Public Document Pack

North Tyneside Council

Audit Committee

Monday, 18 March 2024

Wednesday, 27 March 2024 0.01 Chamber - Quadrant, The Silverlink North, Cobalt Business Park, North Tyneside, NE27 0BY **commencing at 6.00 pm.**

Agenda Item		Page
1.	**Apologies for Absence** To receive apologies for absence from the meeeting.	
2.	**Appointment of Substitute Members** To be notified of the appointment of any Substitute Members at the meeting.	
3.	**Declarations of Interest** You are invited to declare any registerable and/or non-registerable interests in matters appearing on the agenda, and the nature of that interest. You are also invited to disclose any dispensations that have been granted to you in relation to any matters appearing on the agenda.	

If you need us to do anything differently (reasonable adjustments) to help you access our services, including providing this information in another language or format, please contact democraticsupport@northtyneside.gov.uk.

Circulation overleaf …

Members of the Audit Committee

Malcolm Wilkinson (Chair)
Dr Stuart Green (Deputy Chair)
Councillor Liam Bones
Councillor Debbie Cox
Councillor Louise Marshall
Councillor Tommy Mulvenna
Councillor Tricia Neira
Councillor John O'Shea
Councillor Andrew Spowart

Audit Committee

Wednesday, 15 November 2023

Present: M Wilkinson (Chair)
Councillors L Bones, D Cox, L Marshall, T Mulvenna, T Neira and J O'Shea

Apologies: Councillor A Spowart and Dr S Green

AC/26/23 Appointment of Substitute Members

There were no Substitutes reported

AC/27/23 Declarations of Interest and Notification of any Dispensations Granted

There were no declarations of interest of dispensations reported.

AC/28/22 Minutes

Resolved that the minutes of the meeting held on 27 September 2023 be confirmed and signed by the Chair.

AC/29/23 Carbon Net-Zero 2030 Corporate Risk

Consideration was given to a report which provided an update on the approach taken to manage the Carbon Net Zero 2030 corporate risk.

It was explained that the Authority has an Action Plan which contained over 150 actions across 10 key workstreams which would help to significantly reduce carbon emissions. The Plan was overseen by the Carbon Net Zero 2030 Board co-chaired by the Director of Environment and the Cabinet Member for Climate Emergency and was made up of senior managers and officer along with representatives of the finance team. The Board met on a monthly basis to review key progress against the action plan.

It was noted that the Authority's carbon footprint made up less than 2% of the Borough's carbon footprint and therefore public sector organisations and large private businesses had been invited to participate in a board to tackle borough wide carbon emissions. It was also noted that the delivery of the Carbon Net Zero 2030 Action Plan had been included in the Internal Audit plan for 2022/23.

Reference was made the systems in place to react to any changes in Government guidance in respect of the climate.

Resolved that the approach to managing the risk be noted.

AC/30/23 Pandemic Flu - Corporate Risk

Consideration was given to a report which set out the plans and processes in place to respond to an influenza pandemic. It was explained that pandemic flu was one of the most severe natural challenges likely to affect the United Kingdon and was included on the National Risk Register 2023 published by the Government. The UK Health Security Agency had a key role in planning for and responding to pandemics. Alongside this was a community health response which included the involvement of the Integrated Care Board and NHS England.

Locally the Northumberland Local Resilience Forum Community Risk Register 2021-23 included a section on pandemic flu. The Authority had also used government guidance in formulating it's plan for pandemic flu.

It was explained that there were a number of arrangements in place to deal with pandemic flu which included:

- The Local Planning Leadership Group arrangements chaired by the Director of Public Health;
- The local Pandemic Flu Plan which set out the national response framework and the Authority's statutory responsibilities and had recently been refreshed;

- Business continuity plans for all services of the Authority;
- Partnership working with the Local Resilience Forum;
- Regular updates provided to the Elected Mayor, elected members and Local Members of Parliament.

Resolved that the approach to managing the pandemic flu risk be noted

AC/31/23 Exclusion Resolution

Resolved that under Section 100A of the Local Government Act 1972 (as amended) and having applied a public interest test as defined in part 2 of Schedule 12A of the Act, the press and public be excluded from the meeting for the following items of business on the grounds that they involved the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Act.

AC/32/23 Strategic Audit Plan 2023-24 - Interim Monitoring Statement

Consideration was given to a report which provided a half yearly update on the Strategic Audit Plan 2023/24. Members sought and received clarification in relation to several items in the report.

Resolved that the progress set out in the monitoring statement and the planned levels of coverage achieved by Internal Audit at this stage of the year be noted.

AC/33/23 Key Outcomes from Internal Audit Work undertaken between May and November 2023

Consideration was given to a report which set out the key outcomes from internal audit reports issued between May and November 2023 to enable the Committee to maintain an oversight of the emerging risks and governance issues as they arose during the year.

It was explained that there had been eleven reports finalised within the reporting period, four of the reports had been given a significant assurance rating, six had received a limited assurance rating. For each of the reports a level of assurance had been identified and a series of recommendations made, examples of good practice identified and where appropriate the progress made by management in relation to the issues identified had been outlined.

Members sought and received clarification on a number of items in the report.

Resolved that the key findings, good practice identified and the management response to the internal audit reports issued between May and November 2023 be noted.

AC/34/23 Corporate Risk Management Summary Report

Consideration was given to a report which outlined the corporate risks that had been identified for monitoring and management by the Authority’s Senior Leadership Team as of 6 September 2023. The report provided detailed information on each of the corporate risks, including the cause of the risk, the consequences if the risk were to materialise together with the controls in place to address those risks.

It was explained that the risk register had been updated prior to consideration by the Senior Leadership Team and the Cabinet on 16 November 2023. Following a reorganisation of Adults and Children’s Services the Social Care Demand and Performance Risk had been replaced by two service specific risks, one for Adults Social Care and the second for Children’s Services.

Clarification was sought by Members in relation to specific elements of the risk register.

Resolved that the review of the key corporate risks undertaken by the Senior Leadership Team and endorsed by Cabinet as part of the Authority’s risk management arrangements be noted.

North Tyneside Council
Report to Audit Committee
Date: 27 March 2024

Accounting Policies to be used in the compilation of 2023/24 Annual Statement of Accounts

Report from Service:	**Finance**	
Responsible officer:	**David Mason, Head of Finance**	**Tel: 643 3293**
Wards affected:	**All**	

PART 1

1.1 Executive Summary:

1.1.1 In the Annual Statement of Accounts, the Authority is required to disclose how the accounting statements have been prepared. The preparation of the statements should be in accordance with the accounting concepts and policies as per the 'Code of Practice on Local Authority Accounting in the UK 2023/24' (The Code).

1.1.2 Under the terms of reference of the Audit Committee, the Committee has the responsibility to review the Accounting Policies that will be used to compile the Annual Statement of Accounts.

1.1.3 The purpose of this report is to provide the Audit Committee with details of the proposed Accounting Policies that will be used in the compilation of the 2023/24 Annual Statement of Accounts.

1.2 Recommendations:

1.2.1 It is recommended that the Audit Committee endorse the Accounting Policies to be adopted by the Authority and used to compile the Authority's Annual Statement of Accounts for the financial year 1 April 2023 to 31 March 2024.

1.3 Council plan and policy framework.

1.3.1 The Accounting Policies cover all the service responsibilities as identified within the Council Plan.

1.4 Information - Executive Summary

1.4.1 The purpose of the Accounting Policies is to explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts of the Authority. The Code defines Accounting Policies as "the specific principles, bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements". The Accounting Policies disclosed are those material policies that are significant to the understanding of the Authority's Annual Statement of Accounts.

1.4.2 The Code requires that a change in Accounting Policies should only be made if the change:

(a) is required by The Code; or

(b) will result in financial statements providing reliable and more relevant financial information about the effects of transactions, other events or conditions on an authority's financial position, financial performance and cash flows.

Significant changes in Accounting Policies, other than those specified in The Code, will be relatively rare.

1.4.3 The proposed draft Accounting Policies for 2023/24 are attached as Appendix A.

1.5 Decision options:

1.5.1 The Audit Committee can agree to endorse the recommendations as set out in Section 1.2 of this report. Alternatively, the Audit Committee can decline to endorse the proposals and require further details and amendment.

1.6 Reasons for recommended option:

1.6.1 The Audit Committee is recommended to endorse the proposals set out in section 1.2 of this report as the production of the Accounting Policies is a requirement of the Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Amendment) Regulations 2021.

1.7 Appendices:

Appendix A	Draft Accounting Policies
Appendix B	Glossary of Terms

1.8 Contact officers:

Jon Ritchie, Director of Resources, Tel 643 5701
David Mason, Head of Finance, Tel 643 3293
Susan Borthwick – Principal Accountant – Tel 643 5732

1.9 Background information:

1.9.1 The following background papers and research reports have been used in the compilation of this report and are available at the offices of the author:

(a) Code of Practice on Local Authority Accounting in the UK 2023/24.

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

2.1.1 There are no financial implications arising from this report.

2.2 Legal

2.2.1 The Authority has a duty to ensure that it produces a draft Annual Statement of Accounts by 31 May 2024 in accordance with the Accounts and Audit (Amendment) Regulations 2015. Part of the approval process is the endorsement of the Accounting Policies by the Audit Committee.

2.3 Consultation/community engagement

Internal consultation

2.3.1 Internal consultation has taken place with the Cabinet Member for Finance, Director of Resources, relevant Finance staff and the External Auditor.

2.4 Community engagement

2.4.1 There are no community engagement implications arising from this report.

2.5 Human rights

2.5.1 There are no human rights implications arising from this report.

2.6 Equalities and diversity

2.6.1 There are no equalities and diversity implications arising from this report.

2.7 Risk management

2.7.1 There are no risk management implications arising from this report.

2.8 Crime and disorder

2.8.1 There are no crime and disorder implications arising from this report.

2.9 Environment and sustainability

2.9.1 There are no environmental and sustainability implications arising from this report.

Appendix A: Draft Accounting Policies

2023/24 Financial Year

North Tyneside Council

Accounting Policies

1 General Principles

1.1 Accounting Policies explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts. They are the principles, bases, conventions, rules and practices applied by the Authority that specify how the effects of transactions and other events are to be reflected in the financial statements through recognising, selecting measurement bases for and presenting assets, liabilities, gains, losses and changes in reserves. The Accounting Policies cover material transactions within the Statement of Accounts.

1.2 The Statement of Accounts summarises the Authority's transactions for the 2023/24 financial year and its position at the year-end of 31 March 2024. The Authority is required to prepare an annual Statement of Accounts in accordance with proper accounting practices by the Accounts and Audit Regulations 2015.

1.3 These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 7 of the 2015 Regulations.

1.4 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.

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

2.1 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.

2.2 Changes in accounting policies are only made when required by proper accounting practices or 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.

2.3 Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. Generally, the majority of prior period items arise from corrections and adjustments that are the natural result of estimates inherent in the accounting process. Such adjustments constitute normal transactions in the year in which they are identified and are accounted for accordingly.

3 Accruals of Income and Expenditure (Authority & Group)

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract;

- 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 unless the difference is immaterial;

- 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; and

- The Authority has an accruals de minimis level of £10,000

4 Overheads and Support Services

4.1 The costs of overheads and support services are shown within the Central Costs line on the Comprehensive Income and Expenditure Statement in accordance with the Authority's arrangements for accountability and financial performance.

5 Government Grants and Contributions

5.1 Whether paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments; and
- The grants or contributions will be received.

5.2 Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until there is reasonable assurance that the conditions attached to the grant or contribution will be satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

5.3 Monies advanced as grants and contributions for which conditions have not been satisfied or for which there is not reasonable assurance that they will be satisfied are carried in the Balance Sheet as creditors (revenue grants) or capital grants receipts in advance (capital grants). When conditions are satisfied or reasonable assurance is achieved, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

5.4 Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital

Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

6 Community Infrastructure Levy

6.1 The Authority has elected to charge a community infrastructure levy (CIL). The levy is charged on new builds (chargeable developments for the authority) with appropriate planning consent. The Authority charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (secondary education, health facilities, green spaces, community facilities and walking and cycling connections) to support the development of the area.

6.2 The CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a proportion of the charges may be used to fund revenue expenditure.

7 Charges to Revenue for Non-Current Assets

7.1 Services, support services and trading accounts are debited with the following amounts to record the 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; and

- Amortisation of intangible assets attributable to the service.

7.2 The Authority is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations to General Fund assets. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance, the Minimum Revenue Provision

(MRP). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by MRP 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. The Minimum Revenue Provision policy is approved annually by Council as part of the budget setting process.

7.3 Under the Item 8 debit and credit determination from April 2017 depreciation for Housing Revenue Accounts assets is calculated in accordance with proper accounting practice and charged to the Housing Revenue Account. Impairment and revaluation adjustments are reversed out of the Housing Revenue Account and will not impact on housing rents.

7.4 Depreciation is a charge against revenue and cannot be reversed. The charge records the cost of holding the non-current asset during the year.

8 Leases

8.1 The current policy is that 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.

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

8.3 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 (Operating Leases)

8.4 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 (Operating Leases)

8.5 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 relevant service (Other Operating Expenditure) line in the Comprehensive Income and Expenditure Statement. Rental income is recognised 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).

8.6 The Authority is continuing its preparations for the proposed implementation of IFRS16 on 1 April 2024 which will change the approach towards accounting for lease arrangements, but whilst there is an option to adopt the standard early, the Authority is not proposing to do this when preparing the 2023/24 accounts.

9 Employee Benefits

Benefits Payable during Employment

9.1 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 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, flexi balances) earned by employees but not taken before the year-end which employees can carry forward into the next financial year.

9.2 The accrual is charged to the 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.

Termination Benefits

9.3 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 and are charged on an accruals basis to the appropriate service or where applicable, to the Central costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises the costs for a restructuring.

9.4 Where termination benefits involve the enhancement of pensions, statutory provisions require the General 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 (Retirement Benefits)

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

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE); and

- The Local Government Pensions Scheme (Tyne and Wear Pension Fund), administered by South Tyneside Council.

9.6 Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees of the Authority/Schools.

9.7 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 were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Commissioning & Asset Management line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

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

- The liabilities of the Tyne and Wear 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; and

- 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.

9.9 The assets of the Tyne and Wear 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; and
- Property – market value.

9.10 The change in the net pension's liability is analysed into the following components:

9.11 <u>Service cost</u>

- 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 as a result of a scheme amendment or curtailment 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; and

- Net Interest on the net defined benefit liability (asset) i.e. 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 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.

9.12 Remeasurements comprising

- 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; and

- Contributions paid to the Tyne and Wear Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

9.13 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 General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

9.14 The notes to the Core Financial Statements provide further details on contributions made.

Discretionary Benefits

9.15 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.

10 Revenue Expenditure Funded from Capital under Statute (REFCUS)

10.1 Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so there is no impact on the level of Council Tax.

11 Property, Plant and Equipment

11.1 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.

11.2 The freehold and leasehold properties which comprise the Council's portfolio are valued by Capita acting as the Authority's internal Chartered Surveyors.

Recognition

11.3 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.

Measurement

11.4 Assets are initially measured at cost, comprising:

- The purchase price; and

- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

11.5 The Authority does not capitalise borrowing costs incurred whilst assets are under construction. The cost of assets acquired other than by purchase is deemed to be its fair value unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

11.6 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 General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

11.7 Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure and community assets– depreciated historical cost;

- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH);

- Council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV);

- School buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value;

- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant’s perspective; and,

- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

11.8 Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

11.9 Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

11.10 Assets under the course of construction are recorded at cost during the construction period. Once the asset becomes operational a valuation is undertaken as relevant to the asset's type.

11.11 Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. However, where the increase reverses a revaluation decrease on the same asset that was previously charged to the Surplus or Deficit on Provision of Services, all or part of the revaluation gain is credited to the Surplus or Deficit on Provision of Services up to the amount of the previously recognised loss, net of depreciation that would have been charged had the loss not been recognised.

11.12 Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); or

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

11.13 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.

De-Minimis Levels

11.14 The Authority has set a de-minimis level for the recognition of capital assets of £0.010m for land, buildings and infrastructure and £0.006m for equipment.

11.15 Assets below the de-minimis level are charged to the revenue account i.e. the asset is not included in the balance sheet unless it is part of an overall project costing more than the de-minimis level.

11.16 The Authority may capitalise particular items of expenditure that are below its de-minimis limit (e.g. because the terms of a grant require it to be applied to capital expenditure), as this brings the Authority back in line with proper practices for the particular item. The treatment of items below the limit in this way has no material impact on the accounts.

Impairment

11.17 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.

11.18 Where impairment losses are identified, they are accounted for in the following ways:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); or

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

11.19 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

11.20 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, Heritage Assets and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

11.21 Deprecation is calculated on the following bases:

- Council Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer (generally 30-60 years);

- Vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the asset (generally 3-10 years); and

- Infrastructure – straight-line allocation over the useful life of the asset (generally 10-120 years).

11.22 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. For buildings valued over £0.500m consideration will be given as to whether there is any significant part which requires a separate component, such as the roof or any specialist item of plant or equipment.

11.23 The land element will continue to be considered as a separate asset with its own valuation which, except in very unusual circumstances, will not be subject to depreciation.

11.24 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.

Disposals and Non-Current Assets Held for Sale

11.25 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 revalued 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 previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

11.28 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.

11.29 Amounts received for a disposal in excess of £0.010m are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be 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. Capital Receipts may also be used under the Flexible Use of Capital Receipts which allows local authorities to fund revenue expenditure incurred to generate ongoing savings.

11.30 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.

12 Highways infrastructure assets

12.1 The temporary relief introduced by the update to the Code specifies that disclosures of gross historical cost and accumulated depreciation are not required for infrastructure assets.

12.2 Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

Recognition

12.3 Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the authority and the cost of the item can be measured reliably.

Measurement

12.4 Highways infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994 which was deemed at that time to be historical cost. Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Depreciation

12.5 Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis.

12.6 Annual depreciation is the depreciation amount allocated each year.

12.7 Useful lives of the various parts of the highways network are assessed by the Chief Highways Engineer using industry standards where applicable as follows:

Part of the highways network	**Useful life**
Carriageways	40 years
Footways and cycle tracks	40 years
Coastal protection	40 – 50 years
Flood defences	40 years
Bridges	40 years
Street lighting	30 years
Street furniture	15 years
Traffic management systems	15 years

<u>Disposals and derecognition</u>

12.8 When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet 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.

12.9 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).

12.10 The written-off amounts of disposals are not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement

13 Heritage Assets

13.1 Heritage Assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations.

Recognition and Measurement

13.2 Assets have been valued at cost or insurance valuation if this information is readily available. Where neither is obtainable at a cost commensurate with the benefits of doing so the assets are not recognised on the Balance Sheet.

Impairment

13.3 The carrying amounts of heritage assets are reviewed where there is evidence of impairment. Any impairment is recognised and measured in accordance with the Authority's general policy on impairment.

Disposals

13.4 Disposal proceeds are disclosed separately and accounted for in accordance with the statutory accounting requirements relating to capital receipts.

13.5 The Authority's museums are included and accounted for as operational assets within Property, Plant and Equipment.

14 Investment Property

14.1 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 is held for sale.

14.2 Investment Properties are measured initially at cost and subsequently at fair value, based on the price that would be received from the sale of the property in an orderly transaction between market participants at the measurement date. Properties are not depreciated but are revalued 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.

14.3 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 £0.010m) the Capital Receipts Reserve.

15 Intangible Assets

15.1 Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

15.2 Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

15.3 Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant services in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant services in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

15.4 Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted 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 £0.010m) the Capital Receipts Reserve.

16 Interests in Companies and Other Entities

16.1 The Authority has a material interest in the North Tyneside Trading Company Limited and its subsidiary companies. As a result of this, the financial statements of the group will be consolidated with the Authority's accounts and group accounts will be prepared for 2021/22.

16.2 The Authority does not have any other material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities that require consolidation within the group accounts and so these are recorded as financial assets at cost, less any provision for losses.

17 Cash and Cash Equivalents

17.1 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 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.

17.2 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.

18 Private Finance Initiative (PFI) and Similar Contracts

18.1 PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will normally pass to the Authority at the end of the contracts, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment (See Note 19).

18.2 The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

18.3 Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority.

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

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;

- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;

- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;

- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease); and

- Lifecycle replacement costs – proportion of the amount's payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment or revenue expenditure in the relevant service line of the Comprehensive Income and Expenditure Statement when the relevant works are eventually carried out.

19 Financial Instruments

Financial Liabilities

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

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

19.3 Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable (maximum 10 years) when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

<u>Financial Assets</u>

19.4 Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

19.5 The Authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

<u>Financial Assets Measured at Amortised Cost</u>

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

19.7 Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

<u>Expected Credit Loss Model</u>

19.8 The Authority recognises expected credit losses on all of its financial assets held at amortised cost or where relevant FVOCI, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Authority.

19.9 Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12 month expected losses.

<u>Financial Assets Measured at Fair Value through Profit of Loss (FVPL)</u>

19.10 Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

19.11 The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

19.12 The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

19.13 Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

19.14 The Authority has designated its investments in equity instruments to FVOCI for shares held in Newcastle International Airport Limited and North Tyneside Trading Company. This designation once made is irrevocable. The treatment of equity instruments measured at FVOCI is in line with that described in the accounting policy for FVPL.

Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)

19.15 Financial assets that are measured at FVOCI are recognised on the balance sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in other comprehensive income.

20 Provisions and Contingent Liabilities

Provisions

20.1 Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

20.2 Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

20.3 Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

Contingent Liabilities

20.4 A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

21 Reserves

21.1 The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. The nature of the Authority's main reserves and balances are shown in Note 32 to the Core Financial Statements. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement.

21.2 When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service within the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

21.3 Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent useable resources for the Authority – these reserves are explained in the relevant policies.

22 Estimation Techniques

22.1 Estimation techniques are the methods adopted to arrive at estimated monetary amounts for the values of assets, liabilities, gains and losses and changes in reserves in situations where there is uncertainty as to their exact value. Estimation techniques have been used to determine provisions (including redundancy payments and equal pay), reserves, pension liabilities and Business Rate Appeals, as there is uncertainty over the monetary amounts. Except where specified in the CIPFA Code, the Authority has determined the estimation techniques that most closely reflect the economic reality of the transactions.

23 Collection Fund Statement

23.1 Council Tax and Business Rates income included in the Comprehensive Income and Expenditure Statement is the accrued income for the year. However, regulations determine the amount of Council Tax and Business Rates that must be included in the Authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund will be taken to the Collection Fund Adjustment Account and included as a reconciling item in the General Fund Balance Movement in Reserves Statement.

23.2 The Balance Sheet includes the Authority's share of the end of year balances in respect of Council Tax and Business Rates relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and arrears.

24 Events after the Reporting Period

24.1 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; and

- 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.

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

25 Joint Arrangements

25.1 Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Authority as a joint operator recognises:

- Its assets, including its share of any assets held jointly;

- Its liabilities, including its share of any liabilities incurred jointly;

- Its revenue from the sale of its share of the output arising from the joint operation;

- Its share of the revenue from the sale of the output by the joint operation; and

- Its expenses, including its share of any expenses incurred jointly.

25.2 Where the Authority has entered into a pooled budget arrangement under Section 75 of the National Health Service Act 2006, the Authority accounts for its share of the assets, liabilities, income and expenditure arising from the activities of the pooled budget, identified in accordance with the pooled budget agreement. The Authority only accounts for its share of the assets, liabilities, revenue and expenses of the arrangement.

26 Value Added Tax (VAT) (Authority & Group)

26.1 Income and Expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it.

27 Fair Value measurement

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

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

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

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

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

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

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

28 Schools

28.1 The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority-maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements. Therefore, schools' transactions, cash flows and balances are recognised in each of the financial statements of the Authority as if they were the transactions, cash flows and balances of the Authority.

<u>Trust Schools</u>

28.2 In accordance with accounting guidance land and buildings leased to the foundation trust are not included on the Authority's Balance Sheet.

<u>Voluntary Aided Schools</u>

28.3 Land and buildings owned by diocesan authorities are not included on the Authority's Balance Sheet.

<u>Academy Schools</u>

28.4 Land and buildings transferred to an Academy are removed from the Authority's Balance Sheet in the year that the transfer takes place.

Appendix B: Accounting Policies – Glossary of Terms

2023/24 Financial Year

North Tyneside Council

Accounting Policies - Glossary of Terms

1 A

1.1 **Accounting period:** the period of time covered by the accounts, normally twelve months commencing on 1 April. The end of the accounting period i.e. 31 March is the balance sheet date.

1.2 **Accounting policies:** are the specific principles, bases, conventions, rules and practices applied in preparing and presenting the accounts.

1.3 **Accruals basis:** the method of including amounts in accounts to cover income or expenditure attributable to an accounting period but for which payment has not been received or made by the end of the accounting period. This is based on the concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

1.4 **Actuarial Gains and Losses:** for a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- events have not coincided with the actuarial assumptions made for the last valuation; or
- the actuarial assumptions have changed.

1.5 **Amortised:** reducing the value of a balance in an accounting period. The reduction in value is transferred from the balance sheet to the Comprehensive Income and Expenditure Statement.

1.6 **Amortised Cost:** is the amount at which an asset or liability is measured (usually at cost) plus or minus accumulated interest.

1.7 **Appropriations:** transferring of an amount between specific reserves in the Comprehensive Income and Expenditure Statement.

1.8 **Asset:** something of value which is measurable in monetary terms.

1.9 **Authorised Limit:** this is the limit beyond which borrowing is prohibited.

1.10 **Authority:** this is the corporate body of North Tyneside Council.

1.11 **Available for Sale financial assets:** financial instruments that either do not have fixed or determinable payments or whose prices are quoted on an active market.

2 B

2.1 **Bad (and doubtful) debts:** debts which may be uneconomic to collect or unenforceable in law.

2.2 **Balances:** the reserves of the Authority, both revenue and capital, which represent the accumulated surplus of income over expenditure on any of the funds.

2.3 **Balance Sheet:** a statement of the recorded assets, liabilities and other balances at the end of an accounting period.

2.4 **Billing authority**: a local authority empowered to collect Non - Domestic Rates and Council Tax i.e. metropolitan authorities, unitary authorities, London Boroughs, district authorities and the City of London. North Tyneside Council is a billing authority.

2.5 **Business Rates**: **(also known as Non-Domestic Rates (NDR)):** a tax levied on business properties and is a means by which local businesses or organisations contribute to the cost of local authority services. The levy on businesses being based on a notional rate in the pound set by the government multiplied by the rateable value of the premises occupied. This multiplier is set annually by central Government, and comprises of a standard rates multiplier and a small business multiplier. The Authority can now keep half of this revenue to invest in local services.

2.6 **Budget:** a statement of the Authority's expected level of service expressed as an amount of spending over a set period, usually one year.

3 C

3.1 **Capital Adjustment Account:** provides a balancing mechanism between the different rates at which assets are depreciated under The Code and are financed through the capital controls systems.

3.2 **Capital expenditure:** expenditure on the acquisition or enhancement of non current assets. Capital expenditure can be incurred in some instances (where no asset is created) if Secretary of State permission is granted (e.g. where grants are made to other organisations for capital projects).

3.3 **Capital Financing Requirement:** the capital financing requirement is one of the indicators that must be produced as part of the CIPFA prudential code. This measures the Authority's underlying need to borrow for a capital purpose. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the Authority should ensure that net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and the next two financial years.

3.4 **Capital receipts:** the proceeds from the sale of a fixed asset, or the repayment of some grants or loans made by the Authority.

3.5 **Capitalised:** transferred from revenue to capital.

3.6 **Cash and cash equivalents:** this comprises cash in hand, cash overdrawn and short term investments which are readily convertible into known amounts of cash.

3.7 **Cashflow:** movement in cash and cash equivalents by the Authority in the accounting period.

3.8 **CIPFA:** The Chartered Institute of Public Finance and Accountancy.

3.9 **CIPFA Code of Practice on Local Authority Accounting (The Code):** the code of practice applicable to preparing the accounts.

3.10 **Collection Fund:** this account reflects the statutory requirement contained in section 89 of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) for billing authorities to establish and maintain a separate fund for the collection and distribution of amounts due in respect of council tax and non-domestic rates (NDR).

3.11 **Community assets:** assets that the Authority intends to hold in perpetuity have no determinable finite useful life and in addition may have restrictions on their disposal. Examples of community assets are playing fields and parks.

3.12 **Community Infrastructure Levy (CIL):** is a charge that local authorities can set on new development in order to raise funds to help fund the infrastructure, facilities and services - such as schools or transport improvements - needed to support new homes and businesses.

3.13 **Component:** is a significant part of an asset (such as a roof or major item of plant or equipment), which has to be separately identified for the purposes of accounting and asset management.

3.14 **Comprehensive Income & Expenditure Statement:** the account, that sets out the Authority's income and expenditure for the year for non-capital spending. It is sometimes referred to as the Revenue Account.

3.15 **Consistency:** the concept that the accounting treatment of like items within an accounting period and from one period to the next should be the same.

3.16 **Consolidated:** added together with adjustments to avoid double counting of income, expenditure, or to avoid exaggeration, e.g. debtors, creditors as a result of trading between services within the Authority which are reported on as a whole in the section on consolidated financial accounts.

3.17 **Consumer Price Index (CPI):** the index has been designed as a macro-economic measure of consumer price inflation. The official measure is calculated each month by taking a sample of goods and services that a typical household might buy including food, heating, household goods and travel costs.

3.18 **Contingent asset:** a contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control.

3.19 **Contingent liabilities:** arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

3.20 **Contingencies:** sums set aside as a provision for liabilities which may arise in the future but which cannot be determined in advance.

3.21 **Council (or Full Council):** the formal meeting of all Members of North Tyneside Council.

3.22 **Creditors:** amounts owed by the Authority for work done, goods received or services rendered to the Authority during the accounting period, but for which payment has not been made by the Balance Sheet date.

3.23 **Council Tax:** the main source of local taxation for local authorities. It is a banded property tax (using 1 April 1991 property values) which is levied on households within its area by the billing authority and is set annually for the properties in its area. Council Tax income is paid into the billing authority's Collection Fund for distribution to precepting authorities and for use by the billing authority's own General Fund.

3.24 **Current assets:** which will be consumed or cease to have value within the next accounting period, e.g. stock and debtors.

3.25 **Current liabilities:** amounts that the Authority owes to other bodies and due for payment within 12 months.

3.26 **Current Service Cost (Pensions):** the increase in the present value of a defined benefit scheme's liabilities expected to rise from employee service in the current period.

3.27 **Curtailment:** for a defined benefit pension scheme this is an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service, examples being termination of employees service through redundancy or amendment of the terms affecting future benefits.

4 D

4.1 **Debtors:** amounts due to the Authority which relate to the accounting period and have not been received by the Balance Sheet date.

4.2 **Deferred Credits including Deferred capital receipts:** amounts derived from the asset sales which will be received in instalments over a period of a year (e.g. mortgages on the sale of Council houses).

4.3 **Deferred Liabilities:** these are liabilities which are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time, e.g. deferred purchase arrangements.

4.4 **Depreciation:** the reduction in value of an asset due to age, wear and tear, deterioration or obsolescence.

4.5 **Defined Benefit Scheme:** a defined contribution scheme is a pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all the employees benefits relating to employee service in the current or prior periods. A defined benefit scheme is a pension or retirement benefit scheme other than a defined contribution scheme.

5 E

5.1 **Earmarked reserves:** these reserves represent the monies set aside that can only be used for a specific usage or purpose (see Reserves definition for more information).

5.2 **Emoluments:** all sums paid to or receivable by an employee and sums due by way of expenses or allowances (as far as those sums are chargeable to UK income tax) and the monetary value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

5.3 **Enterprise Zones:** specific areas where a combination of financial incentives and reduced planning restrictions apply.

5.4 **Equity instrument:** a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

5.5 **Estimation Techniques:** methods adopted by the Authority to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves.

5.5 **Events after the Balance Sheet Date:** events after the Balance Sheet date are those events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts are authorised for issue.

5.6 **Exceptional items:** are ones that are material in terms of the Authority's overall expenditure for example impairments and changes in accounting regulations.

5.7 **Expenditure:** costs incurred by the Authority for goods received, services rendered or other value consumables during the accounting period, irrespective of whether or not any movement of cash has taken place.

5.8 **Extraordinary items:** these are very rare. They are material items with a high degree of abnormality that arise outside the normal activities of the Authority and are not expected to recur.

6 **F**

6.1 **Fair Value:** Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

6.2 Finance Lease: a lease that transfers substantially all the risk and rewards of ownership of a fixed asset to the body leasing the asset (see Leasing definition for more information).

6.3 Financial Asset: a right to future economic benefits controlled by the Authority that is represented by: cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity.

6.4 Financial Instruments: contracts that give rise to a financial asset of one entity and a financial liability of another entity.

6.5 Financial Liability: an obligation to transfer economic benefits controlled by the Authority that is represented by: a contractual obligation to deliver cash (or another financial asset) to another entity, or a contractual obligation to exchange financial assets/liabilities with another entity.

7 G

7.1 General Fund: the main revenue account of the Authority, which brings together all income and expenditure other than recorded in the Housing Revenue Account and the Collection Fund.

7.2 Government grants: grants made by the Government towards either revenue or capital expenditure to support the cost of the provision of local authority services. These grants may be specifically towards the cost of particular schemes or to support the general revenue spending of the Authority.

8 H

8.1 Historical cost: the actual cost of assets, goods or services, at the time of their acquisition.

8.2 Housing Benefits: a system of financial assistance to individuals towards certain housing costs administered by local authorities and subsidised by central government.

8.3 Housing Revenue Account: a separate account that includes all income and expenditure arising from the provision of Council housing by the Authority.

9 I

9.1 Impairment: a reduction in the value of a fixed asset, measured by specific means, below its stated carrying amount in the Balance Sheet.

9.2 Income: amounts which the Authority receives or expects to receive from any source, including rents, fees, charges, sales and grants.

9.3 Infrastructure Assets: assets such as highways, bridges, street lights and footpaths.

9.4 Intangible Asset: identifiable non-monetary asset without physical substance e.g. computer licences.

9.5 Interest Cost (pensions): for a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

9.6 International Accounting Standards (IAS): international accounting standards issued by the International Accounting Standards Board. They are authoritative statements of how particular types of transactions and other events should be reflected in financial statements.

9.7 Inventories: raw materials and consumable items which the Authority has procured to use on a continuing basis and have not been used by the end of the accounting period.

9.8 Investment Property: interests in land and/or buildings in respect of which construction work and development have been completed and which are held for their investment potential rather than for operational purposes, any rental income being negotiated at arm's length.

9.9 Investments: items such as company shares, other securities and money deposited with financial institutions (other than bank current accounts).

10 L

10.1 Leasing: a method of acquiring the use of an asset by paying a rental for a specified period of time, rather than purchasing it outright. The two methods are:

- *Operating Leases* – may generally be described as those which <u>do not</u> provide for the property in the asset to transfer to the Authority, only the rental will be taken into account by the lessee; or

- *Finance Leases* – are leases that transfer substantially all of the risks and rewards of ownership of the asset to the lessee. The asset is recorded on the lessee's balance sheet.

10.2 **Lender Option Borrower Option Loans (LOBO):** borrowing whereby the lender can opt to increase the interest rate payable at the end of the initial period. If the lender opts to increase the interest rate payable then the borrower can either agree to this increase and continue to repay the loan up to the maturity date or can reject the new terms and repay the loan in full (without penalty).

10.3 **Levies:** similar to precepts, these sums are paid to other bodies. However, these amounts are not collected through Council Tax as with precepting bodies; they are items of expenditure on the face of the Comprehensive Income and Expenditure Statement. The bodies that charge a levy on the Authority are the Tyne and Wear Integrated Transport Authority, the Environment Agency and the Tyne Port Health Authority and Northumberland Inshore Fisheries and Conservation Authority.

10.4 **Liabilities:** amounts due to individuals or organisations, which will have to be paid at some time in the future.

10.5 **Long Term Assets:** assets which have value to the Authority for more than one year, e.g. land, buildings, equipment (also known as non current assets).

11 M

11.1 **Material:** the concept that any omission from or inaccuracy in the statements of account should not be large enough to affect the understanding of those statements by a reader.

11.2 **Minimum Revenue Provision (MRP):** is the amount which must be charged to an authority's revenue account and set aside as a provision for credit liabilities (repayment of debt), as required by the Local Government Act 1989.

13 N

13.1 **National Multiplier:** the figure used to calculate a non-domestic rates bill from the rateable value.

13.2 **Non-Domestic Rates (NDR) (also known as Business Rates):** a tax levied on business properties and is a means by which local businesses or organisations contribute to the cost of local authority services. The levy on businesses being based on a notional rate in the pound set by the government multiplied by the rateable value of the premises occupied. This multiplier is set annually by central Government, and comprises of a standard rates multiplier and a small business multiplier. The Authority can now keep half of this revenue to invest in local services.

13.3 **Net Book Value:** the amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided by depreciation.

13.4 **Net Realisable Value:** the open market value of the asset in its existing use (or open market value in the case of investment Property), less the expenses to be incurred in realising the asset.

13.5 **Non Current Asset:** assets which have value to the Authority for more than one year e.g. land, buildings, equipment (also known as Long Term Assets).

14 **O**

14.1 **Operating Lease:** a type of lease where the ownership of the asset remains with the lessor, and rental payments are recorded against services in the Comprehensive Income & Expenditure Statement (see Leasing definition for more information).

15 **P**

15.1 **Pooled Funds:** established to support partnership working. A pooled fund will receive funds from a variety of sources and will be administrated by the host partner.

15.2 **Precept:** the charge determined by precepting authorities on billing authorities. It requires the billing authority to collect income from Council taxpayers on their behalf. In the case of North Tyneside Council, the precepting authorities are the Police and Crime Commissioner for Northumbria and the Tyne and Wear Fire and Rescue Authority.

15.3 **Prior Year Adjustments:** material adjustments to the accounts of earlier years arising from changes in accounting policies or from the correction of prior year errors. A prior year error may include the effect of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of fact, and fraud. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

15.4 **Provisions:** amounts set aside in the accounts for liabilities or losses which are certain or very likely to occur but where there is uncertainty as to the amounts involved or the dates on which they will arise.

15.5 **Private Finance Initiative (PFI):** public authority/private sector partnerships designed to procure new major capital investment resources for local authorities.

15.6 **Prudential Code:** The current system on financial controls for capital financing introduced on 1 April 2004 that local authorities are required to operate by.

15.7 **Public Works Loan Board (PWLB):** a central Government agency which lends money to local authorities at lower rates than those generally available from the private sector. Local authorities are able to borrow for their requirements to finance capital expenditure from this source.

16 **R**

16.1 **Remuneration:** defined as sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

16.2 **Replacement Cost:** cost of replacement of the asset at the balance sheet date.

16.3 **Reserves:** amounts set aside in the accounts to meet expenditure which the Authority may decide to incur in future period, but not allocated to specific liabilities which are certain or very likely to occur. Earmarked reserves are allocated to a specific purpose or area of spending. Unallocated reserves are often described as balances, and usually arise as unplanned surpluses of income over expenditure.

16.4 **Retail Price Index (RPI):** measurement of the monthly change in the average level of prices at the retail level weighted by the average expenditure pattern of the average person.

16.5 **Revaluation Reserve:** records unrealised revaluation gains arising (since 1 April 2007) from holding property, plant & equipment. This reserve is matched by fixed assets within the Balance sheet; therefore they are not resources available to the Authority.

16.6 **Revenue Contributions:** method of financing capital expenditure directly from revenue.

16.7 **Revenue Expenditure Funded from Capital under Statute:** expenditure classified as capital for funding purposes but does not result in the creation of an asset (previously called deferred charges).

16.8 **Revenue Support Grant:** a central Government grant paid to each local authority to help to finance its general expenditure, as opposed to specific grants.

16.9 **Ring-fenced:** this refers to the statutory requirement that certain accounts such as the Collection Fund and Housing Revenue Account must be maintained separately from the General Fund.

17 S

17.1 **Section 151 Officer**: the Council officer designated under Section 151 of the Local Government Act 1972 to take overall responsibility for the financial administration of the Council.

17.2 **Service Concession:** an arrangement whereby the Authority contracts with a private operator to develop (or upgrade), operate and maintain infrastructure assets (in this case Schools and Street Lighting). The Authority controls or regulates what services the operator must provide using the assets, to whom, and at what price, and also controls any significant residual interest in the assets at the end of the contract.

17.3 **Strain on the Fund:** An early payment of retirement benefits for members aged 55 or over and under 65 generates a 'Strain on the Fund' cost. This results in the Authority reimbursing the Tyne & Wear Pension Fund for the loss of employer and employee contributions and investment income which results from the employee retiring early.

18 T

18.1 **Tangible assets**: physical assets owned by the Authority, which can be seen or touched e.g. buildings and equipment.

19 U

19.1 **Unuseable Reserves:** reserves earmarked for specific accounting treatments which are not available to fund general expenditure (see Reserves definition for more information).

19.2 **Useable Reserves:** reserves that can be applied to fund expenditure or reduce local taxation (see Reserves definition for more information).

This page is intentionally left blank

North Tyneside Council
Report to Audit Committee
Date: 27 March 2024

Annual Statement of Accounts 2023/24

Report from Service:	Finance	
Report Author:	David Mason, Head of Finance	Tel: 643 3293
Wards affected:	All	

PART 1

1.1 Executive Summary:

1.1.1 The purpose of this report is to provide the Audit Committee with an update in respect of the closure of the 2023/24 accounts.

1.2 Recommendation(s):

1.2.1 It is recommended that the:

(a) Audit Committee note the work outlined in respect of the closure of the 2023/24 accounts.

1.3 Council plan and policy framework:

1.3.1 The Annual Statement of Accounts covers all the service responsibilities as identified within the Council Plan.

1.4 Information:

1.4.1 Under current statutory deadlines, the Chief Finance Officer is required, no later than 30 September 2024, to sign and certify that the Statement of Accounts presents a true and fair view of the Authority's financial position for the year ended 31 March 2024. For 2023/24 a set of draft accounts has to be produced by the end of May which is then subject to external audit. The audited set of accounts is required, no later than 30 September 2024, to be approved and subsequently published.

1.4.2 However, Committee will be aware that there have been significant delays nationally relating to the external audit process which has impacted on the ability of the sector to achieve these deadlines. From a North Tyneside perspective, we are waiting for an audit opinion on our 2022/23 Accounts so have been unable to achieve the required deadline.

1.4.3 In response to the national sector-wide delays the Government have consulted in a range of potential changes which include revising the backstop dates for financial years up to and including 2027/28 to provide additional time for the sector to then return to timely audit processes.

1.4.4 We are currently waiting for the outcome from the consultation, but the proposal would require the 2023/24 audit process to be concluded by 31 May 2025 rather than the normal deadline date of 30 September 2024.

Update on the preparation of the 2023/24 Annual Statement of Accounts

1.4.5 Whilst the audit timescales remain outside of the control of the Authority and the opening balances for the year have not yet been audited, the Authority is continuing to prepare to ensure we can meet the publication deadline for the draft 2023/24 Financial Statements.

1.4.6 As per previous years, communication has gone to all members of the Senior Leadership Team detailing the process for the closure of the 2023/24 accounts. This took the form of a briefing note which outlined the main tasks and actions required to be taken by services and reiterated the responsibilities of senior management in ensuring that all staff are fully aware of the deadlines associated with the closure of the 2023/24 accounts.

1.4.7 Detailed guidance notes have been published on the Authority's Intranet site outlining the key dates for the closure of the accounts. In addition, an article will be published in Teamwork from the Director of Resources reminding staff of the importance of meeting the final accounts deadlines.

1.4.8 Group accounts will continue to be required for 2023/24 as the anticipated balance sheet value of the North Tyneside Trading Company (NTTC) will be material on the Authority's statutory accounts. This arises as the Authority is the main equity holder in the Company.

1.4.9 Guidance has been issued to schools on the areas that they need to focus on to ensure that they closedown on time. Training sessions with schools will also be held covering year-end requirements.

1.4.10 Regular meetings continue to be held with finance staff and valuation to address any issues that may arise.

1.4.11 Work is progressing towards meeting the deadlines that are required in order for the Authority to be able to publish the draft Statement of Accounts by 31 May 2024. Currently we are not foreseeing any issues that will prevent the Authority achieving this date, however there is always the risk of unforeseen events that may impact on our ability to do so.

1.5 Decision options:

1.5.1 The Audit Committee can agree to endorse the recommendations as set out in Section 1.2 of this report. Alternatively, the Audit Committee can decline to endorse the proposals and require further details and amendment.

1.6 Reasons for recommended option:

1.6.1 The Audit Committee is recommended to endorse the proposals set out in section 1.2 of this report as the production Audited Annual Statement of Accounts is a requirement of the Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Amendment) Regulations 2021.

1.7 Appendices:

None.

1.8 Contact officers:

Jon Ritchie, Director of Resources, Tel 643 5701
David Mason, Head of Finance, Tel 643 3293
Susan Borthwick – Principal Accountant – Tel 643 5732

1.9 Background information:

1.9.1 The following background papers and reports have been used in the compilation of this report and are available for inspection at the offices of the author:

(a) Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Amendment) Regulations 2021.

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

2.1.1 There are no financial implications as a result of the recommendations within this report.

2.2 Legal

2.2.1 The Authority has a duty to ensure that it produces a draft Annual Statement of Accounts by the end of May 2024 in accordance with the Accounts and Audit (Amendment) Regulations 2021.

2.3 Consultation/community engagement

2.3.1 Consultation will take place with the key personnel and interested parties involved in the closedown process.

2.4 Human rights

2.4.1 There are no Human Rights implications as a result of the recommendations in this report.

2.5 Equalities and diversity

2.5.1 There are no Equalities and Diversity implications as a result of the recommendations in this report.

2.6 Risk management

2.6.1 A risk log has been set up which identifies the key risks and issues associated with the closedown process. The management of these risks are part of the overall process.

2.7 Crime and disorder

2.7.1 There are no crime and disorder implications as a result of the recommendations in this report.

2.8 Environment and sustainability

2.8.1 There are no environment and sustainability implications as a result of the recommendations in this report.

Title: Proposed Audit Committee Work Programme 2024/25

North Tyneside Council
Report to Audit Committee
Date: 27 March 2024

Report from Service Area:	**Resources**
Report Author:	**Jon Ritchie, Director of Resources**
Wards affected:	**All**

PART 1

1.1 Purpose:

The purpose of this report is to provide Audit Committee with a proposed programme of core business to be considered during 2024/25 which enables it to meet its Terms of Reference as set out in the Authority's Constitution.

1.2 Recommendation(s):

It is recommended that the Audit Committee:

(a) Consider and agree the core work programme for 2024/25 set out within this report.

(b) Note that it may be necessary to change or adapt the reports to be considered or timing of these where circumstances require this.

1.3 Council plan and policy framework

Audit Committee is a key component of the Authority's governance framework. Its purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. Its role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective. As such, the work of Audit Committee has a remit across all priorities within the 'Our North Tyneside Plan' and the policy framework.

1.4 Information

1.4.1 The Authority's Constitution sets out the Terms of Reference for Audit Committee which incorporates its core responsibilities.

1.4.2 To ensure Audit Committee discharges its duties effectively and efficiently, strengthening the Council's governance arrangements, a core work programme has been developed and is set out at Paragraph 1.4.3 below. The programme includes indicative timing for receiving reports during 2024/25. It should be noted that these are likely to be subject to change, particularly in respect of annual accounts where there are Due to delays in the completion of audits of local authority accounts and a national backlog.

1.4.3 The proposed work programme has been prepared in consultation with officers in Internal Audit and Risk Management, Finance and Democratic Services.

Date	**Item of Business**
May 2024	<u>Internal Audit and Risk Management</u> • Annual Report from Chief Internal Auditor and Opinion on the Framework of Governance, Risk Management and Control – 2023/24 • Internal Audit Progress Report (inc. performance against 2023/24 Internal Audit Plan, outcomes from Internal Audit Reports and progress made with the implementation of audit recommendations) • Risk Management Update • Counter Fraud Annual Report 2023/24 <u>Finance</u> • Draft Statement of Accounts 2023/24 • Draft Annual Governance Statement 2023/24 <u>External Audit</u> • External Audit Progress Report 2022/23 – (Ernst & Young) • Audit Strategy Update 2023/24 – (Mazars)

July 2024	Finance • CIPFA Financial Management Code External Audit • External Audit Progress Update
September 2024 (potential additional)	Finance • Final Statement of Accounts 2022/23 • Annual Governance Statement 2022/23 External Audit • External Audit Update on Statement of Accounts 2023/24
November 2024	Internal Audit and Risk Management • Internal Audit Progress Report (inc. performance against 2024/25 Internal Audit Plan, outcomes from Internal Audit Reports and progress made with the implementation of audit recommendations) • Risk Management Update External Audit • External Audit Update on Statement of Accounts 2023/24
March 2025	Internal Audit and Risk Management • Annual Internal Audit Plan 2025/26 • Audit Committee Work Programme • Annual Review of Audit Committee Effectiveness Finance • Report on accounting policies to be used in compilation of Annual Statement of Accounts • Report on preparation of Annual Statement of Accounts 2024/25 External Audit • Update on Statement of Accounts 2023/24 • Audit Strategy 2024/25

1.4.4 The Audit Committee may receive ad-hoc reports, as relevant and topical areas arise during the year. Where this is the case, the relevant report author will be responsible for informing the Chair of the Audit Committee, and Democratic Services, of any changes to the work programme.

1.5 Decision options:

Option 1 (preferred option)
Audit Committee agrees the proposed work programme.

Option 2
Audit Committee may choose not to agree the proposed work programme and develop an alternative work programme.

1.6 Reason for recommended option:

This recommendation will allow Audit Committee to discharge its duties effectively and in line with its terms of reference.

1.7 Appendices:

There are no appendices.

1.8 Contact officers:

Ian Pattison, Head of Assurance and Risk, Tel: 643 5738
David Mason, Head of Finance, Tel: 643 3293
Marc Oldham, Group Assurance Manager, Tel: 643 5711

1.9 Background information:

The following background papers and research reports have been used in the compilation of this report and are available for inspection at the offices of the author.

(a) North Tyneside Council Constitution, version 27, May 2023 (P)
(b) Financial Regulations, version 7a, June 2021 (P)
(a) The Accounts and Audit Regulations 2015, April 2015, as amended 2022 (P)

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

There are no direct financial implications arising from this report.

2.2 Legal

There are no direct legal implications arising from this report.

2.3 Consultation/community engagement

Internal Audit and Risk Management, Finance and Democratic Services have been consulted.

2.4 Human rights

There are no human rights issues arising from this report.

2.5 Equalities and diversity

There are no equality and diversity issues arising from this report.

2.6 Risk management

There are no specific risks associated with this report.

2.7 Crime and disorder

There are no specific crime and disorder issues arising from this report.

2.8 Environment and sustainability

There are no environment and sustainability issues arising from this report.

Report authors Ian Pattison
Marc Oldham

This page is intentionally left blank

Title: 2023/24 Review of Audit Committee Effectiveness

North Tyneside Council
Report to Audit Committee
Date: 27 March 2024

Report from Service Area:	**Resources**	
Report Author:	**Ian Pattison, Head of Assurance and Risk (Chief Internal Auditor)**	**(Tel: 643 5738)**
Wards affected:	**All**	

PART 1

1.1 Purpose:

The purpose of this report is to support Audit Committee to complete its annual review of effectiveness.

1.2 Recommendation(s):

It is recommended that Audit Committee:

(a) Consider, comment upon and endorse the self-assessment of effectiveness of Audit Committee attached as **Appendix A**.

(b) Agree the self-assessment forms the basis of the Audit Committee Annual Report for 2023/24 from Audit Committee and agree the Chair of Audit Committee compiles the annual report for presentation to Cabinet.

1.3 Council plan and policy framework

1.3.1 Audit Committee is a key component of the Authority's governance framework. Its purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. Its role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective. As such, the work of Audit Committee has a remit across all priorities within the 'Our North Tyneside Plan' and the policy framework.

1.4 Information

1.4.1 Audit Committees – Practical Guidance for Local Authorities and Police, last updated and published in October 2022 by the Chartered Institute of Public Finance and Accountancy (CIPFA), sets out good practice guidance covering the role, functions, and operation of Audit Committees and includes a template for self-assessment against good practice. CIPFA Position Statement on Audit Committees in Local Authorities and Police 2022 sets out the principles CIPFA recommend committees operating in local government follow.

1.4.2 The CIPFA Position Statement recommends the committee's annual report should include the results of a performance assessment in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.

1.4.3 The Terms of Reference for Audit Committee, set out within the Constitution, requires Audit Committee:

- *To report to the Authority on a regular basis on the Committee's performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose.*
- *To publish an annual report on the work of the Committee.*

1.4.4 An assessment of Audit Committee arrangements against the CIPFA good practice was conducted by the Chair of Audit Committee in early 2023 and included engagement with the elected members of Audit Committee and senior officers. This was reported to Audit Committee in March 2023 and a number of areas for potential development were identified.

1.4.5 The Chair of Audit Committee, in conjunction with senior officers, has undertaken a further review of effectiveness which builds upon the previous self-assessment and considers the operation of Committee since the last review. The detailed review is attached as **Appendix A**.

1.4.6 The outcome of this review is consistent with that completed in March 2023 and the same matters for consideration have been identified and can be summarised as follows:

- Audit Committee currently approves the annual statement of accounts, whereas recommended best practice is that it maintains its advisory role by not taking on decision making powers. There is no readily available alternative within the existing Committee structure and possible options are being explored by officers. However, in the short term it is accepted that this responsibility will remain with Audit Committee.
- The Audit Committee's annual report is currently presented to Cabinet, whereas recommended best practice is that the Audit Committee report to full Council as the body charged with governance. This matter is being considered as part of the annual review of the Constitution.

1.4.5 Based upon this self-assessment, subject to endorsement by the Audit Committee, the Committee is deemed to be operating effectively with a good level of performance against the recommended practice.

1.5 Decision Options:

Option 1

The Audit Committee can agree to endorse the recommendations as set out in Section 1.2 of this report.

Option 2

The Audit Committee can decline to endorse the outcome of the self-assessment and request a new assessment is completed.

1.6 Reasons for recommended option:

The recommended option will allow the Audit Committee to comply with recommended good practice and fulfil its terms of reference.

1.7 Appendices:

Appendix A: Self-assessment of Good Practice (March 2024) – from CIPFA, Audit Committees, Practical Guidance for Local Authorities and Police, published October 2022

1.8 Contact officers:

Ian Pattison, Head of Assurance and Risk (Chief Internal Auditor) - Tel 643 5738
Marc Oldham, Group Assurance Manager Tel 643 5711

1.9 Background information:

The following background papers and research reports have been used in the compilation of this report and are available for inspection at the offices of the author.

(a) Audit Committees, Practical Guidance for Local Authorities and Police, CIPFA, 2022 (P)
(b) North Tyneside Council Constitution, version 27, May 2023 (P)
(c) Review of Audit Committee Arrangements, Report to Audit Committee, 22 March 2023 (P)
(d) The 'Our North Tyneside' Council Plan 2021-2025, 2021 (P)
(e) Audit Committee Annual Report 2022/23, October 2023 (P)

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

The Audit Committee contributes to the Council's governance framework, including the review of financial governance as appropriate.

There are no financial implications arising from the recommendations set out in this report.

2.2 Legal

There are no legal implications arising from this report. However, this report does support the Audit Committee meet best practice requirements within sector guidance, i.e. CIPFA's 2022 publication "Audit Committees – Practical Guidance for Local Authorities and Police".

2.3 Consultation/community engagement

The analysis against CIPFA's good practice guidance is included in this report for consultation with current members of Audit Committee.

2.4 Human rights

There are no human rights issues arising from this report.

2.5 Equalities and diversity

There are no equality and diversity issues arising from this report.

2.6 Risk management

Risks have been considered and there are no risks identified directly arising from this report.

2.7 Crime and disorder

There are no specific crime and disorder issues arising from this report.

2.8 Environment and sustainability

There are no environment and sustainability issues arising from this report.

Report authors Ian Pattison
Marc Oldham

Audit Committee Arrangements: Self-Assessment of Good Practice (March 2024)
(Extract from CIPFA, Audit Committees: Practical Guidance for Local Authorities and Police, published October 2022)

CIPFA outlines that the checklist below provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement on Audit Committees in Local Authorities, and broader practical guidance referred to above. Within the practical guidance CIPFA specifically states:

"Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee. A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report."

Good Practice Question		Does not comply	Partly Complies and extent of improvement needed			Fully Complies	Comment
		Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement	
Weighting of Answers		0	1	2	3	5	
Audit Committee Purpose and Governance							
1	Does the authority have a dedicated audit committee that is not					5	A dedicated Audit Committee is established and its terms of reference (ToR) within the Constitution clearly

	combined with other functions (e.g., standards, ethics, scrutiny)?						reference its independence. The Committee is not combined with any other functions.
2	Does the Audit Committee report directly to the governing body (full council)				3		The Committee's ToR within the Constitution requires it to '*report to the Authority on a regular basis on the Committee's performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose'.* In practice the annual report from Audit Committee is presented to Cabinet with the last report being made in November 2023. **Matter under consideration** Should the annual report be provided to full council instead of / as well as Cabinet? This is being considered as part of the annual review of the Constitution which will be next updated in May 2024.
3	Has the audit committee maintained its advisory role by not taking on any decision-making powers?				3		The Committee operates primarily in an advisory capacity. However, within its ToR– the Committee is required '*To review and approve the annual*

							statement of accounts including any subsequent amendments' CIPFA guidance acknowledges that some authorities have delegated decisions such as the approval of the financial statements to the audit committee and this takes the audit committee beyond its advisory role. It should be noted, however, that this is purely best practice, and the Authority is operating within statutory requirements. Our co-opted independent members do not have voting rights and therefore we do not breach Section 13 of the Local Government and Housing Act 1989, i.e. co-opted independent members cannot vote to approve the accounts under the Act. **Matter for consideration** Should the accounts continue to be approved by Audit Committee? This is being considered as part of the annual review of the Constitution

							which will be next updated in May 2024.
4	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFAs 2022 Position Statement?				3		The ToR is not explicitly in accordance with the wording of the Position Statement and suggested ToR within the best practice guidance. However, it does reflect the spirit of this and sets a clear purpose. **Matter under consideration** There is a firm proposal to update the purpose with Audit Committee Terms of Reference to match good practice as part of the annual review of the Constitution which will be next updated in May 2024.
5	Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?				3		The annual report to Cabinet reinforces their understanding around the role and purpose of Committee and provides an opportunity to discuss its work. However, there is currently no direct relationship between Audit Committee and full council who are charged with governance. Senior Leadership Team (SLT) have a clear understanding of the role and

							purpose of the Audit Committee and the key part it plays in our governance arrangements. The Chief Executive and Director of Resources (s151) also meet with the Chair of Audit Committee regularly. **Matter for consideration** Alongside consideration of where the annual report is presented there are currently discussions with Organisational Development around wider member development. This would be made available to all members through the development programme and will help improve awareness and understanding of the role and purpose of the Audit Committee and the activities it oversees.
6	Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?					5	The Committee have access to those in governance and leadership roles and the Chair meets with leadership regularly. There has been no requirement to escalate concerns in the period of the review.
7	Does the governing body hold the audit committee to account for its performance at least annually?				3		As per previous comments it is Cabinet rather than full Council who

							consider the annual report, and this is being considered accordingly.
8	Does the audit committee publish an annual report in accordance with the 2022 guidance, including:						
	• Compliance with the CIPFA position statement 2022					5	The Audit Committee Annual Report, last reported to Cabinet in October 2023 and covering 2022/23, includes a summary from its review of effectiveness against best practice including the 2022 CIPFA position statement.
	• Results of the annual evaluation, development work undertaken and planned improvements					5	
	• How has it fulfilled its terms of reference and the key issues escalated in the year?					5	
Functions of the Audit Committee							
9	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's position statement as follows:						
	Governance arrangements					5	Yes
	Risk management arrangements					5	Yes
	Internal control arrangements, including. • Financial management • Value for money				3		No. Financial Management is included but does not explicitly cover compliance with CIPFA Financial Management Code However,

	• Ethics and standards • Counter fraud and corruption						Committee did receive a report on the FM Code in July 2023. **Matter under consideration** There is a firm proposal to update the purpose with Audit Committee Terms of Reference to match good practice as part of the annual review of the Constitution which will be next updated in May 2024.
	Annual governance statement					5	Yes
	Financial reporting					5	Yes
	Assurance framework					5	Yes
	Internal Audit					5	Yes
	External Audit					5	Yes
10	Over the last year, has adequate consideration been given to all core areas?					5	Yes
11	Over the last year, has the committee only considered agenda items that align with its core functions, as set out in the 2022 guidance?					5	Yes, with the exception of approving accounts covered and considered previously.

12	Has the committee met privately with the external auditors and head of internal audit in the last year?					5	No but there has been no requirement to do so. There is a commitment to meet, and the Committee are aware of the option to privately if required. The Chair is in regular dialogue with Chief Internal Auditor and meets in advance of each Audit Committee.
Membership and Support							
13	Has the committee been established in accordance with the 2022 guidance as follows?						
	• Separation from executive					5	Yes. Audit Committee's independence is explicit in its terms of reference, its membership includes independent, co-opted members and elected members are appointed in line with political balance requirements and no Cabinet members appointed.
	• A size that is not unwieldy and avoids use of substitutes					5	Membership is seven elected members, and two co-opted independent members that fulfil the roles of Chair and Deputy Chair, broadly in line with CIPFA position statement recommendation Committees have no more than eight members.

							The use of substitutes is infrequent and current make up ensures that meetings are quorate.
	• Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation.					5	Two co-opted independent members that fulfil the roles of Chair and Deputy Chair.
14	Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?				3		Appointments to the co-opted Chair and Deputy Chair roles are based upon a person specification reflecting knowledge and skills required for the Audit Committee. Elected members are appointed by the respective political parties and this does not necessarily consider the experience, knowledge and skills required by Committee. The current membership is experienced with several longstanding members and others with previous Audit Committee experience. All new members complete Audit Committee induction training prior to their first meeting and this is refreshed annually.

15	Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?					5	Yes, completed prior to the last review of effectiveness completed in March 2023.
16	Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?					5	Induction training is provided to Committee members in advance of attendance at their first meeting. This is then refreshed on an annual basis. A financial briefing to enhance understanding of the arrangements for compiling the annual accounts and understanding what is contained within these was also completed in year.
17	Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?					5	The Chair and Deputy Chair are experienced professionals with a background in audit and governance. and many members are experienced committee members. The last assessment of knowledge and skills referred to at 15 assessed a satisfactory collective knowledge base.

18	Is adequate secretariat and administrative support provided to the committee?					5	There is dedicated and experienced support provided to the Committee by Democratic Services.
19	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?					5	The Committee has a good working relationship with all parties which is maintained through attendance at committee meetings. Additionally, the Chair of Audit Committee Chair meets regularly with the Chief Executive, Director of Resources (S151 Officer) and Chief Internal Auditor.
Effectiveness of the Committee							
20	Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?					5	The last report Cabinet provided positive feedback with minutes stating: • *"Reasons for decision: Noting the Audit Committee Annual Report 2022/23 will demonstrate that Cabinet has received and considered the outcomes of the Audit Committee's review of its own effectiveness, which is good practice recommended by CIPFA. And. Is aware of the main*

							governance matters which have been considered by Audit Committee in 2022/23 and provides a formal opportunity to feedback to Audit Committee on its work and performance throughout the year.” • *“The Deputy Mayor thanked Mr. Wilkinson for attending Cabinet on behalf of the Audit Committee to present the Audit Committee’s Annual Report 2022/23 and thanked him and the Committee for the important work undertaken.”*
21	Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?					5	The Committee has an experienced Chair and focus is maintained on those matters within the terms of reference and the annual work programme. The members of Committee regularly ask questions of officers around the matters arising and gain assurances that required improvements are being made.

22	Are meetings effective with a good level of discussion and engagement from all the members?					5	Meetings are quorate and exhibit good levels of engagement.
23	Has the committee maintained a non-political approach to discussions throughout?					5	Yes. The Chair has not needed to raise any concerns about political neutrality in respect of the business undertaken.
24	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?					5	Yes, as necessary and required. Chair has regular meetings with Chief Executive, Chief Finance Officer and Chief Internal Auditor. A programme of discussions on risks has been established, with corporate risk owners from SLT attending meetings to discuss their risk. This included attendance by the Chief Executive in May 2023, to provide the Audit Committee with his views of the Corporate Risks.
25	Does the committee make recommendations for the improvement of governance, risk and control arrangements?					5	This has not been required as yet, but Audit Committee understand that the option is available if needed.
26	Do audit committee recommendations have traction with those in leadership roles?					5	Yes. As mentioned previously includes implementing the recommended that Corporate Risk Owners discuss their risks with the Audit Committee, and a programme was then established.

27	Has the committee evaluated whether and how it is adding value to the organisation?					5	Yes, through completion of the Annual Report from the Audit Committee.
28	Does the committee have an action plan to improve any areas of weakness?					5	Yes, through this annual assessment and reporting through the Annual Report.
29	Has this assessment been undertaken collaboratively with the audit committee members?				3		The Chair of Audit Committee has considered this self-assessment reflecting upon the wider ranging review last year and the work undertaken in year. Presentation of this report to Audit Committee allows members to comment and provide feedback on the assessment. Should it be necessary the assessment will be updated to reflect feedback.
	Subtotal Score	0	0	0	24	160	
	Total Score (max score is 200 – 40 questions multiplied by 5)	**184**					

Page 87

This page is intentionally left blank