3,211
Community Assets	27	3
Infrastructure Assets	296	121
Vehicles Plant & Equipment	-	5
Assets Under Construction	-	-
Heritage Assets	-	-
Total	7,255	3,340

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

38 CAPITALISATION OF BORROWING COSTS

There was no capitalisation of borrowing costs in 2013/14 or 2014/15.

39 TERMINATION BENEFITS

The Authority completed redundancies of 151 employees in 2014/15, incurring liabilities of £3.351m (197 employees at £3.1m in 2013/14). See Note 30 for the number of exit packages and total cost per band. All balances were payable to Council officers, as part of the Authority's general services rationalisation and efficiencies programme.

40 PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2014/15 the Authority paid £6.969m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2013/14 were £6.9m and 14.1%. As at the 31 March 2015 contributions of £586,700 were payable (31 March 2014: £578,000).

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for within Note 41 as "Unfunded Teachers' Discretionary Benefits".

41 DEFINED BENEFITS PENSIONS SCHEMES

Participation in Pension Scheme

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

The Authority participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by Torfaen County Borough Council – this is a funded defined benefit final salary scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

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

Transactions Relating to Post-employment Benefits

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

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

	Local Government Pension Scheme 31-Mar-14 £'000	Unfunded Teachers' Discretionary Benefits 31-Mar-14 £'000	Local Government Pension Scheme 31-Mar-15 £'000	Unfunded Teachers' Discretionary Benefits 31-Mar-15 £'000
<u>Comprehensive Income and Expenditure Statement</u>				
<i>Cost of Services:</i>				
Current service costs	14,254	-	12,342	-
Past service cost (gain)	29	-	29	-
Settlement and curtailments	879	-	(255)	-
 <i>Financing and Investment Income and Expenditure</i>				
Interest cost	8,976	434	7,366	494
Expected return on scheme assets	-	-	-	-
 <i>Total Post Employment Benefit Charged to the Surplus/ Deficit on Provision of Services</i>	24,138	434	19,482	494
 <i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>				
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	(27,473)	82	(26,768)	-
Actuarial gains and losses arising on changes in demographic assumptions	14,670	820	-	-
Actuarial gains and losses arising on changes in financial assumptions	(46,652)	(465)	88,869	666
 <i>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	(59,455)	437	62,101	666
 <u>Movement in Reserves Statement</u>				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services post employment benefits in accordance with the Code	24,138	434	19,482	494
 <u>Actual amount charged against the Council Fund Balance for pensions in the year</u>				
Employers' contributions payable to scheme	13,135	1,120	13,924	1,123

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2015 is a loss of £62.767m (2013/14 showed a gain of £59.018m).

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

Assets and Liabilities in Relation to Retirement Benefits

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

	Funded liabilities: Local Government Pension Scheme 31-Mar-14 £'000	Unfunded liabilities: Teachers' Discretionary Benefits 31-Mar-14 £'000	Funded liabilities: Local Government Pension Scheme 31-Mar-15 £'000	Unfunded liabilities: Teachers' Discretionary Benefits 31-Mar-15 £'000
Opening balance at 1 April	(578,582)	(12,302)	(545,805)	(12,053)
Current service cost	(13,999)	-	(12,084)	-
Interest cost	(24,010)	(434)	(23,845)	(494)
Contributions by scheme participants	(3,976)	-	(3,982)	-
Experience gains and (losses)	25,812	(82)	-	-
Actuarial gains and losses arising on changes in demographic assumptions	(14,670)	(820)	-	-
Actuarial gains and losses arising on changes in financial assumptions	46,652	465	(88,869)	(666)
Benefits paid	17,876	1,120	21,747	1,123
Past service costs	(29)	-	(29)	-
Settlement/curtailment	(1,644)	-	8,455	-
Closing balance at 31 March	(546,570)	(12,053)	(644,412)	(12,090)

Reconciliation of fair value of the scheme assets:

Local Government Pension Scheme	31-Mar-14 £'000	31-Mar-15 £'000
Opening balance at 1 April	358,332	374,007
Interest on plan assets	15,034	16,479
Return on plan assets (excluding the amount included in the net interest expense)	1,661	26,768
Employer contributions	13,135	13,924
Contributions by scheme participants	3,976	3,982
Benefits paid	(17,876)	(21,747)
Settlements	-	(8,200)
Administration	(255)	(258)
Closing balance at 31 March	374,007	404,955

The actual return on scheme assets in the year was £43.25m (2013/2014: £28.17m).

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £252.151m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

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

- the deficit on the local government scheme will be made good by maintaining contributions at an appropriate rate over the remaining working life of employees, as assessed by the scheme actuary;
- finance is only required to be raised to cover the teachers' pensions when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2016 is £12.4m. Expected contributions to the Teachers' Pension Scheme in the year to 31 March 2016 are £6.9m.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Estimated duration of benefit obligation is 18 years. Both the Teachers' Discretionary Benefits and Greater Gwent (Torfaen) Pension Fund liabilities have been assessed by Mercer Human Resource Consulting, 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 2015.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Unfunded Teachers Discretionary Benefits	
	31-Mar-14	31-Mar-15	31-Mar-14	31-Mar-15
Mortality assumptions:				
Longevity at 65 for current pensioners:				
- Men (years)	23	23	23	23
- Women (years)	25.4	25.5	25.4	25.5
Longevity at 65 for future pensioners:				
- Men (years)	25.2	25.3	N/A	N/A
- Women (years)	27.8	27.9	N/A	N/A
Other Assumptions:				
Rate of CPI Inflation	2.4%	2.0%	2.4%	2.0%
Rate of increase in salaries	3.9%	3.5%	N/A	N/A
Rate of increase in pensions	2.4%	2.0%	2.4%	2.0%
Rate for discounting scheme liabilities	4.5%	3.3%	4.5%	3.3%
Take-up of option to convert annual pension	50.0%	50.0%	N/A	N/A

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

	31-Mar-14	31-Mar-15
	£'000	£'000
Equities	121,739	78,561
Investment Funds	226,462	299,667
Property	9,724	10,934
Alternatives	12,716	13,566
Cash	3,366	2,227
	374,007	404,955

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserves in 2014/15 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2015.

	2010/11	2011/12	2012/13	2013/14
	%	%	%	%
Differences between the expected and actual return on assets	2.5	6.4	8.5	7.5
Experience gains/ (losses) on liabilities	4.9	-	-	-

42 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

The Authority's overall risk management programme focuses on unpredictability of financial markets and minimises any adverse effects on the resources available to fund services. Risk management is undertaken by the central treasury team, under policies approved by the Authority in its treasury management and investment strategy. Specifically it manages the risks listed as follows:

Credit Risk

Arising from deposits with banks and financial institutions, as well as credit exposure to the Authority's customers, this risk is minimised by only making deposits with financial institutions once they meet minimum credit criteria. Details are included in the annual investment strategy. The strategy requires the Authority to invest its funds prudently and to have regard to security and liquidity of its investments before seeking the highest rate of return or yield. The Authority's objective when investing funds is to strike an appropriate balance between risk and return minimising the risk of incurring losses from default and the risk receiving unsuitably low investment income. This Authority has no recent experience of non-payment of its investments and therefore assesses its credit risk in this area as negligible.

The Authority formally reviews its approved counterparties which are formalised in its treasury management strategy. In addition the approved counterparties credit ratings are regularly reviewed in conjunction with the treasury management advisors, Arlingclose Ltd.

Arlingclose provides the Authority with credit services which use sophisticated modelling approaches with credit ratings from the major credit rating agencies. These counterparty listings are based on credit ratings and by counterparty type (Secured and Unsecured banks, Government, Corporate and Registered Providers).

The Annual Investment Strategy documents the maximum amounts and time limits in respect of each financial institution. The credit limits were not exceeded during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

The Authority does not currently apply credit ratings to its council tax and trade debtors although this is always under review. Its exposure to non-payment of these debts is summarised as:

	Amount at 31 Mar 2015	Historic experience of default	Estimated exposure to non-repayment March 2015	Estimated exposure at 31 Mar 2014
	£'000	%	£'000	£'000
Council tax debts	5,209	0.89	46	66
Trade debtors	7,996	4.75	380	700
			426	766

The Authority expects repayment of its general debt within 30 days. However, £2.934m of the £7.996m is past this due date. The general debt is analysed as:

	31-Mar-14	31-Mar-15
	£'000	£'000
Less than thirty days	2,381	5,063
Less than three months	656	978
Three months to one year	610	757
More than one year	1,307	1,198
	4,954	7,996

The Authority has also provided loan agreements to third party organisations who are undertaking city regeneration. The majority of these loans relate to Friars Walk retail development. The loans are subject to the usual commercial warranties to ensure security of assets. The Authority are not aware of any historical default issues. These loans are expected to be paid back in full on the agreed dates. Please see financial instrument note 15 and contingent asset disclosure note 43 for additional disclosures.

Liquidity Risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. The Authority has ready borrowing access to the money market and the Public Works Loans Board to cover short term unforeseeable events. However, there is a risk that the Authority may need to replenish significant borrowings at a time that interest rates are not favourable. Consequently, under its Treasury Management Strategy it sets limits on the proportion of fixed rate borrowings in accordance with CIPFA's Treasury Management recommended practice.

	31-Mar-14	31-Mar-15
<u>Loan maturity</u>	£'000	£'000
Less than one year	10,421	16,212
Between one and two years	3,937	38,381
Between two and five years	10,423	13,838
More than five years	131,265	124,608
	156,046	193,039

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

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

Market Risk

Interest Rate Risk

The Authority is exposed to risk in terms of its exposure to changes in interest rates on its borrowings and investments. These are very complex to the extent that an increase in interest rates would have the following effects:

- Borrowing at variable rates will see an increase in the expenses interest charged to the Income and Expenditure account;
- Investments at variable rates will see an increase in the income interest shown on the Income and Expenditure account.

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

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

The treasury management team actively assesses the Authority's interest rate exposure and feeds this into its medium term financial planning process. This minimises any adverse effects. Under this process, at 31 March 2015, if interest rates had been 1% higher and assuming all other variables are held constant, the financial effects would be:

Impact of 1% increase in interest rates

	£'000
Increase in interest receivable on variable rate investments	1,051

The impact of a 1% fall in interest rates would be as above but with the movement being reversed.

Price Risk

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

Foreign exchange risk

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

43 CONTINGENT LIABILITIES

There are a number of contingent liabilities identified as at 31 March 2015:

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

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

In April 2013, Ernst & Young, the Scheme Administrators advised that the levy to be paid by Members had been set at the mid-point (15%) of the potential ranges of between 9.5 % and 28%. The 15% levy at £463k (based on the Authority's current claims value of £3.085m) was paid during the financial year. A reserve was established in 2013/14 which now totals £665k to manage the risk of the levy ultimately being set at 28%. Our own Actuaries have advised that the levy could be as high as 90%.

- **Insurance Claims** - The Authority manages current insurance claims made against it on an on-going basis. As at 31 March 2015 the total claims outstanding were £3.5m. Claims totalling £1.37m (including claims which come under MMI) have been included as a provision in Note 21. However, the remaining claims totalling an estimated £2.2m (2013/14: £2.9m) were un-finalised with significant uncertainty remaining over their final liability, and hence are shown here as a contingent liability. A reserve of £1.7m has been established to manage this risk.
- **City Centre Regeneration and King's Head Hotel** – On 13 December 2013 the Authority signed an agreement to loan Queensberry Newport Limited a maximum of £89.110 m in order to fund the development of Friars Walk. The repayment of the loan with interest is due by November 2016 within 12 months of the practical completion and opening of the development in November 2015. The loan will be repaid by either re-financing or selling the completed development. Failure to repay the loan in full within this period would entitle the Authority to exercise “step-in” rights under its security documents to sell the development itself and to receive the rental income in the meantime.

This leaves a risk for the Authority of the difference between the outstanding loan and the valuation of the asset received but this risk is significantly reduced as more of the units are let and rental income is secured. Once the development is fully let, then the investment value of the asset should be more than sufficient to secure the repayment of the loan and interest. The Development of Friars Walk is within the agreed timeframe.

There were also loans made for the value of £1.7m in relation to King's Head Hotel, in which there is a long-term debtor within the accounts. It is expected that this loan will be repaid in full within the agreed timeframe.

- **Single Status** - The Authority continues to make progress towards a Single Status, Total Reward package for employees. This work is currently has not yet been finalised and there remains some uncertainty over the final liability. However the Authority has made provision in the reserves to fund known liabilities.
- **Tredegar House** - The Authority leases Tredegar House to the National Trust. As part of this lease the Authority has agreed to pay the National Trust £150,000 per annum until 2025. However this payment will cease should visitor numbers exceed 120,000 during the year. As the level of visitors is uncertain there remains uncertainty over the liability.
- **Newport City Homes** - As part of the legal agreements associated with the transfer of the housing stock, the Authority provided a number of property-related, employment, planning, environmental and other warranties to Newport City Homes and its funders. The property-related warranties are limited to £9,000 per property, and cover 9,144 separate properties. Other warranties and indemnities would only apply after Newport City Homes has committed pre-determined levels of expenditure within its Business Plan. To date there has been no call on these warranties.
- **Financial Guarantees** – The Authority has entered into a number of agreements to act as guarantor in particular regarding the safeguarding of former employees' pension rights when

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

their employment was transferred to third party organisations. There is no quantifiable liability to the Authority; however there remains a potential liability in future years.

44 CONTINGENT ASSETS

No contingent assets were identified at 31 March 2015.

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

45 LIMITED COMPANIES

Newport Unlimited

Newport Unlimited was a private company limited by guarantee with financial backing and board member support from the Welsh Government and Newport City Council.

The objects of the company were to develop and secure the regeneration in the physical environment and to strengthen the economy of specific areas of the city and other locations in Newport. The company sets a strategic policy for the regeneration of Newport but does not enter into transactions on its own behalf. Stakeholders to the organisation are Newport City Authority, (supplying 1/3 of funding) and the Welsh Government (supplying 2/3's of funding). Newport Unlimited ceased to trade and operate from 31 March 2014.

The South East Wales Education Achievement Service Ltd

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

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

An extract of the key figures from the draft unaudited account of the company for the year-ending 31 March 2015 is reproduced below.

Draft accounts	31-Mar-14	31-Mar-15
	£'000	£'000
Profit and Loss Account		
Turnover	(7,505)	(9,243)
Cost of sales	6,232	9,147
Gross profit	(1,273)	(96)
Expenses, interest and taxation	1,273	-
Retained (profit) / loss for the year	-	(96)
Balance Sheet		
Long term assets	2,881	5,189
Current assets	1,646	2,632
Creditors: due within 1 year	(1,685)	(2,536)
Creditors: due after 1 year	-	-
Provisions for liabilities/charges	-	-
Pension liability	(2,842)	(5,133)
Net Assets	-	152
Share capital	-	-
Profit & loss account	-	152
Shareholders' Funds	-	152

Payments of £1.453m were made to the South East Wales Education Achievement Service Ltd by the Authority in 2014/15.

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

Newport Transport Ltd

This is a wholly owned "arms-length" company of the Authority set up under the Transport Act 1985 to run a passenger bus service. An extract of the key figures from the draft unaudited accounts of the company for the year-ending 31 March 2015 are reproduced below:

Draft	31-Mar-14 £'000	31-Mar-15 £'000
Profit and Loss Account		
Turnover	(11,490)	(10,592)
Cost of sales	9,988	9,362
Gross profit	(1,502)	(1,230)
Expenses, interest and taxation	1,555	1,169
Retained (profit) / loss for the year	54	(61)
Balance Sheet		
Fixed Assets	8,196	7,419
Current Assets	1,911	1,532
Creditors: due within 1 year	(2,480)	(2,126)
Creditors: due after 1 year	(3,204)	(2,375)
Provisions for liabilities/charges	(217)	(218)
Pension liability	(4,841)	(6,128)
Net Assets	(635)	(1,896)
Share Capital	251	251
Profit & loss account	(887)	(2,147)
Shareholders' Funds	(636)	(1,896)

Figures presented for 2014/2015 are based on the draft unaudited accounts of Newport Transport Limited. 2013/14 figures have been amended to reflect the final audited accounts.

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

Payments of £4.23m were paid to Newport Transport Limited in 2014/15 (2013/14: £4.80m) by the Authority and the Authority received £143k from Newport Transport (2013/14: £273k). During the financial year the year-end balance in their accounts recorded amounts due to the Authority of £96,759 and the Authority owed £364,838.

2014/15 is the first year the CIPFA LASAAC Code of Practice on Local Authority Accounting 2015-16 ('the Code') has adopted IFRS10. For the financial year 2014/15 the Authority did not consolidate the financial statements of Newport Transport Ltd into Group Accounts on the Authority's view on grounds of materiality. The principal statements of Newport Transport Ltd were included instead which the Authority believes provides useful disclosure of this 'group entity' as the company is 100% owned by the Council. In deciding on this course of action, the Authority subsequently did not put in the processes and resources required to collect the detail available to consolidate the financial statements of Newport Transport Ltd into Group Accounts.

Further detailed analysis would need to be carried out to consolidate the Authority's and Newport Transport's accounts into Group Accounts including the elimination of inter-company transactions and

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

balances and transition to consolidate Newport Transport's accounts on an IFRS basis. However, the amount by which the group accounts would differ from the single entity accounts for 2014/15 is shown below:

Comprehensive Income & Expenditure Account	£'000
Increase in Gross Expenditure	6,447
Increase in Gross Income	(6,508)
Change in (Surplus)/Deficit on Provision of Services	(61)
Balance Sheet	
Increase in Long Terms Assets	7,168
Increase in Current Assets	1,264
Increase in Liabilities (exc Pension Liability)	(4,451)
Increase in Pension Liability	6,128
Change in Net Assets	(2,147)
Usable Reserves	-
Unusable Reserves	(2,147)

The Authority will produce Group Accounts as required by the Code, including the consolidation for Newport Transport Ltd in the 2015/16 Statement of Accounts and for future years as applicable.

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

Newport Norse

The Authority's first joint venture company, Newport Norse, was launched on July 1st 2014. The new JV company, which now oversees the Authority's property maintenance, estates, facilities management and capital projects design functions. Newport Norse and their subsidiary NPS Newport Limited, are Joint Venture Companies in which the Authority has a 20% share and minority representation on the Board. The Authority has a 50% "gain share" in the profits, which reduces the Authority's service charge. First year's trading (accounting period covering July 2014 to January 2015) delivered a provisional profit share of £60,450 to the Authority. The draft set of accounts are detailed below:

		01-Feb-15
	£'000	£'000
Profit and Loss Account		
Turnover		(4,041)
Cost of sales		2,840
Gross profit		(1,201)
Administrative expenses		1,048
Operating profit		(153)
interest payable and similar charges		1
Profit on Ordinary Activities before taxation		(152)
Tax on profit on ordinary activities		32
Profit for the Financial period		(120)
Balance Sheet		
Tangible Fixed Assets		168
Current Assets		
Stock	365	
Debtors	916	
Cash at Bank	16	
Creditors: due within 1 year	(1,346)	
Net Current (Liabilities) / Assets		(49)
Net Assets		119
Share Capital (£10)		
Profit & Loss account		(119)
Shareholders' Funds		(119)

Payments of £3.78m were made to Newport Norse by the Authority in 2014/15.

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

46 POOLED BUDGETS

The Authority has entered into two pooled budget arrangements:

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

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

Gwent Wide Integrated Community Equipment Service	31-Mar-14	31-Mar-15
	Total	Total
	£'000	£'000
Expenditure		
Staff	76	86
Non-Staff	2,861	3,503
Total Expenditure	2,937	3,589
Funding		
Blaenau Gwent County Borough Council	(303)	(281)
Caerphilly County Borough Council	(607)	(548)
Monmouthshire County Borough Council	(405)	(355)
Newport City Council	(424)	(426)
Torfaen County Borough Council	(491)	(1,232)
Aneurin Bevan Health Board	(558)	(599)
Contribution to Lead Commissioner - LAs	(54)	(62)
Contribution to Lead Commissioner - LHBs	(23)	(26)
Community Resource Team (Frailty Project)	(72)	(61)
Total	(2,937)	(3,589)

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

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

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

	31-Mar-14	31-Mar-15
Gwent Frailty Project	Total	Total
	£'000	£'000
Expenditure		
Baseline Declarations	8,527	8,475
Reimbursements	2,904	3,752
Invest to Save	1,955	594
Central Costs	423	479
Total Costs	13,809	13,300
Funding		
Blaenau Gwent County Borough Council	(464)	(506)
Caerphilly County Borough Council	(1,955)	(1,922)
Monmouthshire County Borough Council	(1,142)	(1,160)
Newport City Council	(1,506)	(1,441)
Torfaen County Borough Council	(604)	(660)
Aneurin Bevan Health Board	(7,134)	(6,913)
Welsh Government Invest to Save	-	-
Total Funding	(12,805)	(12,603)
Net in year (under) / over spend	1,004	697

47 JOINT VENTURES

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

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

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

The Authority has five such joint arrangements;

- Gwent Joint Records Committee
- Greater Gwent Cremation Committee
- Project Gwyrdd
- South East Wales Transport Alliance
- Welsh Purchasing Consortium
- Coroners Joint Committee

South East Wales Transport Alliance has ceased to operate in 2014/15 but its last accounts have been included for information. The accounts have been included within these financial statements and Newport's share of the Income & Expenditure Account and Balance Sheet of these arrangements are:

	31-Mar-14		31-Mar-15	
	Total £'000	NCC share £'000	Total £'000	NCC share £'000
Gwent Joint Records Committee				
Income & Expenditure Account				
Expenditure	996	307	1,101	341
Income	(929)	(286)	(942)	(292)
Net Cost of Service	67	21	159	49
Pension interest cost / expected return on assets	8	2	6	2
Net Operating Cost	75	23	165	51
Actuarial Gains	(80)	(25)	212	66
(Surplus) / Deficit for the Year	(5)	(2)	377	117
Balance Sheet				
Current Assets	501	155	318	99
Current Liabilities	(175)	(54)	(131)	(41)
Pension Liability	(169)	(52)	(407)	(126)
Total Assets less Liabilities	157	49	(220)	(68)
Pension Reserve	169	52	407	126
General Reserve	(326)	(101)	(187)	(58)
Total	(157)	(49)	220	68

Payments of £272k were made to Gwent Joint Records Committee by the authority in 2014/15.

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

Greater Gwent Cremation Committee	31-Mar-14		31-Mar-15	
	Total £'000	NCC share £'000	Total £'000	NCC share £'000
Income & Expenditure Account				
Expenditure	668	183	864	237
Income	(1,498)	(411)	(1,727)	(475)
Net Cost of Service	(830)	(228)	(863)	(238)
Pension interest cost / expected return on assets	1,128	309	753	207
Net Operating Cost	298	81	(110)	(31)
Actuarial gains	(231)	(63)	105	29
Total Comprehensive I&E	67	18	(5)	(2)
Balance Sheet				
Fixed Assets	2,448	671	2,362	649
Current Assets	1,598	438	1,044	287
Current Liabilities	(33)	(9)	(14)	(4)
Long Term Creditors	(1,488)	(408)	(744)	(204)
Pension Liability	(85)	(23)	(203)	(56)
Total Assets less Liabilities	2,440	669	2,445	672
Pension Reserve	85	23	203	56
Capital Adjustment Account	(308)	(84)	(327)	(90)
Revaluation Reserve	(750)	(205)	(683)	(188)
General Reserve	(1,467)	(403)	(1,638)	(450)
Total	(2,440)	(669)	(2,445)	(672)

Payments of £206,000 were made by Greater Gwent Cremation Committee to the Authority in 2014/15.

Project Gwyrdd	31-Mar-14		31-Mar-15	
	Total £'000	NCC share £'000	Total £'000	NCC share £'000
Income & Expenditure Account				
Expenditure	519	104	201	40
Income	(519)	(104)	(132)	(26)
Net Cost of Service	-	-	69	14
Pension interest cost / expected return on assets	-	-	-	-
Net Operating Cost	-	-	69	14
Contributions	-	-	-	-
(Surplus) / Deficit for the Year	-	-	69	14
Balance Sheet				
Current Assets	393	79	199	40
Current Liabilities	(131)	(26)	(10)	(2)
Pension Liability	-	-	-	-
Total Assets less Liabilities	262	53	189	38
General Reserve	(262)	(53)	(189)	38
Total	(262)	(53)	(189)	38

Payments of £36,000 were made to Project Gwyrdd by the Authority in 2014/15.

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

South East Wales Transport Alliance

	31-Mar-14		31-Mar-15	
	Total £'000	NCC share £'000	Total £'000	NCC share £'000
Income & Expenditure Account				
Expenditure	57,394	5,739		
Income	(57,453)	(5,745)		
Net Cost of Service	(59)	(6)	-	-
Pension interest cost / expected return on assets	-	-		
Net Operating Cost	(59)	(6)	-	-
Contributions	-	-		
(Surplus) / Deficit for the Year	(59)	(6)	-	-
Balance Sheet				
Current Assets	14,154	1,415		
Current Liabilities	(13,986)	(1,399)		
Pension Liability	-	-		
Total Assets less Liabilities	168	16	-	-
General Reserve	(168)	(16)		
	(168)	(16)	-	-

Welsh Purchasing Consortium

	31-Mar-14		31-Mar-15	
	Total £'000	NCC share £'000	Total £'000	NCC share £'000
Income & Expenditure Account				
Expenditure	190	10	226	12
Income	-	-	-	-
Net Cost of Service	190	10	226	12
Contributions	(244)	(13)	(243)	(13)
(Surplus) / Deficit for the Year	(54)	(3)	(17)	(1)
Appropriations to / from Reserve	25	1	(11)	1
(Surplus) / Deficit for the Year	(29)	(2)	(28)	-
Balance Sheet				
Current assets	417	22	437	23
Current liabilities	(14)	(1)	(17)	(1)
Total Assets less Liabilities	403	21	420	22
Represented by:				
General Reserve	(379)	(20)	(407)	(21)
Accumulated Absences Account	2	-	3	-
Earmarked Reserve	(26)	(1)	(16)	(1)
	(403)	(21)	(420)	(22)

Payments of £12,150 were made to Welsh Purchasing Consortium by the Authority in 2014/15.

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

	31-Mar-14	31-Mar-15
	Total	Total
	£'000	£'000
Coroners Court		
Expenditure		
Employee costs	135	142
Premises	11	14
Supplies and Services	319	434
Total Costs	465	590
Funding		
Blaenau Gwent County Borough Council	(57)	(70)
Caerphilly County Borough Council	(144)	(183)
Monmouthshire County Borough Council	(73)	(93)
Newport City Council	(117)	(151)
Torfaen County Borough Council	(74)	(93)
Total Contribution	(465)	(590)
Net in year (under) / over spend	0	0

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

48 TRUST FUNDS AND THIRD PARTY ASSETS

Details of trusts are as follows:	31-Mar-14	31-Mar-15
	£	£
Miscellaneous Education Funds	30,185	32,992

The Authority passed a number of its trust fund holdings to the Community Foundation in Wales and, with the agreement of the Charities Commission, passed the management of a number of other dormant funds to schools in 2008/09. The Authority acts as sole trustee for the remaining Education trust funds.

The Authority operates 157 (2014: 147) appointee bank accounts holding £1,018,925 (2014: £920,880). These relate to third party monies held by the Authority on behalf of its Social Service clients. These figures have been excluded from cash and cash equivalent figures reported in the accounts.

GLOSSARY OF TERMS

- **Accruals Basis**
The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made.
- **Actuarial Gains and Losses Re-measurement of Net Defined Benefit Liability**
Actuaries assess financial and non-financial information provided by the Authority to project levels of future pension fund requirements. Changes in actuarial deficits or surpluses can arise leading to a loss or gain because events have not coincided with the actuarial assumptions made for the last valuation and the actuarial assumptions have changed.
- **Agency Services**
These are services that are performed by or for another Authority or public body, where the principal (the Authority responsible for the service) reimburses the agent (the Authority carrying out the work) for the costs of the work.
- **Appointed Auditors**
The Audit Commission appoints external auditors to every Local Authority, from one of the major providers of registered auditors. The Welsh Audit Office is the Authority's appointed Auditor.
- **Authorised Limit**
This represents the legislative limit on the Authority's external debt under the Local Government Act 2003.
- **Balances**
The balances of the Authority represent the accumulated surplus of income over expenditure on any of the Funds.
- **Capital Adjustment Account**
The Account accumulates (on the debit side) the write-down of the historical cost of Property, Plant and Equipment as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (revenue expenditure funded by capital under statute). The balance on the account thus represents timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.
- **Capital Expenditure**
This is expenditure on the acquisition of property, plant and equipment, or expenditure, which adds to, and not merely maintains, the value of an existing fixed asset.
- **Capital Financing Charges**
This is the annual charge to the revenue account in respect of interest and principal repayments and payments of borrowed money, together with leasing rentals.
- **Capital Receipts**
Income received from the sale of land or other capital assets, a proportion of which may be used to finance new capital expenditure, subject to the provisions contained within the Local Government Act 2003.

Statement of Accounts

Statement of Accounts 2014/15

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 Authority intends to hold in perpetuity which have no determinable finite useful life and, in addition, may have restrictions on their disposal. Examples include parks and historical buildings not used for operational purposes.
- **Contingency**
This is money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income, and to provide for inflation where this is not included in individual budgets.
- **Contingent Liabilities or Assets**
These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately, and for which provision has not been made in the Authority's Statement of Accounts.
- **Council Tax Requirement**
This is the estimated revenue expenditure on General Fund services that needs to be financed from the Council Tax after deducting income from fees and charges, certain specific grants and any funding from reserves.
- **Creditors**
Amounts owed by the Authority for work done, goods received or services rendered, for which payment has not been made at the date of the balance sheet.
- **Current Service Cost**
Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, i.e. the ultimate pension benefits "earned" by employees in the current year's employment.
- **Debtors**
These are sums of money due to the Authority that have not been received at the date of the Balance Sheet.
- **Deferred Capital Receipts**
These represent capital income still to be received after disposals have taken place and wholly consists of principal outstanding from the sale of council houses.
- **Depreciation**
This is the measure of the wearing out, consumption, or other reduction in the useful economic life of Property, Plant and Equipment.
- **Derecognition**
Financial assets and liabilities will need to be removed from the Balance Sheet once performance under the contract is complete or the contract is terminated.
- **Discounts**

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

Discounts represent the outstanding discount received on the premature repayment of Public Works Loan Board loans. In line with the requirements of the Code, gains arising from the repurchase or early settlement of borrowing have been written back to revenue. However, where the repurchase or borrowing was coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, gains have been recognised over the life of the replacement loan.

- **Earmarked Reserves**

The Authority holds a number of reserves earmarked to be used to meet specific, known or predicted future expenditure.

- **External Audit**

The independent examination of the activities and accounts of Local Authorities to ensure the Statement of Accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Authority has made proper arrangements to secure value for money in its use of resources.

- **Fair Value**

Fair value is the price at which an asset could be exchanged in an arm's length transaction, less any grants receivable towards the purchase or use of the asset.

- **Financial Regulations**

These are the written code of procedures approved by the Authority, intended to provide a framework for proper financial management. Financial regulations usually set out rules on accounting, audit, administrative and budgeting procedures.

- **Housing Benefit**

This is an allowance to persons on low income (or none) to meet, in whole or part, their rent. Benefit is allowed or paid by Local Authorities but Central Government refunds part of the cost of the benefits and of the running costs of the services to Local Authorities. Benefits paid to the Authority's own tenants are known as rent rebate and that paid to private tenants as rent allowance.

- **Impairment**

A reduction in the value of a fixed asset below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.

- **Infrastructure Assets**

A category of Property, Plant and Equipment which generally cannot be sold and from which benefit can be obtained only by continued use of the asset created. Examples of such assets are highways, footpaths, bridges and water and drainage facilities.

- **International Financial Reporting Standard (IFRS)**

These are the defined Accounting Standards that must be applied by all reporting entities to all Statement of Accounts in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with Statement of Accounts of the other entities.

- **Joint Venture**

A Joint Venture is an arrangement under which two or more parties have contractually agreed to share control, such that decisions about the activities of the arrangement are given unanimous consent from all parties.

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

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

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

- **Liabilities**

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

- **Materiality**

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

- **Minimum Revenue Provision (MRP)**

MRP is the minimum amount which must be charged to an Authority's revenue account each year and set aside as a provision for credit liabilities, as required by the Local Government and Housing Act 1989. Net debt is the Authority's borrowings less cash and liquid resources.

- **Precept**

The amount levied by various Authorities that is collected by the Authority on their behalf.

- **Premiums**

These are discounts that have arisen following the early redemption of long term debt, which are written down over the lifetime of replacement loans where applicable.

- **Prior Period Adjustments**

These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.

- **Private Finance Initiative (PFI)**

A Central Government initiative which aims to increase the level of funding available for public services by attracting private sources of finance. The PFI is supported by a number of incentives to encourage Authorities' participation.

- **Public Works Loan Board (PWLB)**

An arm of Central Government which is the major provider of loans to finance long term funding requirements for Local Authorities

- **Related Parties**

Related parties are Central Government, other Local Authorities, precepting and levying bodies, subsidiary and associated companies, Elected Members, all senior officers from Director and above and the Pension Fund. For individuals identified as related parties, the following are also presumed to be related parties:

- members of the close family, or the same household; and
- partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.

- **Reporting Standards**

The Code of Practice prescribes the accounting treatment and disclosures for all normal transactions of a Local Authority. It is based on International Financial Reporting Standards (IFRS),

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

International Accounting Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) plus UK Generally Accepted Accounting Practice (GAAP) and Financial Reporting Standards (FRS).

- **Revaluation Reserve**

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

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

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

- **Treasury Management**

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

- **Trust Funds**

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

- **Unsupported (Prudential) Borrowing**

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

Glossary of Acronyms

SERCOP	Service Reporting Code of Practice
CAA	Capital Adjustment Account
CERA	Capital Expenditure charged to Revenue Account
CFA	Capital Financing Account
CIPFA	Chartered Institute of Public Finance & Accountancy
Code	CIPFA Code of Recommended Accounting Practice
EIB	European Investment Bank
ERDF	European Regional Development Fund
GAAP	Generally Accepted Accounting Principles
GAVO	Gwent Association of Voluntary Organisations
GCC	Gwent County Council
GEST	Grants for Education Support & Training
IAS	International Accounting Standard
IFRS	International Financial Reporting Standard
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LMS	Local Management of Schools
MRP	Minimum Revenue Provision
NCA	Notional Credit Approval
NNDR	National Non-Domestic Rates
NPV	Net Present Value
NRV	Net Realisable Value
PFI	Private Finance Initiative
PWLB	Public Works Loan Board
RICS	Royal Institution of Chartered Surveyors
RSG	Revenue Support Grant
SEWREC	South East Wales Racial Equality Council
TTF	Treasury Task Force
WIP	Work in Progress

Statement of Accounts

Statement of Accounts 2014/15

Newport City Council

Further Information

Further information about the Statement of Accounts is available from:

Head of Finance
Civic Centre
Newport
South Wales
NP20 4UR

This is part of the Authority's policy of providing full information about the Authority's affairs. In addition, interested members of the public have a statutory right to inspect the Statement of Accounts before the audit is completed. The availability of the Statement of Accounts for inspection is advertised in the local press, as is the notice of completion of the audit.