

**Final  
Annual accounts 2020/21**

# Summary Position

- Audit Committee are asked to note;
  - The draft set of accounts were authorized for publication on 2<sup>nd</sup> July
  - This was delayed due to Covid-19 and staff sickness. A notice was placed on the website stating the reasons for the delay as required by the legislation.
  - Accounts were on display and available for public to inspect between 26<sup>th</sup> July to 20<sup>th</sup> August
  - A separate paper details the extent of queries raised in respect of the draft account presentation
  - The final accounts reflects amendments made following that exercise and in conjunction with the review function undertaken by Audit Wales (their findings are captured in separate ISA260 paper to the meeting)
  - Their analysis/conclusion is that the Accounts reflect a true and fair view
- Governance & Audit Committee are requested to approve these final Accounts, which will result in them being certified by Head of Finance and Chair on your behalf.

# Key Statements (1)

Five 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 Expenditure and Funding Analysis (EFA):** details the movement between the Council's Income and expenditure position as reported internally and the accounting adjustments made as per proper accounting practices presented in the CIES.
- **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 2021 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.

# Key Messages

## **Revenue Budget**

Underspend on revenue budget - £14m as reported to Cabinet in June 2021

This was due to;

- Receipt of one-off Welsh Government (WG) funds to compensate Council services to support its enhanced service delivery to Newport's communities in response to Covid; and lost income from Covid restrictions; meant these costs were not borne by the Council;
- Underspends across all services in relation to (i) costs of general administration and service provision due to changes in working practices and (ii) not undertaking planned/normal services, as they were not required or unable to be carried out due to Covid response work being prioritised
- Underspent on its general revenue contingency budget, council tax reduction scheme and council tax income
- The CIES shows a deficit on provision of services of £8.8m. The management accounts showed a surplus of £14.025m. The difference is due to the former including the effect of things like depreciation, impairment, revaluation etc.

## **Capital Programme / budget**

Capital spend on programme of £26.2m, carried forward £7.1m due to slippage

## **Reserves**

Reserves increased by net £21.2m

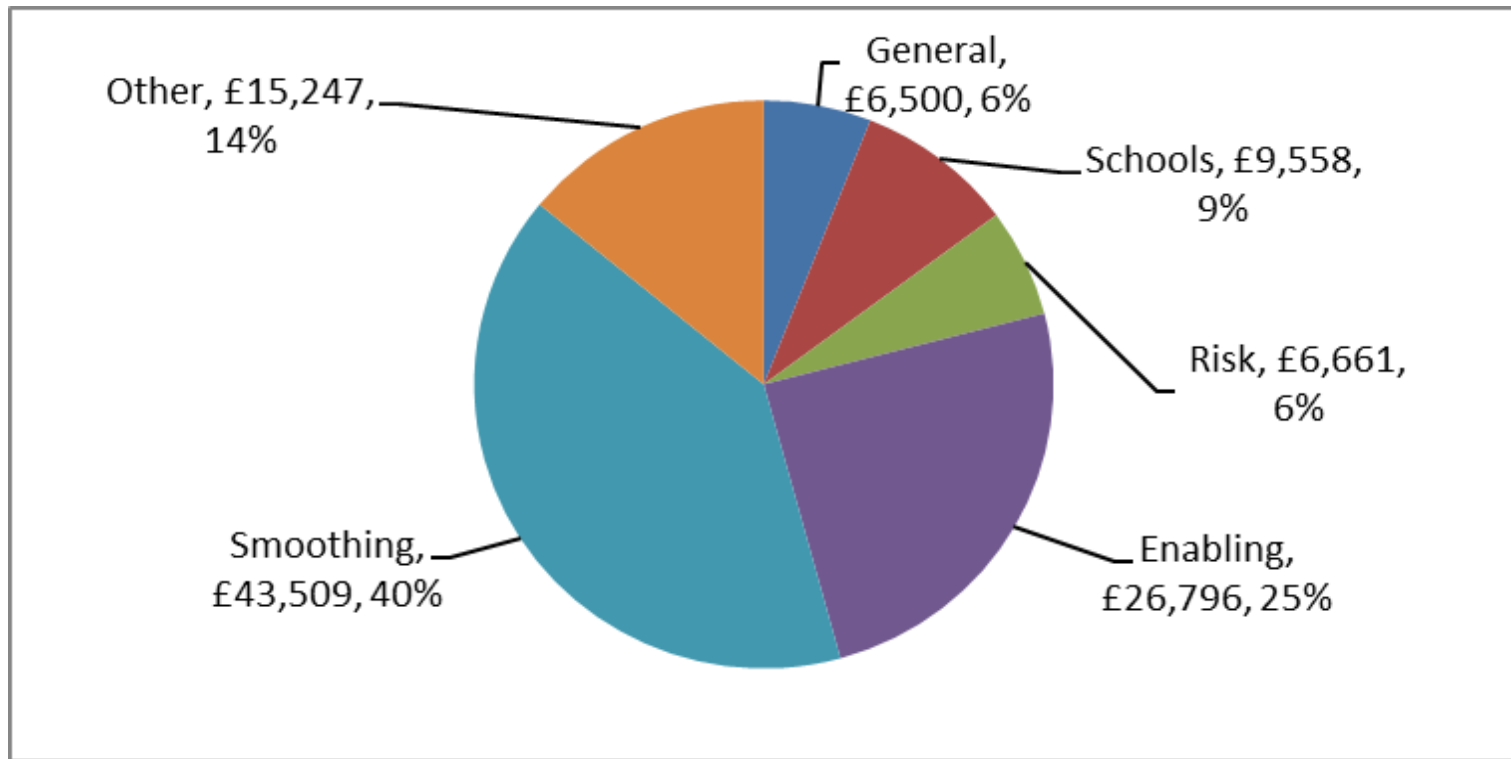
- Schools – underspend of £8.5m transferred to schools reserves
- General Fund - underspend of £14.m transferred to reserves

# Summary - finances

<b>Usable Reserves 31/03/2020</b>		<b>87,065</b>
School underspend and budgeted in year transfers to/(from) reserves		8,687
In year transfers to/(from) capital receipts reserve		(1,506)
Under-spend reported to Cabinet transfer to earmarked reserves		14,025
<b>Usable Reserves 31/03/2021</b>		<b>108,271</b>
Made up of:		
Council Fund Balance		6,500
Balances Held by Schools		9,558
Earmarked Reserves – risk, smoothing, enabling, other – (PFI makes up c£42m)		85,460
Capital Receipts Reserve (enabling)		6,753
<b>Total Usable Reserves 31/03/21</b>		<b>108,271</b>

# Usable Reserves

- Usable Reserves can be grouped into the specific categories to give an understanding of their purpose.



# Provisions (Note 24)

- A provision is an amount which is put aside for a known liability but where there is some uncertainty regarding timing or amount

	31-Mar-20	Further provisions	Amounts used	Unused amounts reversed	31-Mar-21
	£'000	£'000	£'000	£'000	£'000
<b>Current Provisions</b>					
Accumulated absence provision	(4,353)	-	1,522	-	(2,831)
Social Care Tasks	(230)	-	-	-	(230)
Insurance / MMI Provision	(3,179)	(83)	768	-	(2,494)
Energy Provision	(200)	-	-	170	(30)
Chartist tower	-	(264)	-	-	(264)
Other	(904)	(123)	375	-	(652)
	(8,866)	(470)	2,665	170	(6,501)
<b>Long Term Provisions</b>					
Landfill Capping	(5,398)	(475)	-	-	(5,873)
Other	(5,643)	(62)	500	-	(5,205)
	(11,041)	(537)	500	-	(11,078)

# Contingent Liabilities (Note 44)

- Defined as a possible obligation depending on whether some uncertain future event occurs, payment is not probable or the amount cannot be measured reliably
- Disclosures of events/risks which require no financial provision to be set aside issues highlighted, including:
  - Municipal Mutual Insurance Claims
  - Financial guarantees – inc. safeguarding of former employee's pension rights
  - Newport City Homes – relating to warranties provided to NCH.
  - McCloud Judgement – in relation to previous changes in pension schemes
  - Landfill Tax (Welsh Revenue Authority) – WRA opened up enquiries into 2018/19 financial year in regards to Loss of Ignition testing and there are potential reclaim and fines that could be imposed.
  - Council Investments – Council has provided loans to small number of companies to assist in regeneration programmes, due to Covid-19, this may pose a further risk attached to the repayment of these funds. We do not currently have indication that these will not be repaid, but we have security in place



# Challenging Year

- **Change in Personnel and Reduced Team Capacity**
- **Accounts assumptions and transactions still affected by Covid-19 Considerations**
- The valuation of operational property – valuations have been reported on the basis of material valuation uncertainty
- Fair Value measurement of investment property – as the longevity and severity of the impact of Covid-19 on the economy is unknown, it has been difficult to value property assets.
- Throughout the year the council received significant cash from Welsh Government in the form of new grants and financial support (extra £33m on 2019-20 levels), much of that being explicit covid 19 grant streams (£27.3m)
- There is an new agency note this year within the statement of accounts which details what schemes we have classified as an agency relationship
- This related to where the Council acted as an agent for WG rather than on its own behalf, in facilitating a further £43.3m support and administering £20.2m of business rates support
- **Significant Changes in Account Presentation**
- Schools portfolio revaluation
- Interest free loan presentation
- Widened use of fair value comparators
- Contingent asset creation in respect of outstanding social care debt
- Amalgamated NCC and NPT pension transactions

# Pension Reporting Change

- Decision by NCC members (Sept 20) to support NPT
- Draft Accounts prepared on basis that detail of agreement still to be struck, but provisions recognised a likely change in liability
- New NPT auditors queried the admitted body status of NPT vs transfer agreement
- Upshot being use of that original agreement and consolidation of pension entries
- Group account presentation: nil effect
- NPT accounts presentation: removed pension liability from balance sheet
- NCC accounts presentation: add £4.1m net liability to NCC sole entity accounts
- Some compensatory debtor and creditor entries created in respect of a employer contributions outstanding from NPT to the pension fund to now reflect a contractual commitment whereby NCC liable to pay pension fund and NPT to pay NCC.

# Conclusion

- **Accounts concluded to be a “true and fair view”**
- Lessons learned –still to undertake the usual debrief with auditors
- Judgements on early closure
- Some trends already apparent – slipping of timescales elsewhere in organisation
- Limited staff resilience to deal with sickness
- Use of estimates,, early testing not yet fully embedded
- Will be presented to January meeting – more pertinent to next audit