



Northumberland County Council

Your ref:

Our ref:

Enquiries to: Andrea Todd

Email: Andrea.Todd@northumberland.gov.uk

Tel direct: 01670 622606

Date: Wednesday, 19 March 2025

Dear Sir or Madam,

Your attendance is requested at a meeting of the **AUDIT COMMITTEE** to be held on
**THURSDAY, 27 MARCH 2025 at 1.00 PM in THE COUNCIL CHAMBER, COUNTY HALL,
MORPETH, NE61 2EF.**

Yours faithfully

Dr Helen Paterson
Chief Executive

To Members of the Audit Committee

PLEASE NOTE CHANGE OF MEETING TIME



Dr Helen Paterson, Chief Executive
County Hall, Morpeth, Northumberland, NE61 2EF
T: 0345 600 6400
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AGENDA

PART I

It is expected that the matters included in this part of the agenda will be dealt with in public.

1. APOLOGIES FOR ABSENCE

2. MINUTES

(Pages
11 - 24)

Minutes of the following meetings of the Audit Committee, as circulated, to be confirmed as a true record and signed by the Chair:

- 29 January 2025
- 26 February 2025

3. DISCLOSURE OF MEMBERS' INTERESTS

Unless already entered in the Council's Register of Members' interests, members are required where a matter arises at a meeting;

a. Which **directly relates to** Disclosable Pecuniary Interest ('DPI') as set out in Appendix B, Table 1 of the Code of Conduct, to disclose the interest, not participate in any discussion or vote and not to remain in room. Where members have a DPI or if the matter concerns an executive function and is being considered by a Cabinet Member with a DPI they must notify the Monitoring Officer and arrange for somebody else to deal with the matter.

b. Which **directly relates to** the financial interest or well being of a Other Registrable Interest as set out in Appendix B, Table 2 of the Code of Conduct to disclose the interest and only speak on the matter if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain the room.

c. Which **directly relates to** their financial interest or well-being (and is not DPI) or the financial well being of a relative or close associate, to declare the interest and members may only speak on the matter if members of the public are also allowed to speak. Otherwise, the member must not take part in discussion or vote on the matter and must leave the room.

d. Which **affects** the financial well-being of the member, a relative or close associate or a body included under the Other Registrable Interests column in Table 2, to disclose the interest and apply the test set out at paragraph 9 of Appendix B before deciding whether they may remain in the meeting.

e. Where Members have or a Cabinet Member has an Other Registerable Interest or Non Registerable Interest in a matter being considered in exercise of their executive function, they must notify the Monitoring Officer and arrange for somebody else to deal with it.

NB Any member needing clarification must contact monitoringofficer@northumberland.gov.uk. Members are referred to the Code of Conduct which contains the matters above in full. Please refer to the guidance on disclosures at the rear of this agenda letter.

- 4. JOINT REPORT OF THE CABINET MEMBER FOR CARING FOR ADULTS AND CABINET MEMBER FOR INSPIRING YOUNG PEOPLE** (Pages 25 - 34)
- Review of external inspections in Adults and Children's Services**
- To inform Members of the activity pertaining to Adults Social Care and Children's Services regarding external inspections and associated actions. This covers the period from 1st July 2024 to 31st December, 2024.
- 5. REPORTS OF THE HEAD OF INTERNAL AUDIT AND RISK MANAGEMENT**
- 5a Audit Committee Work Programme 2025/26** (Pages 35 - 42)
- The purpose of this report is to propose a programme of core business for the Audit Committee for 2025/26, in accordance with its Terms of Reference as set out in the Council's Constitution.
- 5b Annual Review of Audit Committee Arrangements** (Pages 43 - 58)
- To provide a self-assessment of Audit Committee arrangements and highlight areas where development should be focused to ensure that our Audit Committee arrangements reflect all parts of good practice guidance recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 5c Strategic Audit Plan 2025/26** (Pages 59 - 86)
- The purpose of this report is to advise Audit Committee of the Strategic Audit Plan for 2025/26. This document outlines the planned work of Internal Audit during this period and is attached as Appendix 1.
- 6. REPORTS OF THE LEADER OF THE COUNTY COUNCIL**
- 6a Local Partnerships Review of Governance Arrangements for Oversight of Council Owned Companies** (Pages 87 - 116)
- The report sets out the findings of the independent review of governance arrangements for oversight of Council owned companies undertaken by Local Partnerships and an action plan for addressing key recommendations.
- 6b Draft Annual Governance Statement 2024-25** (Pages 117 - 134)
- The purpose of this report is to enable the Audit Committee to review the initial draft Annual Governance Statement for 2024-25 and consider whether it properly reflects the risk environment and supporting

assurances.

7. REPORTS OF THE CABINET MEMBER FOR CORPORATE SERVICES

7a Statement of Accounts – Group Boundary Review 2024-25 (Pages 135 - 140)

The purpose of this report is to provide members of the Audit Committee with details of the boundary review which has been undertaken to determine those organisations which should have their financial statements consolidated into the Council's Statement of Accounts for the financial year ended 31 March 2025.

7b 2024-25 Leases Accounting Policy (Pages 141 - 146)

The purpose of this report is to provide Audit Committee with an update on the Leases Accounting Policy to be applied in the preparation of the 2024-25 Statement of Accounts.

7c Consideration of Going Concern Status for the Statement of Accounts for the year ended 31 March 2025 (Pages 147 - 158)

Northumberland County Council is required to assess whether it should be considered as a 'going concern' organisation, and whether the Council's annual Statement of Accounts should be prepared on that basis. This report considers the Council's status as a going concern and recommends that Members note this.

8. EXTERNAL AUDIT

Audit Progress Report

To receive a verbal update from the External Auditor.

9. MONITORING REPORT / ACTION LOG 2024-25 (Pages 159 - 162)

The Audit Committee operates under an agreed programme of core business, in accordance with its Terms of Reference as set out in the Council's Constitution. The Committee is asked to review and note its monitoring report/action log for the 2024/25 council year.

10. URGENT BUSINESS (IF ANY)

To consider such other business as, in the opinion of the Chair, should, by reason of special circumstances, be considered as a matter of urgency.

IF YOU HAVE AN INTEREST AT THIS MEETING, PLEASE:

- Declare it and give details of its nature before the matter is discussed or as soon as it becomes apparent to you.
- Complete this sheet and pass it to the Democratic Services Officer.

Name:		Date of meeting:	
Meeting:			
Item to which your interest relates:			
Nature of Interest i.e. either disclosable pecuniary interest (as defined by Table 1 of Appendix B to the Code of Conduct, Other Registerable Interest or Non-Registerable Interest (as defined by Appendix B to Code of Conduct) (please give details):			
Are you intending to withdraw from the meeting?		Yes - <input type="checkbox"/>	No - <input type="checkbox"/>

Registering Interests

Within 28 days of becoming a member or your re-election or re-appointment to office you must register with the Monitoring Officer the interests which fall within the categories set out in **Table 1 (Disclosable Pecuniary Interests)** which are as described in "The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012". You should also register details of your other personal interests which fall within the categories set out in **Table 2 (Other Registerable Interests)**.

"Disclosable Pecuniary Interest" means an interest of yourself, or of your partner if you are aware of your partner's interest, within the descriptions set out in Table 1 below.

"Partner" means a spouse or civil partner, or a person with whom you are living as husband or wife, or a person with whom you are living as if you are civil partners.

1. You must ensure that your register of interests is kept up-to-date and within 28 days of becoming aware of any new interest, or of any change to a registered interest, notify the Monitoring Officer.
2. A 'sensitive interest' is as an interest which, if disclosed, could lead to the councillor, or a person connected with the councillor, being subject to violence or intimidation.
3. Where you have a 'sensitive interest' you must notify the Monitoring Officer with the reasons why you believe it is a sensitive interest. If the Monitoring Officer agrees they will withhold the interest from the public register.

Non participation in case of disclosable pecuniary interest

4. Where a matter arises at a meeting which directly relates to one of your Disclosable Pecuniary Interests as set out in **Table 1**, you must disclose the interest, not participate in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest, just that you have an interest.

Dispensation may be granted in limited circumstances, to enable you to participate and vote on a matter in which you have a disclosable pecuniary interest.

5. Where you have a disclosable pecuniary interest on a matter to be considered or is being considered by you as a Cabinet member in exercise of your executive function, you must notify the Monitoring Officer of the interest and must not take any steps or further steps in the matter apart from arranging for someone else to deal with it.

Disclosure of Other Registerable Interests

6. Where a matter arises at a meeting which **directly relates** to the financial interest or wellbeing of one of your Other Registerable Interests (as set out in **Table 2**), you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

Disclosure of Non-Registerable Interests

7. Where a matter arises at a meeting which **directly relates** to your financial interest or well-being (and is not a Disclosable Pecuniary Interest set out in **Table 1**) or a financial interest or well-being of a relative or close associate, you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest.
8. Where a matter arises at a meeting which **affects** –
- your own financial interest or well-being;
 - a financial interest or well-being of a relative or close associate; or
 - a financial interest or wellbeing of a body included under Other Registrable Interests as set out in **Table 2** you must disclose the interest. In order to determine whether you can remain in the meeting after disclosing your interest the following test should be applied
9. Where a matter (referred to in paragraph 8 above) **affects** the financial interest or well- being:
- to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and;
 - a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest

You may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise, you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

Where you have an Other Registerable Interest or Non-Registerable Interest on a matter to be considered or is being considered by you as a Cabinet member in exercise of your executive function, you must notify the Monitoring Officer of the interest and must not take any steps or further steps in the matter apart from arranging for someone else to deal with it.

Table 1: Disclosable Pecuniary Interests

This table sets out the explanation of Disclosable Pecuniary Interests as set out in the [Relevant Authorities \(Disclosable Pecuniary Interests\) Regulations 2012](#).

Subject	Description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain. [Any unpaid directorship.]
Sponsorship	Any payment or provision of any other financial benefit (other than from the council) made to the councillor during the previous 12-month period for expenses incurred by him/her in carrying out his/her duties as a councillor, or towards his/her election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract made between the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners (or a firm in which such person is a partner, or an incorporated body of which such person is a director* or a body that such person has a beneficial interest in the securities of*) and the council — (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.
Land and Property	Any beneficial interest in land which is within the area of the council. 'Land' excludes an easement, servitude, interest or right in or over land which does not give the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/ civil partners (alone or jointly with another) a right to occupy or to receive income.
Licenses	Any licence (alone or jointly with others) to occupy land in the area of the council for a month or longer
Corporate tenancies	Any tenancy where (to the councillor's knowledge)— (a) the landlord is the council; and (b) the tenant is a body that the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/ civil partners is a partner of or a director* of or has a beneficial interest in the securities* of.
Securities	Any beneficial interest in securities* of a body

	<p>where—</p> <p>(a) that body (to the councillor’s knowledge) has a place of business or land in the area of the council; and</p> <p>(b) either—</p> <ul style="list-style-type: none"> i. the total nominal value of the securities* exceeds £25,000 or one hundredth of the total issued share capital of that body; or ii. if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the councillor, or his/ her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners has a beneficial interest exceeds one hundredth of the total issued share capital of that class.
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* ‘director’ includes a member of the committee of management of an industrial and provident society.

* ‘securities’ means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

Table 2: Other Registrable Interests

You have a personal interest in any business of your authority where it relates to or is likely to affect:

- a) any body of which you are in general control or management and to which you are nominated or appointed by your authority
- b) any body
 - i. exercising functions of a public nature
 - ii. any body directed to charitable purposes or
 - iii. one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)

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Agenda Item 2

NORTHUMBERLAND COUNTY COUNCIL

AUDIT COMMITTEE

At a meeting of the Audit Committee held in the Council Chamber, County Hall, Morpeth on Wednesday, 29 January 2025 at 10.15 a.m.

PRESENT

P. Topping
(Chair and Independent Member, in the Chair)

COUNCILLORS

Dale, A.
Cessford, T.
Grimshaw, L.

Oliver, N.
Reid, J.

CO-OPTED MEMBERS

Green, S.

Hannah, J.

OFFICERS IN ATTENDANCE

Bishop, L.
Candlish, T.
Gerrard, S.

Harvey, K.
Hodgson, A.
Long, S.
McDonald, K.

Todd, A.
Willis, J.

Principal Solicitor
Group Assurance Manager
Director of Law and Governance
(MO)
Head of Corporate Finance
Corporate Fraud Manager
Senior Pensions Advisor
Head of Internal Audit and Risk
Management
Democratic Services Officer
Executive Director of
Transformation and Resources
(S151 Officer)

ALSO IN ATTENDANCE

Harold, D.

Forvis Mazars (External Audit)

1 member of the press was also in attendance.

45. APOLOGIES FOR ABSENCE

Ch.'s Initials.....

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Apologies for absence were received from Councillors A. Wallace, P. Jackson and D. Towns.

46. MINUTES

RESOLVED that the minutes of the meeting of Audit Committee held on 25 September 2024, as circulated, be confirmed as a true record and signed by the Chair.

47. REPORT OF THE EXECUTIVE DIRECTOR FOR TRANSFORMATION AND RESOURCES

Annual Report of the FPS Local Pension Board for 2023/24

Members were provided with the 2023/24 Annual Report of the FPS Local Pension Board. (A copy of the report has been filed with the signed minutes).

S. Long, Senior Pensions Advisor introduced the report which sought to inform Members on the activities of the Board during 2023/24. It was noted that the Board had recognised that 2024/25 was to be a particularly difficult year for fire Pensions, both for employers and members due to the ongoing remedy and Matthews cases.

S. Green asked if the administration service carried out by West Yorkshire Pension Fund (WYPF) was monitored and whether the increase in clients had affected performance. In response it was confirmed that Northumberland received monthly updates including client performance reports and monitoring of key performance indicators. Although the number of clients had increased WYPF had kept the Board informed as planned and increased resources to ensure service delivery was unaffected by its increasing client base. It was noted that there had been no breaches of the law.

J. Hannah was provided with the background circumstances as to why West Yorkshire Pension Fund had taken over the administration service of Northumberland and other local authorities fire pensions.

The Chair asked about risks. In response it was confirmed that the Board would be carrying out a full review of the risk register in 2024/25. There was an emerging risk in relation to the Matthews exercise. The Board was aware of this and the need to carry out further action urgently to progress the project.

RESOLVED that the Audit Committee receive the Annual Report of the FPS Local Pension Board for 2023/24, attached as Appendix 1 to the report, and provide comment to the Board and NCC's FPS Scheme Manager, if appropriate.

48. REPORT OF THE DIRECTOR OF LAW AND CORPORATE GOVERNANCE

Regulation of Investigatory Powers Act 2000 (RIPA) policy 2025

S. Gerrard, Director of Law and Governance introduced the report which sought to advise Members of the requirements of the Regulation of Investigatory Powers Act

Ch.'s Initials.....

2000 and to ask Audit Committee to simply review the policy under this legislation following on from approval on the 31 January 2024. There were no amendments to the current policy. (A copy of the report has been filed with the signed minutes).

Councillor Reid noted that the recommendations followed the legislation and Code of Practice issued by the Home Office and therefore the Council had no option but to adopt. He also suggested that Members did not need to be provided with a hard copy of the RIPA policy and should be available online instead. L. Bishop, Principal Solicitor confirmed that there were clear statutory processes to go through and any option not to review and set policies would be contrary to the Code of Practice and would not give assurance to IPCO that the Council had adequate processes in place to comply with the legislation. The expectations for next year were to reduce the size of the policy and draft a guidance note for officers. It was hoped that by doing this there would be a clear statutory process to follow which would be user friendly followed by a training programme to help the Council utilise fully the RIPA powers.

S. Gerrard advised that it was anticipated that a more online approach to council documents and publications would be rolled out in the near future.

Councillor Dale welcomed the report and hoped that Council officers utilise the Policy to carry out various enforcement duties and investigations going forward.

L. Bishop advised Members of the strict application process which was needed to be carried out by specially trained officers in order to conduct any covert surveillance techniques. A judicial approval was also required.

Councillor Oliver queried how many missed opportunities there may have been to carry out surveillance activities in recent years as there had been little or no use of the powers. L. Bishop confirmed that work was taking place to utilise the policy and provide officers with the necessary tools and knowledge to maximise the enforcement powers that could be undertaken.

The Chair spoke about covert and overt surveillance and which technique was covered by RIPA.

Councillor Grimshaw commented on prosecutions and the need for Council officers to take advantage of RIPA to help inform investigations which would then hopefully lead to criminal charges.

L. Bishop commented on a number of high profile campaigns taking place by the Council at the current time, one of which was fly tipping. The campaign was being successful with a number of fixed penalty notices and prosecutions to court. The fines awarded were at the maximum level. However, it was stressed that it was up to the magistrates to determine sentencing not the Council.

RESOLVED that Audit Committee:

- (a) Approve the current RIPA policy for continued adoption.
- (b) Continue to monitor the Council's use of RIPA powers and undertake a review of those powers annually.

49. REPORTS OF THE CABINET MEMBER FOR CORPORATE SERVICES

Ch.'s Initials.....

49.1 Statement of Accounts 2024/25 - Timetable and Policies

The purpose of this report was to provide Audit Committee with:

- a) An overview of the timetable for publishing the 2024-25 Statement of Accounts
- b) An update on the Accounting Policies to be applied in the preparation of the 2024-25 Statement of Accounts.

K. Harvey, Head of Corporate Finance introduced the report (a copy of which has been filed with the signed minutes) and advised that there had been no changes made to the accounting policies other than to Leases. A separate report on Leases would be draft for consideration at the Audit Committee's March 2025 meeting.

Councillor Dale asked whether the valuations of infrastructure changes were detailed within. In response it was confirmed that the changes to property, plant and equipment asset values would take place from next year and therefore were not included.

S. Green asked about the complexities of having to work with third parties to meet the requirements of publishing the Statement of Accounts. K. Harvey confirmed that there was a good working relationship with Forvis Mazars with meetings taking place regularly. Council officers worked to the agreed timetable and policies, and audit work was currently on track.

RESOLVED that Audit Committee:

- (a) note the key dates in the final accounts process for 2024-25.
- (b) Approve the Accounting Policies to be used for the preparation of the 2024-25 Statement of Accounts.
- (c) Authorise the Executive Director of Transformation and Resources to review the accounting policies as necessary and report any changes to the Audit Committee.

49.2 Changes to the Code of Practice for 2024/25

K. Harvey, Head of Corporate Finance introduced the report which provided the Audit Committee with a summary of the key accounting changes in the latest edition of the Code of Practice for Local Authority Accounting in the UK (the Code) which would apply to the 2024-25 Statement of Accounts. (A copy of the report has been filed with the signed minutes).

RESOLVED that the Audit Committee note the changes detailed in the report and in Appendix A which will be taken into account in the preparation of the 2024-25 Statement of Accounts.

49.3 Treasury Management Strategy Statement for the Financial Year 2025/26

The Local Government Act 2003 required the Council to set out its Treasury Strategy for borrowing and to prepare an Annual Investment Strategy, which set out the policies for managing investments and for giving priority to the security and liquidity of those investments. The Council nominated the Audit Committee to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and Policy.

The report set out the Treasury Management Strategy, Treasury Management Policy Statement, the Annual Investment Strategy for the Financial Year 2025-26, Capital Prudential Indicators 2025-26 to 2028-29 and the Annual Minimum Revenue Provision Policy Statement 2025-26. (A copy of the report has been filed with the signed minutes).

K. Harvey, Head of Corporate Finance drew members' attention to the key points detailed within the report.

The Chair asked if there were any changes to the forecasts since the report had been written. In response J. Willis, Executive Director of Transformation and Resources confirmed that it was a case of taking a watching brief at the minute until the direction of travel became clearer. There was potential for some significant shifts in the upcoming year as always, but a slight economic recovery was expected due to falling interest rates.

Councillor Oliver asked if the changes due to be implemented regarding the Leases accounting policy would result in no impact other than now recording them on the balance sheet. He also asked if Members could receive an update about the loan to Newcastle Airport as he recalled following the COVID pandemic adjustments had been made. K. Harvey confirmed that a detailed report on Leases would be brought to the March 2025 meeting of Audit Committee and that an update regarding Newcastle Airport could be provided.

Councillor Dale commented on the loan to the NHS which helped build Hexham Hospital and provided a positive asset to the local community. Councillor Dale also commented on the capital programmes and the length of borrowing compared to the value for money over that period of time. In response K. Harvey confirmed that there needed to be an underlying need to borrow in the first instance. Details on all the capital programme's borrowing was available and laid out over medium term, with officers using mechanisms such as the asset life method to calculate the minimum revenue provision and spread the repayment of borrowing over the life of the asset.

In response to a query raised by J. Hannah it was confirmed that the Council did lend to third parties including other local authorities. Non core treasury management supported the capital programme and delivery of the Council's priorities.

Councillor Reid congratulated the work of officers in managing the investment of local authority funds, debt management and treasury management practices.

S. Green commented on the Capital Financing Requirement (CFR). He asked if it should be highlighted as a concern that the CFR estimated by 2028 exceeded that of the operational boundary. K. Harvey advised that this was only a guide to borrowing but would double check the figures and provided a response following the meeting.

In response to a query from Councillor Dale, K. Harvey discussed how the interest rates were forecasted, internal borrowing was utilised, and capital programmes were evaluated and scored against external funding criteria.

RESOLVED that Audit Committee:

- (a) Recommends that County Council approves the Treasury Management Strategy Statement, including the Treasury Management Policy Statement, the Annual Investment Strategy, and the Borrowing Strategy for the Financial Year 2025-26.

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- (b) Recommends that County Council approves the Capital Prudential Indicators (Appendix 4) for four years 2025-26 to 2028-29 to ensure that the Council's capital investment plans are affordable, prudent and sustainable.
- (c) Recommends that County Council approves the Annual Minimum Revenue Provision Policy Statement (Appendix 5) 2025-26.

49.4 Corporate Risk Management Update

K. McDonald, Head of Internal Audit and Risk Management introduced the report which provided Audit Committee with an update on the latest position of the corporate risk register following review by Executive Management Team and Cabinet. (A copy of the report has been filed with the signed minutes).

The Chair advised that the Audit Committee were not the owners of individual risks.

S. Gerrard, Director of Law and Governance asked that questions be kept to within the remit of the committee.

Councillor Dale felt that description within risk 5 should be more inclusive and suggested it was missing some dialogue in order to give her the assurance she required. Councillor Dale offered to suggest what could be added within the register to allay some of her concerns. K. McDonald reported that he would take back comments made to the risk owner to consider.

RESOLVED that Audit Committee receives and notes the contents of the report presented to and agreed by Cabinet on 14 January 2025.

49.5 Corporate Fraud Interim Update

Audit Committee received an update on Corporate Fraud activity undertaken during the period 1 April - 30 September 2024. (A copy of the report has been filed with the signed minutes).

A. Hodgson, Corporate Fraud Manager drew members' attention to the main points within the report. It was noted that the team was responsible for achieving fraud prevention, detection, and identification. Following on from a request from councillors at a previous meeting of Audit Committee the report now included data from 2023/24 for comparative purposes.

Councillor Dale commended the work and value added to the Council in carrying out these investigations. In response to a question regarding the COVID 19 relief investigations A. Hodgson confirmed that there was one or two new business rates cases being investigated and some subsidies work ongoing.

Councillor Grimshaw welcomed the number of closed investigations with successful criminal sanctions achieved and hope it would be a deterrent to others.

In response to question raised by Councillor Reid, A. Hodgson confirmed that the figures produced regarding the right of buy applications were notional figures based on if applications had been granted and discounts offered on the properties.

Councillor Reid highlighted the achievements of the single person discount project and suggested that the team could add council tax exemptions, holiday homes and empty properties to the scheme in the future.

S. Green queried how the priorities of the team were set and resource allocated. K. McDonald confirmed that the team was small, and resources needed to be target based on a triage system. The Council's plan, objectives and the corporate enforcement review also helped steer the aspirations of the Council's anti-fraud team.

In response to a question from Councillor Oliver, it was confirmed that the team were involved in the implementation of Council policies and system regarding the housing list and allocation policy. A report on this subject was to be considered this afternoon at a scrutiny committee.

RESOLVED that Audit Committee notes and considers the update on work undertaken by the Corporate Fraud Team as part of Audit Committee's role in maintaining governance oversight of counter-fraud activity as part of the overall framework of governance, risk management and control.

50. REPORTS OF HEAD OF INTERNAL AUDIT AND RISK MANAGEMENT

50.1 Strategic Audit Plan 2024/25 - Interim Monitoring Statement

K. McDonald, Head of Internal Audit and Risk Management introduced the report which provided Audit Committee with a monitoring statement in respect of the Strategic Audit Plan for 2024/25 following the end of the third quarter of the year (document attached as Appendix 1). (The report has been filed with the signed minutes).

The Chair commented on the limited assurance regarding cyber security. K. McDonald confirmed that this area remained a focus area for the Executive Management Team and an update was provided every two months with Executive Directors and the Chief Executive kept fully informed. It was a corporate risk in its own right. Measures were in place to keep on top of the risk and follow up reviews would take place.

Councillor Dale commented on the Capital Programme management arrangements work which was deemed as limited assurance. It was asked if further work would take place next year regarding this risk. K. McDonald advised that this area of work was similar to that of the cyber security in that it would be considered as part of the risk assessment for next years audit plan. The recommendations needed time to be embedded before follow-up reviews were undertaken.

RESOLVED that Audit Committee notes and considers the progress set out in the 2024-25 Strategic Audit Plan Quarter 3 Monitoring Statement, attached as Appendix 1.

50.2 Preparation of the Strategic Audit Plan 2025/26

K. McDonald, Head of Internal Audit and Risk Management introduced the report which outlined the approach to preparing the 2025/26 Strategic Audit Plan, for consideration and endorsement by the Audit Committee. The report also ensures the

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Audit Committee, as a key stakeholder of Internal Audit's work, was engaged at an early stage in the planning process. (A copy of the report has been filed with the signed minutes).

The Chair advised that, as arranged in previous years, the Audit Committee would be invited to participate in the process of preparing the plan.

RESOLVED that Audit Committee endorse the approach to preparation of the 2025-26 Strategic Audit Plan. Audit Committee were also invited to highlight any areas for consideration by the Head of Internal Audit and Risk Management, for inclusion in the 2025-26 Strategic Audit Plan.

50.3 Global Internal Audit Standards

The purpose of this report was to inform Audit Committee of the introduction of new Global Internal Audit Standards (GIAS) and of the implications of the updated standards for the Internal Audit service and Audit Committee. (A copy of the report has been filed with the signed minutes).

K. McDonald, Head of Internal Audit and Risk Management drew members' attention to the key points of the report and advised that a more detailed report on the new standards would be prepared for the March 2025 meeting.

Councillor Reid asked about the global standards and was informed that these were new worldwide changes which it was hoped would be followed by all.

RESOLVED that Audit Committee notes and considers the changes arising from the GIAS and resulting implications for Audit Committee.

51. EXTERNAL AUDIT

External Audit Progress Report

D. Harold, External Auditor provided the Audit Committee with a progress report, a copy of which has been filed with the signed minutes.

The progress report advised that the Audit Strategy Memorandum for 2023/24 had been presented to the November 2024 meeting. Draft Accounts had been received from the Council in line with the statutory timetable and external audit had begun their audit in October 2024, after finalisation of the previous audits. Members noted that the work was on track and weekly meetings to discuss audit findings were taking place. It was also noted that the Audit Completion Report for 2024/25 was being prepared for consideration at the meeting of the Audit Committee scheduled for 26 February 2025.

RESOLVED that the progress report be noted.

52. MONITORING REPORT / ACTION LOG 2024-25

The Committee was asked to review and note its monitoring report/action list for the 2024/25 council year (a copy of which had been filed with the signed minutes).

Ch.'s Initials.....

Councillor Dale suggested two items that she believed Audit Committee should look at; the PEER Review and Remuneration Panel Report. The Chair noted that the PEER Review had already been considered by County Council at its last meeting. S. Gerrard, Director of Law and Governance advised Members that they had to be mindful of the role and remit of Audit Committee when adding reports to its work programme. The Chair asked that Councillor Dale prepare an email to the clerk with her suggestions in the first instance before a decision would be taken.

RESOLVED that the monitoring report/action list be noted.

53. DATE OF NEXT MEETING

RESOLVED to note the next meeting of the Audit Committee is scheduled for Wednesday, 26 February 2025.

54. EXCLUSION OF PRESS AND PUBLIC

RESOLVED:

- (a) That under Section 100A (4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of the following items on the Agenda as it involves the likely disclosure of exempt information as defined in Part I of Schedule 12A of the 1972 Act, and
- (b) That the public interest in maintaining the exemption outweighs the public interest in disclosure for the following reasons:-

Agenda Item

14 Paragraph 3 of Part 1 of Schedule 12A
Information relating to the financial or business affairs of any particular person (including the authority holding the information).

Disclosure could adversely affect the business reputation or confidence in the person/organisation, and could adversely affect commercial revenue.

55. REPORT OF THE HEAD OF INTERNAL AUDIT AND RISK MANAGEMENT

Corporate Risk Management Update

This confidential appendix related to item 9 in Part 1 of the agenda. A copy of the appendix has been filed with the signed minutes, coloured pink and marked "Not for Publication").

Members discussed aspects of the appendix and sought information on a number of the risks.

RESOLVED that the appendix be noted.

Ch.'s Initials.....

CHAIR.....

DATE.....

Ch.'s Initials.....

NORTHUMBERLAND COUNTY COUNCIL

AUDIT COMMITTEE

At a meeting of the Audit Committee held in the Council Chamber, County Hall, Morpeth on Wednesday, 27 February 2025 at 10.15 a.m.

PRESENT

P. Topping
(Chair and Independent Member, in the Chair)

COUNCILLORS

Dale, A.
Jackson, P.

Oliver, N.
Reid, J.

CO-OPTED MEMBERS

Hannah, J.

OFFICERS IN ATTENDANCE

Gerrard, S.

Director of Law and Governance
(MO)

McDonald, K.

Head of Internal Audit and Risk
Management

Todd, A.
Willis, J.

Democratic Services Officer
Executive Director of
Transformation and Resources
(S151 Officer)

ALSO IN ATTENDANCE

Harold, D.
Harvey, K.
Kirkham, M.
Paterson, H.
Sanderson, G. (part)

Forvis Mazars (External Audit)
Head of Corporate Finance
Forvis Mazars (External Audit)
Chief Executive
Leader of the County Council

1 member of the press was also in attendance.

56. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors D. Towns, T. Cessford, L. Grimshaw, A. Wallace and Independent Member S. Green.

57. DISCLOSURES OF MEMBERS' INTERESTS

Councillor J. Reid declared an interest in the items to be discussed on the agenda as Chair of Advance Northumberland.

58. EXTERNAL AUDIT

58.1 Auditor's Annual Report

The report summarised the work undertaken as the auditor for Northumberland County Council ('the Council') for the year ended 31 March 2024 (a copy of which has been filed with the signed minutes).

M. Kirkham and D. Harold from Forvis Mazars drew Members' attention to the main points detailed within the report.

It was reported that the financial statements were to be issued with an unqualified opinion, without modification. There had not been any significant weaknesses identified in the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. No questions or objections had been received in relation to the accounts.

It was noted that this was the first time Forvis Mazars had issued this report to the Council without serious adverse findings. The report highlighted the significant work that had taken place to improve and make changes within the Council, particularly in relation to governance. The Annual Report was positive although it was noted that the Council needed to remain focussed on continuing to strive for improvement and allow time for the changes to become fully embedded within the organisation.

Members thanked all for their continued commitment and dedication to support the improvements being put in place within the Council. The report was very welcome following a number of turbulent years.

RESOLVED that that Audit Committee note and accept the Auditor's Annual Report for the year ended 31 March 2024.

58.2 Audit Completion Report for the year ended 31 March 2024

The purpose of the document was to summarise the audit conclusions (a copy of the report has been filed with the signed minutes).

M. Kirkham and D. Harold from Forvis Mazars drew Members' attention to the main points within the report.

It was noted that it had been concluded that the significant risks and other key judgement areas as set out in the report remained appropriate.

In respect of the Council's value for money arrangements it was noted that External Audit had followed up the prior year significant weaknesses in arrangements and concluded that there were none carried forward. It was advised that throughout the course of the audit the work was carried out with the full cooperation of management.

Ch.'s Initials.....

Members expressed their appreciation for all officers involved in the audit. The completion report was clear and detailed with Members welcoming the positive conclusion assurances given by External Audit.

RESOLVED that Audit Committee note and accept the Audit Completion Report for the year ended 31 March 2024.

59. REPORT OF THE CABINET MEMBER FOR CORPORATE SERVICES

Statement of Accounts 2023-24

To seek approval of the Council's Statement of Accounts for the financial year ended 31 March 2024. (A copy of the report has been filed with the signed minutes).

It was anticipated that work was on track to be able to publish the audited accounts by Friday 28 February 2025 which was the 2023-24 backstop date.

Members thanked officers for the work undertaken to not only be able to present the final statement of accounts for 2023-24 today but also by the backstop date deadline. This was a great achievement.

RESOLVED that Audit Committee:

- (a) approve the Council's Statement of Accounts for the financial year ended 31 March 2024, subject to the matters outstanding in the External Auditor's Audit Completion Report, and
- (b) approve delegated authority for the Executive Director of Transformation and Resources to agree the outstanding issues detailed in Section 2 of the External Auditor's Audit Completion Report.

60. DATE OF NEXT MEETING

RESOLVED the next meeting is scheduled for Thursday, 27 March 2025 at 10.15 a.m.

CHAIR.....

DATE.....

Ch.'s Initials.....

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Northumberland County Council

Audit Committee

Thursday, 27 March 2025

Review of external inspections in Adults and Children's Services

Report of Councillor(s) Wendy Pattinson, Cabinet Member for Caring for Adults, Guy Renner-Thompson, Cabinet Member for Inspiring Young People

Responsible Officer(s): Neil Bradley, Executive Director for Adults, Ageing & Wellbeing, Audrey Kingham, Executive Director for Children, Young People & Education

1. Link to Key Priorities of the Corporate Plan

This report relates to the Tackling Inequalities priority of the Corporate Plan.

2. Purpose of report

To inform Members of the activity pertaining to Adults Social Care and Children's Services regarding external inspections and associated actions. This covers the period from 1st July 2024 to 31st December, 2024.

3. Recommendations

1. To assess the effectiveness of the actions the Council takes in response to external inspections, and confirm an assurance that the Council is taking appropriate action in respect of any issues.

4. Forward plan date and reason for urgency if applicable

This report does not require a key decision.

5. Background

The report focuses on inspection activity undertaken by the Care Quality Commission (CQC) and Ofsted between July 2024 and December 2024.

5.1 Adult Social Care CQC inspection status

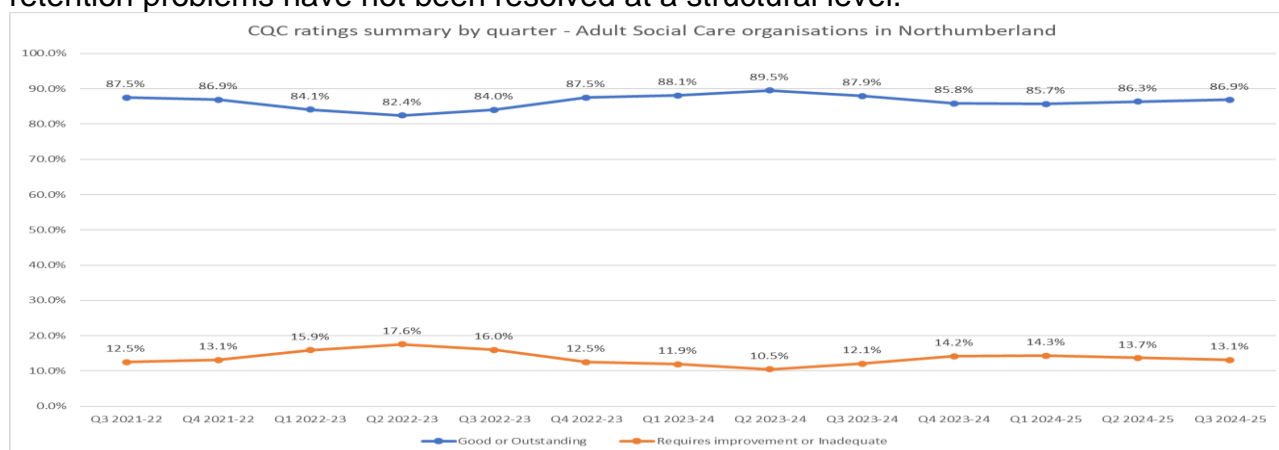
5.1.1 Provider Services

86.9% of all Northumberland-based Adults Social Care providers were rated as Good or Outstanding at the end of December 2024, compared to 85.7% at the end of June 2024. The equivalent figure for national ratings was 80% at the end of December 2024.

The table overleaf describes the new registration and published inspection activity that has taken place in the period. It provides the detail of what settings / services have been inspected so that Elected Members can see where the changes have taken place.

Where ratings have deteriorated from Good to Requires Improvement, the local authority is working with the management of the settings to implement the actions required. This involves Council officers working to support the provider on whatever the issues are that have led to the deterioration in rating. This can be any one of the five domains that CQC inspects although the management of the home and the assessment of whether it is 'well led' is the most common area for care homes to struggle with compliance. There are no current "inadequate" ratings in Northumberland services with the home previously with that rating moving to "good" in December 2024.

The work of Council teams and colleagues in the NHS aimed at improving overall quality is achieving positive results and we can see improvements where the work has been put in to rectify adverse ratings. Council officers continue to monitor services proactively and to provide overall support to the market to maintain positive ratings, although these are independent organisations operated and controlled by their own managers. The recruitment and retention of staff in social care services continues to cause challenges and is a significant drain on provider resources and the Council continues to support with local and national initiatives to resolve this although it remains a problem throughout the country. There have been some signs of the situation improving since April 2023 although there remain concerns that recruitment and retention problems have not been resolved at a structural level.



CQC-registered locations in Northumberland - with an inspection published or registration change in the last 6 months
 Period: July 2024 - December 2024

Status	Location Name	Location Primary Inspection Category	Rating July 24	Rating December 2024	Publication Date
Changed	Elpha Lodge Residential Care Home	Residential social care	Requires improvement	Good	22/10/2024
Changed	Thomas Knight Care Home	Residential social care	Good	Requires improvement	05/11/2024
Changed	Northlands Care Home (Northumberland)	Residential social care	Inadequate	Good	03/12/2024
Changed	Wansbeck Supported Living Service	Community based adult social care services	Requires improvement	Not Rated	
Newly registered	Unity Health Care Solutions	Community based adult social care services	#N/A		
Newly registered	Ponteland Manor Care Home	Residential social care	#N/A		
Deregistered	Miracle Care Centre NLHC	Community based adult social care services	Good	#N/A	05/03/2022
Deregistered	Complete Community Home Care Ltd	Community based adult social care services	Good	#N/A	19/11/2021
Deregistered	Prioritising People's Lives - Alnwick	Community based adult social care services	Good	#N/A	10/03/2022
Unchanged	Waterloo House Rest Home Limited	Residential social care	Good	Good	02/07/2024

Source: CQC Active Locations register dated 01 July 2024/02 January 2025
 (available at <https://www.cqc.org.uk/about-us/transparency/using-cqc-data#directory>)

5.1.2 Local Authority Managed Inspected Services

SERVICE	DATE LAST INSPECTED	INSPECTION OUTCOME
Hatfield Chase	26.6.24	Overall Good
Sea Lodge	14.11.18 31.8.22 (targeted inspection for safe and well led)	Good Inspected but not rated. No areas for concern identified
Shared Lives	23.10.23 (Targeted Inspection)	Overall Good Targeted inspection looking at Safe and Well Led, (both domains received a rating of good), however the Caring domain was also inspected and received outstanding (previous rating was good)
Tynedale House	4.12.19 9.12.20 (Focused Visit)	Overall Outstanding Good practice in Infection, Prevention & Control
STSS - Alnwick	24.11.23 (Targeted Inspection)	Overall Outstanding Targeted inspection looking at Safe and Well Led, (Safe received a rating of good and Well Led received a rating of outstanding)
STSS - Berwick	19.7.23 (Targeted Inspection)	Overall Outstanding Targeted inspection looking at Safe and Well Led, (both domains received a rating of good)
STSS – South / Central	22.11.23 (Targeted Inspection)	Overall Outstanding Targeted inspection looking at Safe and Well Led, (Safe received a rating of good and Well Led received a rating of outstanding)
STSS - West	31.7.23 (Targeted Inspection)	Overall Outstanding Targeted inspection looking at Safe and Well Led, (both domains received a rating of good)

There was no CQC inspection activity for any of our registered services during July – December 2024.

5.1.3 Local Authority Inspection [Northumberland County Council: local authority assessment - Care Quality Commission](#)

Northumberland Adult Services received a 'Good' rating from CQC in their recent inspection (August 2024). This was published on 24th January 2025.

The report advised that overall, Northumberland residents had 'a good experience of adult social care'. It was noted that we, as a local authority 'understand the barriers to accessing care and support, to preventing, reducing, and delaying the needs for care and worked with its partners to ensure that people had good experiences'.

The report detailed that Northumberland had a 'person-centred, strengths-based working ethos' and recognised that our good outcomes were built from 'meaningful relationships with people'.

It also noted that we 'understood the risks and challenges to people within our boundaries', an example of this being, the challenges that the rurality of Northumberland brings when ensuring access to care is equitable for all.

The report recognised our 'good external partnerships' as well as our strategic relationships both internally and externally, citing an 'outstanding' feature in Northumberland was its 'strong and meaningful relationships with statutory partners, and voluntary and community sectors', with our arrangements in delivering Continuing Health Care (CHC) as an example of this.

Northumberland was recognised by CQC as a 'learning organisation', with an 'open and respectful culture, where people felt valued, able to express themselves and had access to senior leaders'. Our recruitment and retention strategies were recognised, specifically our apprenticeships and 'grow your own pathways'.

Some of the key areas for improvement identified by CQC were to improve the experience of unpaid carers in Northumberland; the continued work on access to extra care and general housing; ensuring teams are as fully resourced as they could be; supporting Direct Payments to be used as fully as possible; and to further strengthen co-production with people with lived experience across all areas of our work. An action plan is being prepared for the areas identified for improvement.

At the time of writing this report, of the 22 local authorities that have received their CQC assessment reports, only 3 had been awarded a score higher than Northumberland, and no local authorities to date have received a rating of 'Outstanding'.

5.2 Children's Services

This report features several types of inspection activity in Children's services: notably the Council's residential homes for children; Schools and Early Years settings in the county. It also refers to the inspection of the local authority's Skills service and thematic review of Youth Justice that both took place in January 2025, just outside the time scale for this report.

5.2.1 Children's residential homes

Northumberland County Council continues to demonstrate its commitment to providing high-quality care for children and young people with the opening and registration of a 6th children's home (Pegsworth House). This new home has been successfully registered with Ofsted, marking an important milestone in the council's ongoing efforts to expand and enhance sufficiency in our residential provisions. In addition to the registration of this home, it is notable that its recruitment process won the prestigious Best Creative Concept Recruitment Award at the national People and Culture Awards. This recognition highlights the innovative and forward-thinking approach Northumberland has taken in attracting and retaining high-quality staff to provide exceptional care.

Following its registration, the new home underwent its Ofsted inspection and achieved a Good rating. This result is in alignment with the outcomes of the council's other children's homes, which have been inspected during the current review period. Notably, four other homes received a Good rating at the time of writing, further reinforcing the consistent high standards of care provided across our county.

While Barndale, one of the homes in the county, had not been inspected within this period, it is worth acknowledging that it has consistently maintained a Good or higher rating in previous inspections.

Home Judgement Comments

Home	Judgement	Comments
Kyloe House	Good (Previously Good)	Our secure children's home continues to provide high-quality, holistic care, delivered by a dedicated multi-professional team. This integrated approach ensures strong outcomes for children and young people, addressing their physical, emotional, and educational needs. Notably, the school within the home has made significant progress, moving from Requires Improvement to a Good rating. This achievement reflects the effective collaboration between care and education staff, further enhancing the overall quality of care and support provided to the young people in our care
Barndale	Good (Prev Outstanding)	Have yet to be inspected for the 2024-25 reviewing schedule.
Coanwood	Good (Prev Good)	Our children's homes have recently experienced a significant change in staffing, resulting in a higher number of less experienced staff. Despite this, the achievement of Good outcomes in recent inspections highlights the strength of the high-quality management support in place. This success demonstrates the effectiveness of our leadership in guiding and developing staff, ensuring that the homes continue to provide
Phoenix	Good (Prev Good)	
Thorndale	Good (Prev Good)	
Pegsworth House	Good	

		excellent care and support for the children and young people in our care.
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5.2.2. Youth Justice Service

Just outside the time period in January 2025, the Council's Youth Justice Service was subject to a thematic review by His Majesty's Probation Inspectorate. The subject of the review was our use of Out of Court Disposals. This was an unrated review and as it was the first of eight across the country, feedback will not be received for some months. Once received, it will be shared along with any actions in subsequent editions of this report.

5.2.3 Other Children's Social Care Inspection activity

Other than involvement in a future Area Special Educational Needs (SEND) inspection, the next activity specifically for the Council's Children's Social Care service is likely to be a focused visit under Ofsted's Inspection of Local Authority Children's Services framework (ILACS). The nature of that focused visit could be any one of: Early Help; Children in need / Child Protection, Cared for children and Care leavers.

5.2.4 SCHOOL INSPECTIONS

The gradings for school inspections changed on 1 September 2024. Comparisons between the two grading systems cannot be made.

Between 1 July and 31 August 3 inspections took place:

	Previous Grade	New Grade
Emily Wilding Davison School	Inadequate	Good
Stamfordham Primary School	Outstanding	Good
Ellington Primary School	Good	Good

As of 31st August the overall figure for the percentage of first/primary schools judged by Ofsted as Good or Outstanding was 95%, which is above the national average of 92%. This equates to 120 / 126 schools. One primary school had not been inspected since it opened.

The overall figure for the percentage of secondary schools judged by Ofsted as Good or Outstanding was 87% at the end of August 2024, which is above the national average of 85%. This equates to 26 / 30 schools.

The overall figure for the percentage of special schools judged by Ofsted as Good or Outstanding was 100% at the end of August 2024, which is above the national average of 90%.

Ofsted removed single word judgements from September 2024. Grades are now provided for the 4 key judgements and 2 provision judgements. The key judgements are:

- quality of education (Q of E)
- behaviour and attitudes (B&A)
- personal development (PD)
- leadership and management (L&M)

The two provision judgements are:

- early years provision (EY)

- sixth-form provision. (Post16)

Between 1st September and 31st December 2024, 10 graded inspections took place. Schools that have no previous grade have academised since their last inspection.

2024 - 2025	Previous Grade	Q of E	B&A	PD	L&M	EY	Post16
Choppington Primary School	Good	G	G	G	G	G	N/A
Norham First School	RI	G	G	G	G	G	N/A
NCEA James Knott Primary School	/	G	G	G	G	G	N/A
Rothbury First School	Good	G	O	G	G	G	N/A
Swarland Primary School	Good	G	G	G	G	O	N/A
The King Edward VI School	Outstanding	G	G	O	G	N/A	O
Amble Links Primary School	Good	G	O	O	G	O	N/A
Whitley Chapel CofE First School	Good	G	G	G	G	No grade	N/A
Stobhillgate First School	/	G	O	O	G	O	N/A
Abbeyfields First School	/						N/A

All published judgements for Northumberland schools have been Good or Outstanding in graded inspections.

Between 1st September and 31st December 2024, 1 monitoring inspection took place.

	Current Grade	Inspection Outcome
NCEA Duke's Secondary School	Requires Improvement	Taking Effective Action

There is no change to the school's grade but the inspectorate indicate that progress toward Good is being made.

Between 1st September and 31st December 2024, 3 ungraded inspections took place.

	Current Grade	Inspection Outcome
King Edwin Primary School	Good	Taking Effective Action
Astley Community High School	Good	Evidence gathered during this inspection suggests that aspects of the school's work may not be as strong as at the time of the previous inspection

Kielder Primary School	Outstanding	Evidence gathered during this inspection suggests that aspects of the school's work may not be as strong as at the time of the previous inspection
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The School Improvement Team are supporting both Astley Community High School and Kielder Primary School as they work on the concerns that Ofsted have raised.

5.2.5 EARLY YEARS INSPECTIONS

16 graded Ofsted inspections of early years registered provision in Northumberland were carried out between 1st July and 31st December 2024. Of these:

- 8 were inspections of childminders:
 - 6 Good
 - 1 Requires Improvement
 - 1 Inadequate
- 8 were of private, voluntary or independent (PVI) group settings:
 - 4 Outstanding
 - 2 Good
 - 2 Requires Improvement

The overall figure for the number of early years registered providers that have had a full inspection and are judged as being good or better at the end of December 2024 was 98%. This figure equates to 163 out of 167 providers and is in line with the all-England figure of 98%.

5.2.6 SEND (Special Educational Needs and Disabilities)

The new Area-wide inspection framework was released by Ofsted in November, 2022. It has been shaped by the pilot that Northumberland participated in back in March 2022. It is a graded inspection that focuses on the lived experience of children and young people with SEND, and their families. Five areas within the northeast region have been inspected under this framework, namely Darlington, Durham, Gateshead, Hartlepool and Middlesborough. Preparation for the inspection continues and is overseen through the SEND Partnership Board. The first Annual Engagement Meeting regarding SEND took place with Ofsted and CQC on 3rd March, 2025.

5.2.7 NORTHUMBERLAND SKILLS

Northumberland Skills OfSTED Further Education and Skills Full Inspection occurred between 21st and 24th January 2025 for all those aged 16+.

The areas inspected were 4 key provision types:

- Education Programmes for Young People
- Adult Learning Programmes
- Apprenticeships [at all levels]
- Provision for Learners with High Needs

Additional key judgements on:

- The Quality of Education
- Behaviour and Attitudes
- Personal Development
- Leadership and Management

- Overall Effectiveness

The findings were published in early March and the grades provided by OfSTED are very positive with Grade 2 GOOD for all 4 key provision types, all key judgement areas and Overall Effectiveness. The report can be found [here](#).

6. Options open to the Council and reasons for the recommendations

- 6.1 Regarding the recommendations, the Council can either agree, disagree or request further information. The reason for the recommendation is to confirm or otherwise that elected members are reassured that appropriate actions are being taken following inspections of Adults and Children's Services.

7. Implications

Policy	Raising standards in social care and education are Council priorities.
Finance and value for money	None
Legal	The committee's terms of reference state that it has a function to consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council. The results of external inspections are an independent view on an aspect of the County Council's framework of governance and the external inspections referenced in this report are included in the Annual Governance Statement which this committee reviewed in January.
Procurement	None
Human resources	Regulatory inspections assess compliance with HR (Human Resources) policies.
Property	None
The Equalities Act: is a full impact assessment required and attached?	No - not required at this point Click to explain reasons if EIA not required before making the decisions recommended in the report, or to add a summary of and/or reference to the EIA (e.g. an appendix number).
Risk assessment	Audit Committee reviewing a schedule of incoming inspection reports mitigates the risk of the Council not taking appropriate action in respect of such issues.

Crime and disorder	The report refers to the recent review of out of court disposals in relation to Youth Justice
Customer considerations	Ensuring that external inspections are properly followed up provides assurance that service weaknesses are being addressed. Northumberland's residents are protected, cared for and supported by services that external bodies judge to be Good on the whole, and where they fall below that, the Council acts promptly where it is within its powers.
Carbon reduction	More meetings are taking place virtually and hence the need to travel is less.
Health and wellbeing	Inspections take health and wellbeing into account when making judgements about their findings.
Wards	(All Wards);

8. Background papers

Care Quality Commission Active Locations Register
 NCC (Northumberland County Council) list of school inspections

9. Links to other key reports already published

[Northumberland County Council: local authority assessment - Care Quality Commission](#)
[Northumberland County Council inspection of further education and skills](#)

10. Author and Contact Details

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Northumberland County Council

Audit Committee

Thursday, 27 March 2025

Audit Committee Work Programme 2025/26

Report of Head of Internal Audit and Risk Management

1. Link to Key Priorities of the Corporate Plan

The work of Audit Committee contributes to the achievement of all priorities in the Council's Corporate Plan. In particular, it supports the "Achieving Value for Money" priority of the Corporate Plan 2023-26.

2. Purpose of report

The purpose of this report is to propose a programme of core business for the Audit Committee for 2025/26, in accordance with its Terms of Reference as set out in the Council's Constitution.

3. Recommendations

3.1 It is recommended that Audit Committee agrees:

- a) the proposed 'core business' work programme set out within the report, for 2025/26.
- b) that it may be necessary to change or adapt the proposed reports to be considered, to ensure optimum timing of consideration of governance issues, and to respond to emerging trends during the year.
- c) that the Committee will receive additional reports on any ad-hoc items of business arising during the year, as these relate to its responsibilities under its Terms of Reference, in the usual way.

4. Background

4.1 An Audit Committee work programme is developed annually to drive the frequency and duration of meetings, ensuring the Committee receive adequate coverage of assurance reports whilst maintaining an appropriate focus on business concerns and minimising the resource requirements in their preparation and presentation.

- 4.2 The work programme is also useful to officers in planning, monitoring and managing reporting throughout the year. Accordingly, the previous work programme has been reviewed to identify a proposed work programme for 2025/26.
- 4.3 This updated programme reflects known changes in service delivery; ensures that legal requirements relating to governance, risk and control obligations can be met; and aims to ensure that the Audit Committee receives information at the optimum times during the year to properly perform its role as set out in the Constitution and its Terms of Reference to ensure the Committee is properly able to discharge its duties effectively and efficiently, strengthening the Council's overall governance arrangements.
- 4.4 At its meeting on 4 November 2020 full Council agreed that a Group Audit Committee for all entities within the County Council's accounting group boundary would be established, and that the County Council's Audit Committee would be designated the Group Audit Committee. The County Council's Constitution was updated to reflect this and incorporate Terms of Reference for the Group Audit Committee.
- 4.5 Internal Audit will continue to present an update of its work in relation to the Council's active group entities to appropriate meetings of the Audit Committee. The active companies within the Council's group currently relate to those within the Advance Northumberland Group of Companies.
- 4.6 The work programme recognises that it is also necessary to update the Audit Committee on an ad-hoc basis, as relevant and topical areas arise during the year. For several years, the work programme has proved very helpful in planning, monitoring and managing reporting to the Audit Committee and, accordingly, has been reviewed to identify a proposed work programme for 2025/26, set out below.

Constitution and Terms of Reference

- 4.7 The Council's Constitution, updated in September 2024 and incorporating the Terms of Reference for Audit Committee, sets out that the Audit Committee has a responsibility for oversight and direction on the way the Council manages its finances, how it manages its approach to risk, and of the "control environment". The Constitution also sets out that the Committee is designated Group Audit Committee for all entities within the County Council accounting group boundary and has a particular role in respect of the audit and oversight of the Council's wholly owned companies. Group Audit Committee's Terms of Reference specify the role of the Committee is to maintain governance oversight in respect of all group entities.
- 4.8 The Committee's Terms of Reference identify a number of clear roles for the Audit Committee to discharge, throughout the course of the year. Some aspects of the Committee's business are time-bound in nature (e.g. relating to the Council's Accounts, or agreeing future plans of work), whilst other items can reasonably be considered at any point during the year allowing some flexibility in planning the work programme of the Committee. The Committee's Terms of Reference establish a separate set of roles for the Committee to discharge its Group Audit Committee responsibilities.

Identification of Core Business Areas

- 4.9 The Audit Committee's responsibilities as set out in the Constitution can reasonably be expected to form the basis of the core business of the Audit Committee. The

work programme is reviewed annually in consultation with lead report authors within the Council, and the external auditor, to ensure it continues to be based upon the Committee's responsibilities as set out in the Constitution and to ensure that reports are scheduled to reach the Audit Committee at the optimum time during the year.

Proposed Annual Work Programme

- 4.10 The following programme of the core business of the Committee for 2025/26 is proposed. This sets out the suggested timing and frequency of reports in the coming year and ensures that the responsibilities defined in the Constitution can be met. The proposed programme will help to ensure that the Committee continues to receive necessary information at the right time during the year.
- 4.11 The work programme has been prepared in consultation with officers in Internal Audit and Risk Management, Finance, Democratic Services and the external (local) auditor, Forvis Mazars LLP.
- 4.12 The work programme should be treated as a helpful guide, and it may be necessary to alter or amend the proposed timing during the year as work progresses. Where this is the case, the relevant report author will be responsible for informing the Chair of the Audit Committee, and Democratic Services.

Month	Internal Audit, Risk Management & Corporate Fraud	Corporate Finance	External Audit	Reports from Other Service Areas
June 2025	<ul style="list-style-type: none"> • Annual Report from Chief Internal Auditor and Opinion on the Framework of Governance, Risk Management and Control • Key Outcomes from Internal Audit Assignments • Final Outturn Report (showing performance in achieving the previous year's Strategic Audit Plan from Internal Audit) • Update on Internal Audit work in relation to active group entities 	<ul style="list-style-type: none"> • Annual Governance Statement 2024/25 • NCC Statement of Accounts 2024/25 	<ul style="list-style-type: none"> • Audit Strategy Memorandum 2024/25 	
July 2025	<ul style="list-style-type: none"> • Risk Management Update • Corporate Fraud Annual Report • Strategic Audit Plan Monitoring Report • Annual Report from Audit Committee to Council • Update on Internal Audit work in relation to active group entities 	<ul style="list-style-type: none"> • Treasury Management Annual Report 2024/25 	<ul style="list-style-type: none"> • Audit Progress Report 	

Month	Internal Audit, Risk Management & Corporate Fraud	Corporate Finance	External Audit	Reports from Other Service Areas
September 2025	<ul style="list-style-type: none"> • Update on Internal Audit work in relation to active group entities 		<ul style="list-style-type: none"> • Audit Completion Report 2024/25 • Auditor's Annual Report 2024/25 	<ul style="list-style-type: none"> • FPS Local Pension Board Annual Report • Education & Safeguarding Performance – Review of External Inspection Reports
November 2025	<ul style="list-style-type: none"> • Key Outcomes from Internal Audit Assignments • Strategic Audit Plan Monitoring Report 	<ul style="list-style-type: none"> • Treasury Management In-year Update Report 	<ul style="list-style-type: none"> • Audit Progress Report 	
January 2026	<ul style="list-style-type: none"> • Risk Management Update • Corporate Fraud Update • Strategic Audit Plan Monitoring Report • Approach to preparing the Strategic Audit Plan 2026/27 • Update on Internal Audit work in relation to active group entities 	<ul style="list-style-type: none"> • Statement of Accounts 2025/26 - Timetable and Policies • Changes to the Code of Practice for 2025/26 • Treasury Management Strategy Statement for the Financial Year 2026/27 • Minimum Revenue Provision (MRP) • Treasury Management Practices (TMP) • Prudential Indicators (if available) 	<ul style="list-style-type: none"> • Audit Progress Report 	
March 2026	<ul style="list-style-type: none"> • Strategic Audit Plan 2026/27 	<ul style="list-style-type: none"> • Group Boundary Review 2025/26 	<ul style="list-style-type: none"> • Audit Strategy Memorandum 2025/26 	<ul style="list-style-type: none"> • Education & Safeguarding Performance – Review

Month	Internal Audit, Risk Management & Corporate Fraud	Corporate Finance	External Audit	Reports from Other Service Areas
	<ul style="list-style-type: none"> • Annual Audit Committee Work Programme • Annual Review of Audit Committee Effectiveness 	<ul style="list-style-type: none"> • Annual Governance Statement 2025/26 • Consideration of 'Going Concern Status' for the Statement of Accounts for the year ended 31 March 2026 		<p style="text-align: center;">of External Inspection Reports</p>

5. Options open to the Audit Committee and reasons for the recommendations

5.1 The following decision options are available for consideration by Audit Committee:

Option 1

Audit Committee agrees the Work Programme set out in this report, and that it may be necessary to change or adapt the proposed reports to be considered and that the Committee will receive additional reports on any ad-hoc items of business arising during the year, as these relate to its responsibilities under its Terms of Reference.

Option 2

Audit Committee does not agree the Work Programme set out in this report.

Option 1 is the recommended option. The proposed approach has been designed to ensure the Audit Committee covers its main areas of responsibility as set out in its Terms of Reference agreed in the Council's Constitution.

6. Implications

Policy	The Audit Committee contributes to the Council's governance framework, including the review of financial governance as appropriate. The role of Audit Committee is set out in the Council's Constitution and the Audit Committee's Terms of Reference.
Finance and value for money	Through its review of a range of audit, accounting and governance related items, Audit Committee assesses the Council's use of financial resources and value for money. There are no specific financial implications arising from the recommendations set out in this report.
Legal	The Public Sector Internal Audit Standards, Global Internal Audit Standards, and related Local Government Application Notes, presume that local authorities will have an Audit Committee undertaking the purpose identified by CIPFA in its 2022 publication "Audit Committees: Practical Guidance for Local Authorities and Police".
Procurement	There are no specific procurement implications within this report.
Human resources	There are no specific human resources implications within this report.
Property	There are no specific property implications within this report.
The Equalities Act: is a full	No - no equalities issues identified Equality Impact Assessment not required.

impact assessment required and attached?	
Risk assessment	There are no specific risk assessment implications within this report.
Crime and disorder	There are no specific crime and disorder implications within this report.
Customer considerations	This report has been prepared for the consideration of Audit Committee.
Carbon reduction	There are no specific carbon reduction implications within this report.
Health and wellbeing	There are no specific health and wellbeing implications within this report.
Wards	(All Wards);

7. Background papers

- Northumberland County Council Constitution, September 2024

8. Links to other key reports already published

Not applicable.

9. Author and Contact Details

Kevin McDonald, Head of Internal Audit and Risk Management (Chief Internal Auditor)
 Email: Kevin.McDonald@northumberland.gov.uk



Northumberland County Council

Audit Committee

Thursday, 27 March 2025

Annual Review of Audit Committee Arrangements

Report of Head of Internal Audit and Risk Management

1. **Link to Key Priorities of the Corporate Plan**

The work of Audit Committee contributes to the achievement of all priorities in the Council's Corporate Plan. In particular, it supports the 'Achieving Value for Money' priority of the Corporate Plan 2023-26.

2. **Purpose of report**

To provide a self-assessment of Audit Committee arrangements and highlight areas where development should be focused to ensure that our Audit Committee arrangements reflect all parts of good practice guidance recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA).

3. **Recommendations**

3.1 It is recommended that Audit Committee:

- a) considers and endorses the latest self-assessment of Audit Committee arrangements against the good practice guidance recommended by CIPFA, attached as **Appendix 1**.
- b) agrees that the Head of Internal Audit and Risk Management works with the Chair of Audit Committee to prepare a plan of actions which may be needed to ensure that our Audit Committee arrangements continue to reflect CIPFA's guidance.
- c) agrees that this report form the basis of an annual report from Audit Committee, which will be prepared for presentation to Council, demonstrating how Audit Committee meets its Terms of Reference and providing a summary of the work of the committee during the year.

4. Background

- 4.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) periodically publishes good practice covering the role, functions and operation of Audit Committees in Local Government. The latest such guidance ('Audit Committees: Practical Guidance for Local Authorities and Police') was published in October 2022.
- 4.2 It is good practice to undertake an annual review of the effectiveness of Audit Committee arrangements. The most recent self-assessment of our Audit Committee arrangements was undertaken and reported to Audit Committee in March 2024. An updated self-assessment against the requirements of the guidance is attached as **Appendix 1**. This demonstrates that our Audit Committee arrangements reflect the good practice areas recommended by CIPFA.
- 4.3 There are some areas highlighted in the self-assessment in which further development is needed to ensure that the good practice recommended by CIPFA is fully reflected. To help ensure that all good practice arrangements become fully embedded, it is proposed that the Chair of Audit Committee and Head of Internal Audit and Risk Management consult with all members appointed to Audit Committee, and those who engage with the committee, during 2025/26 and produce an action plan for implementation.

5. Options open to the Audit Committee and reasons for the recommendations

- 5.1 The following decision options are available for consideration by Audit Committee:

Option 1

Audit Committee agrees the recommendations detailed at 3.1 above.

Option 2

Audit Committee does not agree the recommendations detailed at 3.1 above.

Option 1 is the recommended option. Recommendations included at 3.1 above reflect good practice recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) relating to Audit Committee undertaking an annual review of the effectiveness of Audit Committee arrangements.

6. Implications

Policy	The Audit Committee contributes to the Council's governance framework, including the review of financial governance as appropriate. The role of Audit Committee is set out in the Council's Constitution and the Audit Committee's Terms of Reference.
Finance and value for money	Through its review of a range of audit, accounting and governance related items, the Audit Committee assesses the Council's use of financial resources and value for money. There are no specific financial implications within this report.

Legal	The Public Sector Internal Audit Standards, Global Internal Audit Standards, and related Local Government Application Notes, presume that local authorities will have an Audit Committee undertaking the purpose identified by CIPFA in its 2022 publication 'Audit Committees: Practical Guidance for Local Authorities and Police'.
Procurement	There are no specific procurement implications within this report.
Human resources	There are no specific human resources implications within this report.
Property	There are no specific property implications within this report.
The Equalities Act: is a full impact assessment required and attached?	No - no equalities issues identified No equalities implications identified.
Risk assessment	There are no specific risk assessment implications within this report.
Crime and disorder	There are no specific crime and disorder implications within this report.
Customer considerations	This report has been prepared for consideration by Audit Committee.
Carbon reduction	There are no specific carbon reduction implications within this report.
Health and wellbeing	There are no specific health and wellbeing implications within this report.
Wards	(All Wards);

7. Background papers

- Audit Committees: Practical Guidance for Local Authorities and Police, CIPFA, 2022
- Northumberland County Council Audit Committee Terms of Reference
- Northumberland County Council Corporate Plan 2023-26, 2023

8. Links to other key reports already published

'Audit Committee Arrangements' Report to Audit Committee, March 2024

9. Author and Contact Details

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Email: Kevin.McDonald@northumberland.gov.uk

Audit Committee Arrangements: Self-Assessment of Good Practice (March 2025)

(taken from CIPFA, *Audit Committees: Practical Guidance for Local Authorities and Police*, published October 2022)

CIPFA states that this checklist provides a high-level review that incorporates the key principles set out in CIPFA’s Position Statement on Audit Committees in Local Authorities, and the wider *Practical Guidance* publication referred to above. CIPFA 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 Questions	Does not comply	Partially complies and extent of improvement needed			Fully complies	Comments
		Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement	

Audit Committee purpose and governance

1	Does the authority have a dedicated audit committee that is not combined with other functions (e.g. standards, ethics, scrutiny)?					✓	Dedicated Audit Committee established as a full, politically balanced committee of Council. Audit Committee is not combined with any other function.
2	Does the Audit Committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?					✓	An annual report from Audit Committee to Council was prepared for 2023/24 and will be prepared for the 2024/25 year.
3	Has the committee maintained its advisory role by not taking on any decision-making powers?					✓	

	Good Practice Questions	Does not comply	Partially complies and extent of improvement needed			Fully complies	Comments
			Major improvement	Significant improvement	Moderate improvement	Minor improvement	
4	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?					✓	The Audit Committee's Terms of Reference were updated following the issue of CIPFA's updated guidance and Position Statement in 2022. CIPFA's Position Statement and suggested terms of reference for an Audit Committee have been adopted in full.
5	Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?					✓	<p>A programme of training is currently being developed for all elected members following the elections taking place in May 2025. This training will involve the role and purpose of Audit Committee.</p> <p>The Chair of Audit Committee has met with the Chief Executive to discuss the role of the Committee and agreed that further meetings should be scheduled. Regular meetings take place between the Chair, Monitoring Officer and s151 Officer. The Leader and Deputy Leader have also attended Audit Committee meetings during the year and engaged in discussions with Audit Committee.</p>

	Good Practice Questions	Does not comply	Partially complies and extent of improvement needed			Fully complies	Comments
			Major improvement	Significant improvement	Moderate improvement	Minor improvement	
6	Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?					✓	A monitoring report / action log for Audit Committee enables the Committee to keep account of how issues raised are responded to and managed by those in leadership roles with which such issues have been raised.
7	Does the governing body hold the audit committee to account for its performance at least annually?					✓	See question 2 above. An annual report from Audit Committee, for the 2023/24 year, was considered by Council in September 2024. Council used the opportunity to ask questions of the Deputy Chair of Audit Committee, who presented the report, as to the role and performance of Audit Committee during the year. An annual report for 2024/25 will also be prepared for consideration by Council.
8	Does the committee publish an annual report in accordance with the 2022 guidance, including:						See question 2 above. An annual report from Audit Committee, for the 2023/24

	Good Practice Questions	Does not comply	Partially complies and extent of improvement needed			Fully complies	Comments
			Major improvement	Significant improvement	Moderate improvement	Minor improvement	
	• compliance with the CIPFA Position Statement 2022					✓	year, was considered by Council in September 2024. An annual report for 2024/25 will also be prepared for consideration by Council. Annual reports cover all requirements of CIPFA's good practice guidance.
	• results of the annual evaluation, development work undertaken and planned improvements					✓	
	• how it has fulfilled its terms of reference and the key issues escalated in the year?					✓	

Functions of the 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					✓	The Audit Committee's Terms of Reference were updated following the issue of CIPFA's updated guidance and Position Statement in 2022.
	Risk management arrangements					✓	
	Internal control arrangements, including: <ul style="list-style-type: none"> • financial management • value for money • ethics and standards • counter fraud and corruption 					✓	

	Good Practice Questions	Does not comply	Partially complies and extent of improvement needed			Fully complies	Comments
			Major improvement	Significant improvement	Moderate improvement	Minor improvement	
	Annual governance statement					✓	in full, including reference to all core areas.
	Financial reporting					✓	
	Assurance framework					✓	
	Internal audit					✓	
	External audit					✓	
10	Over the last year, has adequate consideration been given to all core areas?					✓	Core areas are considered when developing and agreeing the Audit Committee's work programme each year.
11	Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?					✓	Yes. 'Wider functions' such as Treasury Management and External Assessment Reports are included within the Audit Committee's agreed annual work programme, with core functions as set out in CIPFA's guidance. There is a need to continue to maintain a distinction between the roles of Audit Committee and the Scrutiny function.
12	Has the committee met privately with the external auditors and head of internal audit in the last year?					✓	Yes.

	Good Practice Questions	Does not comply	Partially complies and extent of improvement needed			Fully complies	Comments
		Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement	

Membership and support

13	Has the committee been established in accordance with the 2022 guidance as follows?						
	• Separation from executive					✓	
	• A size that is not unwieldy and avoids use of substitutes					✓	
	• Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation					✓	
14	Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?			✓			As a local authority, members of our audit committee are appointed from current serving elected members. The required knowledge, skills and training needs have previously been discussed with Audit Committee members with no issues identified. A review of arrangements, including an evaluation of required knowledge, skills,
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?			✓			

	Good Practice Questions	Does not comply	Partially complies and extent of improvement needed			Fully complies	Comments
			Major improvement	Significant improvement	Moderate improvement		
							<p>training and support for members of Audit Committee and potential wider elected members' training programme, will be discussed with the Chair of Audit Committee following the appointment of members to Audit Committee after May 2025.</p> <p>Knowledge and skills are specifically considered when appointing independent co-opted members. Two new independent co-opted members and the independent co-opted Chair of Audit Committee were appointed in 2024, to further expand the knowledge and expertise available to Audit Committee.</p>
16	Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?				✓		<p>See questions 14 and 15 above.</p> <p>Whilst some training and support has been provided to Audit Committee (for example on counter-fraud measures across the Council), it is proposed that the training programme proposed for 2025/26 is assessed following</p>
17	Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?				✓		

	Good Practice Questions	Does not comply	Partially complies and extent of improvement needed			Fully complies	Comments
			Major improvement	Significant improvement	Moderate improvement	Minor improvement	
							the appointment of members to Audit Committee after May 2025.
18	Is adequate secretariat and administrative support provided to the committee?					✓	
19	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?					✓	

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?					✓	<p>An annual report from Audit Committee for 2023/24 was presented to Council, where Audit Committee was thanked for its work.</p> <p>In addition, discussion took place with the external auditor during 2024/25 relating to Audit Committee being active, engaged and asking enquiring questions.</p> <p>This area will be discussed further with the Chair of Audit Committee during 2025/26.</p>
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	Good Practice Questions	Does not comply	Partially complies and extent of improvement needed			Fully complies	Comments
			Major improvement	Significant improvement	Moderate improvement	Minor improvement	
21	Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?					✓	
22	Are meetings effective with a good level of discussion and engagement from all the members?					✓	
23	Has the committee maintained a non-political approach to discussions throughout?					✓	This has regularly been discussed with Audit Committee and reinforced by the Chair during the year.
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?					✓	Audit Committee has been attended by a range of officers, the Leader and Deputy Leader, according to the content of reports presented. During 2024/25, the responsible senior officer was invited to attend Audit Committee to discuss in detail the circumstances surrounding a particular risk held on the corporate risk register. This will be considered further during 2025/26.
25	Does the committee make recommendations for the improvement of governance, risk and control arrangements?					✓	It would not be usual for recommendations from Audit Committee to be made regularly. However, Audit Committee has made

	Good Practice Questions	Does not comply	Partially complies and extent of improvement needed			Fully complies	Comments
			Major improvement	Significant improvement	Moderate improvement	Minor improvement	
							recommendations when appropriate.
26	Do audit committee recommendations have traction with those in leadership roles?					✓	This has been helped by the introduction of the monitoring report / action log for Audit Committee. This has been introduced to help ensure that any request / recommendation of Audit Committee can be recorded and the log is considered and reviewed as a standing agenda item of Audit Committee meetings.
27	Has the committee evaluated whether and how it is adding value to the organisation?					✓	Audit Committee has previously evaluated value added as part of earlier reviews of Audit Committee arrangements. It is proposed that this evaluation is undertaken during 2025/26, following the appointment of members to Audit Committee after May 2025.
28	Does the committee have an action plan to improve any areas of weakness?					✓	An action plan will be developed, including actions arising from the self-assessment and reported back to future meetings of Audit Committee.

	Good Practice Questions	Does not comply	Partially complies and extent of improvement needed			Fully complies	Comments
			Major improvement	Significant improvement	Moderate improvement	Minor improvement	
29	Has this assessment been undertaken collaboratively with the audit committee members?					✓	The assessment has been undertaken with the Chair of Audit Committee and all members of the Audit Committee consulted, prior to discussion of the self-assessment by Audit Committee.

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Northumberland County Council

Audit Committee

Thursday, 27 March 2025

Strategic Audit Plan 2025/26

Report of Head of Internal Audit and Risk Management

1. Link to Key Priorities of the Corporate Plan

The work of Internal Audit contributes to the achievement of all priorities in the Council's Corporate Plan. In particular, it supports the "Achieving Value for Money" priority of the Corporate Plan 2023-26.

2. Purpose of report

The purpose of this report is to advise Audit Committee of the Strategic Audit Plan for 2025/26. This document outlines the planned work of Internal Audit during this period and is attached as **Appendix 1**.

3. Recommendations

3.1 It is recommended that Audit Committee:

- a) approves the Strategic Audit Plan 2025/26, attached as **Appendix 1**, and notes that prevailing risks and impact on assurance needed will continue to be kept under review by the Head of Internal Audit and Risk Management.
- b) approves the updated Internal Audit Charter and Mandate for 2025/26, attached as **Appendix 2**.

4. Background

4.1 The Strategic Audit Plan for 2025/26, which sets out in detail the planned Internal Audit coverage for the coming year, is attached to this report as Appendix 1. The Strategic Audit Plan helps to ensure that internal auditing can fulfil its prescribed definition as "an independent, objective assurance and advisory service designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".

- 4.2 Progress against the Strategic Audit Plan will be reported to Audit Committee throughout the year, along with any proposed revisions and key outcomes from work. A final outturn report and the Chief Internal Auditor's annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control will be reported to the Audit Committee in May 2026.
- 4.3 The Internal Audit team has a key role in helping the Council achieve its objectives by exploring areas of potential efficiency and matters of probity and internal control. Preparation of a Strategic Audit Plan ensures that Internal Audit resources are deployed in areas that will provide optimum benefit and value to the Council. The Plan will be kept under review to take into account any changes in governance arrangements and the control environment that occur during the year.
- 4.4 Internal Audit's 'Preparation of the Strategic Audit Plan – 2025/26' report presented to Audit Committee in January 2025 set out Internal Audit's approach to preparing the 2025/26 Strategic Audit Plan. The approach has been designed to ensure that:
- a) legislative responsibilities, professional standards and the Council's Finance and Contract Rules are fully complied with;
 - b) Internal Audit is independent in its planning and operation and has an unrestricted range of coverage of the Council's activities; and
 - c) resources are targeted at areas in which audit coverage will produce greatest benefit
- 4.5 The Plan is based on an assessment of the Council's objectives, risks facing the organisation, strengths and weaknesses in the internal control system and consultation with senior management and Audit Committee members.
- 4.6 The Council has a statutory responsibility to maintain "an adequate and effective internal audit" and the Strategic Audit Plan attached as **Appendix 1** has been prepared in accordance with this requirement.
- 4.7 The Global Internal Audit Standards (GIAS) and accompanying UK Public Sector Application Note, which, with effect from 1 April 2025, replace the Public Sector Internal Audit Standards (PSIAS), require that the Audit Committee, as the designated 'board' is required to approve the Internal Audit Charter. The Internal Audit Charter was most recently approved by Audit Committee in March 2024. The Internal Audit Charter has been reviewed and updated, to ensure that the exact requirements of the new GIAS are complied with. The updated Internal Audit Charter is attached as **Appendix 2**.
- 4.8 In January 2025 Audit Committee was advised of the introduction of new GIAS and of the implications of the updated standards for the Internal Audit service and Audit Committee. This report concluded that there were no areas of concern arising from the change in requirements. CIPFA has also recently concluded consultation on a Code of Practice for the Governance of Internal Audit in Local Government. A full self-assessment against the GIAS, accompanying UK Public Sector Application Note, and the CIPFA Code of Practice will be undertaken and reported to Audit Committee in June 2025, with an updated Improvement Action Plan.

5. Options open to the Audit Committee and reasons for the recommendations

Not applicable.

6. Implications

Policy	Effective internal audit is an essential part of the County Council's governance arrangements. Internal Audit examines the Council's systems of internal control, and the economy, efficiency and effectiveness with which resources are deployed. Based on an assessment of risk the Strategic Audit Plan sets out the planned areas in which this coverage will be focussed.
Finance and value for money	The audit of the Council's activities, as set out in the Strategic Audit Plan, promotes good financial governance and the importance of value for money. Effective control in these areas reduces the potential for financial loss through fraud, waste, and inefficiencies.
Legal	The Accounts and Audit Regulations 2015 require the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards. The Public Sector Internal Audit Standards (and the Global Internal Audit Standards with effect from 1 April 2025) establishes the professional standards Internal Audit must apply when planning the use of its resources.
Procurement	There are no specific procurement implications within this report.
Human resources	There are no specific human resources implications within this report.
Property	There are no specific property implications within this report.
The Equalities Act: is a full impact assessment required and attached?	No - no equalities issues identified Equality Impact Assessment not required.
Risk assessment	The Strategic Audit Plan is prepared using a risk-based approach, thus ensuring that coverage is focussed on those areas of Council activity with high levels of risk to the achievement of key objectives.

Crime and disorder	Section 17 of the Crime and Disorder Act 1998 has been considered, and no implications have been identified. The work of Internal Audit is a key strand in the Authority’s counterfraud arrangements, as set out in the Strategic Audit Plan.
Customer considerations	The Strategic Audit Plan 2025/26 has been based on a risk-based audit needs assessment following consultation with customers of our Service including the Audit Committee, Chief Executive, Executive Directors, relevant Service Directors and Heads of Service, the Cabinet Member for Corporate Services and the external auditor.
Carbon reduction	There are no specific carbon reduction implications within this report.
Health and wellbeing	There are no specific health and wellbeing implications within this report.
Wards	(All wards)

7. Background papers

Not applicable.

8. Links to other key reports already published

- The Global Internal Audit Standards, Institute of Internal Auditors, January 2024
- Application Note: Global Internal Audit Standards in the UK Public Sector, Chartered Institute of Public Finance & Accountancy, December 2024
- Public Sector Internal Audit Standards (PSIAS), Chartered Institute of Public Finance and Accountancy / Institute of Internal Auditors, revised April 2017;
- Local Government Application Note for the UK Public Sector Internal Audit Standards, Chartered Institute of Public Finance & Accountancy / Institute of Internal Auditors, February 2019;
- The Accounts and Audit Regulations 2015, April 2015;
- Northumberland County Council Constitution & Finance and Contract Rules;
- Audit Committee Report 29 January 2025 - Preparation of the Strategic Audit Plan 2025/26.

9. Author and Contact Details

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Northumberland
County Council

Internal Audit and Risk Management Service

Strategic Audit Plan 2025/26

1 Introduction

- 1.1 Internal Audit is “*an independent, objective assurance and advisory service designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes*”¹. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- 1.2 Internal Audit is an independent resource available to assist the organisation to explore areas of potential efficiency and matters of probity and internal control. We seek to use our business intelligence and knowledge of the Council to make sensible, informed recommendations for improvement, and thus contribute to the effective running of the organisation.
- 1.3 Internal Audit provides assurance to the organisation that controls established to manage risks to the achievement of the Council’s objectives are operating effectively. This has a positive impact on the risk environment, informing management whether the action which they are taking to control and manage risks is working as it should.
- 1.4 The Strategic Audit Plan has been prepared in accordance with the Global Internal Audit Standards (GIAS) and accompanying UK Public Sector Application Note, which, with effect from 1 April 2025, replace the Public Sector Internal Audit Standards (PSIAS) and accompanying Local Government Application Note introduced in 2013 (revised in subsequent years). The GIAS and accompanying UK Public Sector Application Note set out similar requirements to the PSIAS and are mandated in the Accounts and Audit Regulations 2015. Internal Audit is therefore required to follow the standards when planning the use of its resources. Preparation has involved establishing a risk-based plan to determine the priorities of internal audit activity, consistent with the organisation’s goals and the aspirations of key stakeholders with regard to assurance activity for the Council.
- 1.5 The Strategic Audit Plan, more detail of which is included in section 8, helps to ensure that Internal Audit is able to meet its objectives as an independent assurance function for the Council and to provide an independent and objective opinion to the organisation on the adequacy and effectiveness of the framework of governance, risk management, and control. Internal Audit must be independent in its planning and operation. Accordingly, in producing the Strategic Audit Plan, the Chief Internal Auditor (Head of Internal Audit and Risk Management) is required to determine the priorities of Internal Audit, following consultation with stakeholders and assessment of risk, and to present this Plan to senior management and the Audit Committee (acting as the ‘Board’) for review and approval.

¹ Global Internal Audit Standards Institute of Internal Auditors (IIA), January 2024

2 Period Covered by the Strategic Audit Plan

- 2.1 The Strategic Audit Plan sets out the assurance coverage which Internal Audit will deliver within the coming financial year, 2025/26. The Plan needs to be realistic and achievable, and sufficiently flexible to respond to changing priorities as they occur.
- 2.2 On an annual basis, the areas which may benefit from audit review, and the risk associated with the Council's operations are reassessed. Every year, an updated Strategic Audit Plan is presented to the Audit Committee for approval.
- 2.3 The key objectives for the audit reviews identified to take place during 2025/26 are shown in section 8 of this document and each audit has been mapped to the Corporate Plan 2023-2026, to demonstrate that assurance is not provided in isolation but contributes directly to the achievement of the Council's main goals.

3 Risk Assessment and Audit Planning

- 3.1 It is important that audit resources are targeted at areas in which audit coverage will produce greatest benefit. Risk-based internal auditing requires Internal Audit to understand and analyse management's assessment of risk, and base audit efforts around this assessment of risk to the organisation.
- 3.2 Internal Audit adopts assurance mapping to assess the level of confidence the Council can have in its service delivery, management of risks, operation of controls and performance. Considering the prevailing corporate risks, details of assurance sources have been mapped across three levels often referred to as the three lines model, i.e. management, corporate oversight and independent assurance. This provides information on assurances the Council has on areas of the business that matter most, and highlighting where there may be potential deficiencies.
- 3.3 In addition to corporate risks, a number of other sources of information are considered as part of the Internal Audit planning process, including:
 - Service Strategic Risks rated as 'Red' by Heads of Service and Directors
 - Internal Audit work undertaken during 2024/25 and any audit reports with a 'Limited Assurance' Opinion
 - Our 'Audit Universe' of auditable areas across the Council
 - Reports to Council, Cabinet and other Committees
 - Consultation with key stakeholders, including Executive Management Team, Corporate Risk Owners, Audit Committee, the Cabinet Member for Corporate Services and the external auditor.
- 3.4 Those auditable areas identified as most risk-sensitive by this process have been prioritised for audit in the Plan. Changes in the risk environment along with progress against the Plan will continue to be monitored and assessed throughout the year, and the results of this assessment used to inform in-year and future audit priorities. This ensures that the Plan remains flexible and reflects the risks facing the Council.

- 3.5 The Strategic Audit Plan has therefore been based on an assessment of the Council's objectives and business goals, risks facing the organisation and its achievement of these goals, known strengths and weaknesses in the internal control system, the Accounts and Audit Regulations 2015, and the views of consultees.

4 Internal Control: Roles of Management and of Internal Audit

- 4.1 It is a management responsibility to establish effective internal controls, in order that activities are conducted in an efficient and well-ordered manner. Internal control comprises the whole system of controls and systems, financial and otherwise, established by management to:

- safeguard assets and prevent fraud;
- ensure the completeness and reliability of records;
- monitor adherence to laws, regulations, policies and directives;
- promote operational efficiency and good value for money; and
- manage risk.

- 4.2 Amongst its responsibilities, Internal Audit examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources. Internal Audit assists management in delivering the objectives of the Council through assessing exposure to risk and recommending, where appropriate, practical improvements to the control environment. Internal Audit's remit includes:

- assessing if operations are being carried out as planned, and if objectives / goals are being achieved;
- assessing the adequacy of systems established to ensure compliance with policies, plans, procedures, laws and regulations, i.e. rules established by the management of the organisation or externally;
- assessing the completeness, reliability and integrity of information, both financial and operational;
- assessing the extent to which the Council's assets, data and interests are properly accounted for and safeguarded from losses of all kinds, including fraud, corruption, waste, extravagance, abuse, ineffective management and poor value for money; and
- assessing the economy, efficiency and effectiveness with which resources are deployed.

- 4.3 It is usual that a project brief is produced and distributed prior to an audit starting so that the objectives of the audit and approach to be adopted are understood and agreed by both Internal Audit and the audit client.

5 Quality Standards

- 5.1 Under the Accounts and Audit Regulations 2015, the Council must "undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance." Proper practices in relation to internal control comprise both the Public Sector Internal Audit Standards and the specific Local Government

Application Note. With effect from 1 April 2025, proper practices in relation to internal control will comprise both the Global Internal Audit Standards and accompanying 'Application Note: Global Internal Audit Standards in the UK Public Sector'. The Chartered Institute of Public Finance and Accountancy (CIPFA) has been designated the relevant Internal Audit Standard Setter for local government bodies.

- 5.2 The GIAS incorporate a Code of Ethics for internal auditors, and a number of clear attribute and performance standards with which Internal Audit functions are required to comply. It is a requirement of both the PSIAS and the GIAS that Internal Audit is externally assessed for its conformance to the standards at least once in every five years. During 2023 an external assessment of Northumberland County Council's Internal Audit Service was performed by CIPFA. The overall opinion of the external assessor was:
"It is our opinion that the internal audit service GENERALLY CONFORMS to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note."
- 5.3 This is a positive result and "generally conforms" is the highest assessment outcome provided by CIPFA. Some suggested improvements were identified and an action plan has been developed to address these.

6 Resource Management

- 6.1 The Chief Internal Auditor must ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan. Internal Audit's establishment from April 2025 comprises the equivalent of 7.51 full time employees, an Internal Audit apprentice and the Head of Internal Audit and Risk Management, although Internal Audit also provides assurance services for some other entities (e.g. the Advance Northumberland Group of Companies) from the same FTE complement outlined above. As we prepare for 2025/26 this figure includes one vacancy within the service, and the recruitment process in relation to this post is currently being progressed. The resourcing of Internal Audit is kept under constant review.
- 6.2 Reporting lines within the Internal Audit and Risk Management team ensure a separation of duties between Internal Audit and Risk Management functions, in order to ensure compliance with the Public Sector Internal Audit Standards and prevailing good practice regarding assurance and independence.
- 6.3 As reported to Audit Committee, the professional standards require that a quality assurance and improvement programme (QAIP) be developed, designed to enable an evaluation of internal audit's compliance with the standards and Code of Ethics, and assess the efficiency and effectiveness of internal audit activity and identify opportunities for improvement. The QAIP approved by Audit Committee in January 2023 was developed to codify these arrangements. As part of this process, we have formalised performance indicators designed to measure the efficiency and effectiveness of the service, which are reported to Audit Committee throughout the year.

7 Key Themes in the Strategic Audit Plan

- 7.1 Based on Internal Audit's assessment of risk, including knowledge of the Council's internal controls, areas of strength and weakness and the Council's priorities, the Strategic Audit Plan bears the following key themes.

Advice & Programme Assurance

Programme and Project Assurance

- The Strategic Audit Plan recognises Internal Audit's project assurance role. This role involves advising on, and challenging, the approach to internal control within new or improved systems and methods of service delivery. By undertaking this role, Internal Audit proactively acts as a partner to the business and adds maximum value to service improvement, in order to assist the Council's Executive Management Team and the organisation to achieve objectives. This aspect of Internal Audit's role has increased in prominence over recent years and was a recurring theme in Internal Audit's discussions with senior management as part of our consultation in relation to the 2025/26 Audit Plan, particularly in respect of our BEST programme.

Advice and Consultancy, and Contingencies

- During the year Internal Audit will be approached by management for advice, or requested to examine ad-hoc areas, systems or irregularities. A contingency has been set aside in order that Internal Audit is able to respond efficiently to such requests. The required number of contingency days is difficult to predict and can by its very nature be subject to variation as it includes responding to potential irregularities and performing special investigations. For the purposes of resource planning, historic data on the ad-hoc requests previously made to Internal Audit, and the time required, have been reviewed and used to inform the allocation set out.

Audit and Assurance

Corporate and Cross Cutting Activities

- Areas which are important throughout all of the Council's services in respect of which audit review helps give assurance to the organisation or highlights aspects in which improvement could be made. During 2025/26 these audit activities will include:
 - Following up audit recommendations.
 - Pre-submission review of grant claims.
 - The Chief Internal Auditor's Annual Opinion.
 - Governance and value for money reviews.

Service Area Assurance / Schools

- The Internal Audit Service performs high quality audits of the Council's service areas, focusing on specific areas of importance or risk. Regarding schools, Internal Audit will address risk issues within a school environment by auditing

key risk areas in a sample of schools and cascading key messages and learning points throughout the wider school environment. For 2025/26 it is planned to increase the Internal Audit resource allocated to undertaking audit work in schools.

Computer Audit

- The Council invests heavily in computer-based systems to aid delivery of services and to undertake the majority of financial processing tasks. The use and integration of information and communications technology (ICT) within the Council continues to increase. As well as improved economy, efficiency and effectiveness, computer-based systems involve a different set of risks which require a specific audit approach.
- Computer audit is a specialist audit area, requiring detailed knowledge and skills associated with information and communications technology. Accordingly, it is planned to undertake a continuous programme of audits on the Council's ICT systems.

Counter Fraud and Key Financial Systems

Key Financial Systems

- A key role of the Internal Audit Service is the assessment of internal control in the Council's key financial and strategic systems. Key financial systems comprise those major systems by which the Council makes payments (payroll and creditor payments), and the major systems through which income is received (cash or debtor account). Strategic systems are fundamental to the payment or collection of money to or from the Council, including housing benefit / council tax support, council tax, business rates and housing rents.
- The key systems are fundamental to internal financial control and management, as they are the systems by which the Council's income is received and disbursed. The Council needs to be assured that a high standard of probity are present in these systems. During 2025/26 Internal Audit's review of the key financial systems are being designed to focus on the areas of highest risk to the Authority.

Counter Fraud

- The establishment and maintenance of effective controls in the Council's key financial systems and strategic systems is a major strand in our organisation's counter fraud arrangements. Such controls proactively prevent the opportunity for many types of fraud, and the evaluation of the existence and application of suitable controls within these systems is therefore given due prominence in Internal Audit's planned workload.
- The management of fraud and corruption is the responsibility of management, and the Head of Internal Audit & Risk Management is required to make arrangements to be notified of all suspected or detected fraud, corruption or impropriety, to inform his annual Internal Audit opinion and the risk-based Plan.

Although Internal Audit does not have the responsibility for the prevention or detection of fraud and corruption, its work assists management to fulfil their responsibilities through the strengthening of internal control.

- All members and officers of the Council are responsible for the prevention of fraud and corruption. Internal Audit assist in this by undertaking pro-active anti-fraud work during the year, linked to work on the key financial systems, the content of which is determined through an ongoing risk assessment process. The transfer of the Council's Corporate Fraud team into the Internal Audit and Risk Management Service provides a number of opportunities for liaison and joint working between the Internal Audit and Corporate Fraud Teams and these arrangements continue to evolve and develop.
- Internal Audit acts as a key contact for the Cabinet Office in respect of the National Fraud Initiative (NFI). The NFI is the Cabinet Office's data matching exercise that tackles a broad range of fraud risks faced by the public sector. The NFI has been embedded in the statutory external audit process for audited and inspected bodies since 1998.

Reprogrammed Work

- Professional auditing guidance states that internal audit plans should be flexible to accommodate work not originally included in the plan which has arisen as a result of external and internal factors. This is a normal part of the audit planning and management process and reflects that audits are undertaken on a continuous rolling programme, according to the optimum timing for each piece of work.

8 Annual Audit Plan 2025/26

Advice & Programme Assurance

Heading	Auditable Area	Description / Audit Objectives	Priority	Link to Corporate Plan
Advice, Contingencies & Assurance	<ul style="list-style-type: none"> • Advice & Guidance • Contingencies & Work Requests • Fraud & Special Investigations 	Responding to ad-hoc queries and requests for advice; responding to requests for one-off audit assignments, where it is considered that audit involvement is necessary; project assurance and assuring appropriate consideration has been given to internal control & governance issues when new systems are introduced.	N / A	All Corporate Plan priorities
Programme Assurance	New Systems / Methods of Service Delivery	<p>Internal Audit may be asked to add value by providing assurance on aspects of the approach and work undertaken and assessing the robustness of arrangements for benefits realisation. The systems, programmes and new initiatives to be supported are continually reviewed and assessed. Consultation on the Audit Plan identified the following areas that may benefit from Internal Audit's support:</p> <ul style="list-style-type: none"> • Data Quality Supporting the Performance Management Framework • BEST – Benefit Realisation Management Processes • Corporate Health and Safety Actions Following External Review • Swift System Replacement • Process changes within Community Services 	N / A	All Corporate Plan priorities

Audit and Assurance – Corporate and Cross Cutting

Heading	Auditable Area	Description / Audit Objectives	Priority	Link to Corporate Plan
Corporate and Cross Cutting	Follow up on Recommendations	Monitoring the implementation of Internal Audit recommendations in consultation with the service areas which have received these recommendations. During the year, Internal Audit will review the process within the Internal Audit and Risk Management Service to ensure recommendations are followed up and reported upon to Audit Committee in a timely, efficient and effective manner.	N / A	All Corporate Plan priorities
	Pre-Submission Review of Grant Claims	There is an increasing number of funding streams that require an Internal Audit review prior to final claim submission. Internal Audit will undertake the necessary assurance checks as these grant submissions become due.	N / A	'Achieving Value for Money'
	Annual Opinion	An annual opinion on the 'adequacy and effectiveness of the framework of governance, risk management and control' will be drafted and presented to the Chief Executive, Executive Team and Audit Committee, outlining the audit work performed during the year and summarising key themes. This will be timed to support production of the Council's Annual Governance Statement.	N / A	All Corporate Plan priorities

Audit and Assurance – Corporate and Cross Cutting (continued)

Heading	Auditable Area	Description / Audit Objectives	Priority	Link to Corporate Plan
Corporate and Cross Cutting	Governance and Value for Money Reviews	<p>To review whether appropriate internal controls exist within a sample of significant business arrangements within Northumberland County Council. Where it is possible to assess the economy, efficiency and effectiveness of specific aspects of these arrangements, this will also be undertaken. Areas proposed to be reviewed under this heading in 2025/26 include:</p> <ul style="list-style-type: none"> • Adults, Ageing and Wellbeing: <ul style="list-style-type: none"> ○ Joint Equipment Loan Service ○ CQC Inspection Action Plan Implementation ○ Prevention & Triage • Chief Executive’s Office: <ul style="list-style-type: none"> ○ Wholly Owned Companies. ○ Health and Wellbeing Arrangements ○ RIPA Arrangements ○ Elections Governance & Accounts ○ Assurance Over Awareness & Implementation of New Legislation ○ Public Protection ○ NFRS Post / Pre-Inspection Support • Children, Young People & Education: <ul style="list-style-type: none"> ○ School Organisation Plan ○ SEND Statutory Assessment Panels • Place & Regeneration: <ul style="list-style-type: none"> ○ Multiple Large Scale Capital Schemes – Follow-up review ○ Fleet Management / Depots ○ Building Control • Public Health, Inequalities & Stronger Communities: <ul style="list-style-type: none"> ○ Complaints Processes • Transformation & Resources: <ul style="list-style-type: none"> ○ Treasury Management Arrangements ○ Procurement / Contract Management (reflecting BEST) 	High	All Corporate Plan priorities

Audit and Assurance – Service Area Specific (Corporate Resources)

Heading	Auditable Area	Description / Audit Objectives	Priority	Link to Corporate Plan
Information Services	Systems and Governance Reviews	<p>To determine whether the systems and procedures in operation are functioning satisfactorily and are in accordance with legislation and Council policy. In particular, to determine whether:</p> <ul style="list-style-type: none"> • The systems and procedures comply with good practice and all legal, statutory and regulatory body requirements, and meet business needs; • All transactions are completely and accurately recorded and traceable; • Access to information and facilities is controlled and restricted to authorised users according to their needs; • The potential for fraud and error are minimised; • The systems and procedures are effectively administered and supported; • All staff have been correctly trained to the level that will allow them to properly fulfil their duties; • The systems are available to serve the needs of the business; • The systems and procedures provide complete and accurate management information; and • Upgrades and changes to systems and procedures are properly resourced and managed to meet clearly stated and agreed business objectives. <p>For 2025/26, specific ICT audit coverage will be prioritised to cover areas including Cyber Security, Data Storage, Retrieval and Access Rights, Business Continuity and Disaster Recovery, Change and Incident Management, Office 365/SharePoint and Oracle Fusion.</p>	High	'Achieving Value for Money'
	Accreditation pre-submission reviews	<p>To undertake independent review of the Authority's compliance with recognised standards prior to submission for accreditation or re-accreditation:</p> <ul style="list-style-type: none"> • Payment Card Industry Data Security Standard (PCIDSS) • Public Service Network (PSN) Compliance 		

Audit and Assurance – Service Area Specific

Heading	Auditable Area	Description / Audit Objectives	Priority	Link to Corporate Plan
Education and Skills	Schools' Financial Value Standard (SFVS)	To co-ordinate schools in the completion of their mandatory returns, and provide assurance to the Section 151 Officer relating to their annual report to the Department for Education.	High	'Achieving Value for Money'
	Schools & Other Educational Establishments	To assess the application of controls associated with the discharge of responsibilities relating to delegated school budgets, within a sample of the County's schools on a risk assessed basis.	High	'Achieving Value for Money'
	Schools & Other Educational Establishments	To provide advice and support on issues of probity and internal control, on school and other educational establishment financial governance related issues, as requested. This may include, for example: <ul style="list-style-type: none"> • Support in verifying aspects of financial arrangements in the case of any planned school closures or transfer to academy status; • Support in verifying aspects of financial arrangements in the case of any planned transfer of elements of service provision; or • Support to schools within the Schools Intervention and Support Programme. 	High	'Achieving Value for Money'

Counter Fraud and Key Financial Systems

Heading	Auditable Area	Description / Audit Objectives	Priority	Link to Corporate Plan
Counter Fraud	Pro-active anti-fraud work	To undertake pro-active anti-fraud and corruption work (including participation in the Cabinet Office's National Fraud Initiative and performing internal data matching exercises); and to raise the awareness of counter fraud and corruption measures across the organisation.	N / A	'Achieving Value for Money'
Key Financial Systems	Business Rates Council Tax Payroll Creditor Payments Cash and Bank Debt and Income Management Rent Assessment and Collection Housing and Council Tax Benefit	The key financial systems encompass the main ways in which the Council either pays money out (Creditor Payments, Payroll, Housing & Council Tax Benefit) or receives monies in (Business Rates, Council Tax, Debt and Income Management, Rent Assessment and Collection). Each of these areas will be given some audit coverage in each financial year, with emphasis dictated by the organisation's risk profile determined on an annual basis.	High	'Achieving Value for Money' All Corporate Plan priorities



Northumberland
County Council

Internal Audit Service

Internal Audit Charter

March 2025

1 Introduction and Purpose of the Internal Audit Charter

- 1.1 The Accounts and Audit Regulations 2015 require every local authority to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”
- 1.2 The Global Internal Audit Standards and associated Global Internal Audit Standards in the UK Public Sector Application Note are the mandatory standards with which every Internal Audit provider delivering such services in local government is required to comply. The Global Internal Audit Standards (GIAS) require that each local authority has an internal audit charter that specifies Internal Audit’s purpose, commitment to adhering to the GIAS, mandate, and organisational position and reporting relationships.
- 1.3 In accordance with the definitions within the GIAS, at Northumberland County Council, the Audit Committee fulfils the role of the “board” of the organisation and the Executive Management Team fulfils the role of “senior management”.

2 Purpose

- 2.1 The purpose of the Internal Audit service is to strengthen Northumberland County Council’s ability to create, protect and sustain value by providing the Audit Committee and management with independent, risk-based, and objective assurance, advice, insight, and foresight.
- 2.2 The Internal Audit service aims to enhance Northumberland County Council’s:
 - Successful achievement of its objectives
 - Governance, risk management, and control processes
 - Decision-making and oversight
 - Reputation and credibility with its stakeholders
 - Ability to serve the public interest.
- 2.3 Northumberland County Council’s Internal Audit service is most effective when:
 - It is performed by competent professionals in conformance with the Global Internal Audit Standards, which are set in the public interest
 - The service is independently positioned with direct accountability to the Audit Committee
 - Internal auditors are free from undue influence and committed to making objective assessments.

3 Commitment to Adhering to the Global Internal Audit Standards

- 3.1 Northumberland County Council’s Internal Audit service will adhere to the requirements of the Global Internal Audit Standards, in conjunction with the Chartered Institute of Public Finance and Accountancy (CIPFA) Application Note: Global Internal Audit Standards in the UK Public Sector.
- 3.2 The Head of Internal Audit and Risk Management (referred to as Chief Audit Executive in the Standards) will report at least annually to Audit Committee and the Executive Management Team regarding the Internal Audit service’s conformance with the Standards and accompanying Application Note.

Mandate

4 Authority

- 4.1 The Accounts and Audit Regulations 2015 require every local authority to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”
- 4.2 The Accounts and Audit Regulations 2015 make it a legal requirement that any officer or elected member of a relevant local authority must, if required to do so for the purposes of internal audit:
- a) make available such documents and records (including those in an electronic form); and
 - b) supply such information and explanations as are considered necessary by those conducting the internal audit. This Internal Audit Charter and Mandate affirms these statutory rights of access for Internal Audit.
- 4.3 These rights of access are also reiterated within the County Council’s Finance and Contract Rules (Rule 5-C3). These include the provision that Internal Audit has the authority to:
- enter at a reasonable time any Council premises or land.
 - access all records, documents and correspondence relating to any transaction of the Council.
 - review any activity of the Council.
 - require and receive from any employee or Member such explanations as are necessary concerning any matter under examination; and
 - directly access
 - the Head of Paid Service
 - the Chief Finance Officer
 - the Monitoring Officer
 - Cabinet
 - Audit Committee
 - external auditors
 - any other employee and/or Services necessary to fulfil their duties.
- 4.4 In turn, the Finance and Contract Rules (Rule 4-FC4) place a responsibility on all Executive Directors to:
- provide open and unfettered access to internal and external auditors; and
 - implement agreed Internal Audit recommendations within agreed timescales.

5 Reporting Lines and Independence

- 5.1 Internal Audit must be, and must be seen to be, independent. To ensure this, a number of arrangements are in place to ensure that Internal Audit operates within a framework which allows:
- unrestricted access to the board and senior management.
 - impartial and unbiased opinions.
 - reporting in its own name; and
 - segregation from line operations.
- 5.2 The Head of Internal Audit and Risk Management is required to report ‘directly to the board, and be positioned at a level within the organisation that enables the internal

audit function to discharge its services and responsibilities without interference’.

Within Northumberland County Council, these requirements are achieved by:

- the Head of Internal Audit and Risk Management reporting functionally to the Audit Committee. The Head of Internal Audit and Risk Management reports functionally to Audit Committee in his own name and has the right of free and unfettered access to the Audit Committee and Chair of Audit Committee.
- the Head of Internal Audit and Risk Management reporting operationally to a member of the organisation’s Executive Management Team. The Head of Internal Audit and Risk Management is line managed by the Executive Director of Transformation and Resources.

- 5.3 In line with the requirements of the GIAS, the Chief Executive and the Chair of Audit Committee will be invited to provide input / feedback to the annual performance review of the Head of Internal Audit and Risk Management. The Head of Internal Audit and Risk Management will also confirm the organisational independence of Internal Audit to Audit Committee at least annually.
- 5.4 In addition, the Head of Internal Audit and Risk Management has free and unfettered access to the Chief Executive, Executive Director of Transformation and Resources (s151 Officer), and Monitoring Officer.
- 5.5 Internal Audit shall have no responsibilities over the operations which it audits other than the furnishing of recommendations to relevant management, and advice to management on risks and controls. Where the span of management control of the Head of Internal Audit and Risk Management dictates, separation of duties is enforced within the team to ensure sufficient independence. Any Internal Audit work undertaken on any area for which the Head of Internal Audit and Risk Management is responsible (for example risk management) is led by, issued by and in the name of a Group Assurance Manager who has no responsibility for delivery of that service.

6 Role and Responsibilities of Audit Committee

- 6.1 In respect of Internal Audit, the GIAS includes a number of essential conditions relating to Audit Committee, within three specific principles. These principles are:
- Principle 6 – ‘Authorised by the Board’.
The Audit Committee establishes, approves, and supports the mandate of the internal audit function.
 - Principle 7 – ‘Positioned Independently’.
The Audit Committee establishes and protects the internal audit function’s independence and qualifications.
 - Principle 8 – ‘Overseen by the Board’.
Audit Committee oversees the internal audit function to ensure the function’s effectiveness.
- 6.2 In addition, the Audit Committee’s terms of reference reflect fully the terms of reference suggested by the Chartered Institute of Public Finance and Accountancy (CIPFA). In respect of Internal Audit, the Audit Committee’s terms of reference state responsibility to:

- i) approve the internal audit charter
- ii) review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- iii) approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- iv) approve significant interim changes to the risk-based internal audit plan and resource requirements.
- v) make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- vi) consider any impairments to the independence or objectivity of the head of internal audit arising from additional roles or responsibilities outside of internal auditing and to approve and periodically review safeguards to limit such impairments.
- vii) consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
 - updates on the work of internal audit, including key findings, issues of concern and action in hand as a result of internal audit work
 - regular reports on the results of the Quality Assurance and Improvement Programme
 - reports on instances where the internal audit function does not conform to Internal Audit Standards and Local Government Application Note, considering whether the nonconformance is significant enough that it must be included in the Annual Governance Statement.
- viii) consider the head of internal audit's annual report, including:
 - the statement of the level of conformance with Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that support the statement (these will indicate the reliability of the conclusions of internal audit)
 - the opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control, together with the summary of the work supporting the opinion (these will assist the committee in reviewing the Annual Governance Statement).
- viii) consider summaries of specific internal audit reports as requested.
- ix) receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- x) contribute to the Quality Assurance and Improvement Programme and in particular to the external quality assessment of internal audit that takes place at least once every five years.
- xi) consider a report on the effectiveness of internal audit to support the Annual Governance Statement where required to do so by the Accounts and Audit Regulations.
- xii) provide free and unfettered access to the Audit Committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

7 Role and Responsibilities of the Head of Internal Audit and Risk Management (Chief Internal Auditor)

- 7.1 The Head of Internal Audit and Risk Management is required to provide the Council with an independent and objective opinion on the overall framework of governance, risk management and control on an annual basis.
- 7.2 In order to deliver an annual opinion, Internal Audit prepares a Strategic Audit Plan, setting out the scope of work to be undertaken within the organisation each year. This detailed plan is prepared in consultation with the Chief Executive, s151 Officer, all Executive Directors, Service Directors, Heads of Service, Audit Committee Members, Cabinet Portfolio holder and the external auditor, and is approved by the Audit Committee.
- 7.3 Internal Audit's plan of work must be based on an assessment of risk and Internal Audit must have an unrestricted range of coverage of the Council's operations. The Head of Internal Audit and Risk Management will have the freedom to determine the priorities of Internal Audit, following consultation with the senior management of the organisation.
- 7.4 The Strategic Audit Plan will provide a broad objective for each audit assignment, together with the respective priorities and resources required. The Plan will be kept under review to identify any amendment needed to reflect changing priorities and emerging risks. It will be flexible, containing an element of contingency to accommodate assignments, fraud investigations and staff vacancies which could not be reasonably foreseen.
- 7.5 The scope of Internal Audit's work will cover all aspects of the County Council's activities and encompass both financial and non-financial aspects of the control environment. This includes activities undertaken in partnership with other organisations where assurance may be sought in accordance with agreed protocols and access rights.
- 7.6 Internal Audit's services will be conducted and provided in accordance with legislation (including the Accounts and Audit Regulations 2015), and related professional regulations including the Global Internal Audit Standards.
- 7.7 At the end of every Internal Audit assignment, a draft audit report will be issued to the relevant senior officer(s) as audit client, as identified in the project brief prepared at commencement of the assignment and agreed with the audit client. The project brief will set out clearly the circulation of the report.
- 7.8 Should the Head of Internal Audit and Risk Management consider that a matter of governance or control is so serious as to warrant communication to other officers of the organisation, or to an external agency such as the Police, the Head of Internal Audit and Risk Management has the authority to do so. Accordingly, the Head of Internal Audit and Risk Management will have direct access to, and freedom to report to, all senior management and elected members, and any external agency which, in his professional judgement, he considers appropriate.
- 7.9 The organisation's management is expected to implement all accepted recommendations within a reasonable timescale, determined by management and agreed with Internal Audit at the end of the audit assignment. Each audit will be

followed up to assess the extent to which this has happened. Summary information on Internal Audit's work and the implementation of recommendations will be reported to the Executive Management Team and Audit Committee on a periodic basis.

7.10 The Head of Internal Audit and Risk Management will ensure that:

- a) internal auditors complete an annual declaration confirming compliance with rules on independence, conflicts of interest and the offer and / or acceptance of gifts and hospitality. In compiling the Strategic Audit Plan it will be ensured that this recognises and addresses potential conflicts of interest, in particular, by ensuring that staff do not undertake an audit assignment for at least one year in an area where they have had previous operational roles.
- b) internal auditors will undertake their work in accordance with the requirements of the GIAS, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality. This will be included within the annual performance appraisal for each internal auditor.
- c) When performing their work, internal auditors will be alert to the possibility of intentional wrongdoing, errors and omissions, poor value for money, failure to comply with management policy and conflicts of interest. They will ensure that any suspicions of fraud, corruption or improper conduct are promptly reported to the Head of Internal Audit and Risk Management.
- d) there will be no unauthorised disclosure of information unless there is a legal or professional requirement to do so.

7.11 The Head of Internal Audit and Risk Management will ensure that a quality assurance and improvement programme (QAIP), covering all aspects of the internal audit function is developed, implemented and maintained. The programme will include both internal assessments and external assessments as required by Internal Audit Standards. The Head of Internal Audit and Risk Management will communicate, at least annually, the results of the internal quality assessment to Audit Committee and Executive Management Team. The results of external quality assessments will also be reported to Audit Committee and Executive Management Team when completed.

8 Resources

8.1 The Head of Internal Audit and Risk Management will hold a relevant professional qualification and have suitable experience of audit and management. The Head of Internal Audit and Risk Management will also ensure that the Internal Audit Service is appropriately resourced in terms of number, grades, qualifications and experience.

8.2 The Strategic Audit plan, once set, will be compared to resource availability and where there is any imbalance between the two, the Audit Committee will be informed of this and proposed solutions. Any significant matters that jeopardise delivery of the plan, or require changes to the plan, will be identified, addressed and reported to the Audit Committee.

8.3 In determining the resourcing of Internal Audit, the staffing of the Internal Audit Service will be kept under annual review. As a minimum, resourcing will ensure that the Service is able to comply with the requirements of the GIAS. Resourcing required

will be identified by the Head of Internal Audit and Risk Management, ensuring that as a minimum, resources are sufficient to provide a level of coverage necessary to give an annual evidence-based opinion on the adequacy and effectiveness of the organisation's framework of governance, risk management and control.

9 Scope of Internal Audit Services

- 9.1 The work of Internal Audit embraces the organisation's whole framework of governance, risk management and control, including all of its activities, funded from any source. Internal Audit's remit includes:
- assessing if operations are being carried out as planned, and if objectives / goals are being achieved.
 - assessing the adequacy of systems established to ensure compliance with policies, plans, procedures, laws and regulations, i.e. rules established by either the management of the organisation or externally.
 - assessing the completeness, reliability and integrity of information, both financial and operational.
 - assessing the extent to which the organisation's assets, data and interests are properly accounted for and safeguarded from losses of all kinds, including fraud, corruption, waste, extravagance, abuse, ineffective management and poor value for money; and
 - assessing the economy, efficiency and effectiveness with which resources are deployed.
- 9.2 In addition to Northumberland County Council, the Internal Audit Service also provides services to Advance Northumberland Group of Companies and to Northumberland Inshore Fisheries and Conservation Authority.

10 Fraud and Corruption

- 10.1 Internal Audit performs investigations into suspected fraud or irregularity. It is important that the organisation can call upon Internal Audit resource to respond quickly to assess the extent of potential problems and to secure evidence if required. Internal Audit will also review weaknesses in control to establish the reasons for the fraud / irregularity occurring and recommend improvements in the control environment to minimise the risk of reoccurrence. Internal Audit or counter fraud officers will co-ordinate the investigation of alleged financial irregularity in accordance with the organisation's counter fraud policy, including liaison with the Police.
- 10.2 The County Council's Anti-Fraud, Bribery and Corruption Policy requires that Internal Audit is informed in the event that fraudulent activity or financial irregularity is suspected or confirmed, in accordance with the Council's Finance and Contract Rules. This is to ensure that the Head of Internal Audit and Risk Management can consider the adequacy of relevant controls as part of the annual opinion on the overall adequacy of the effectiveness of the framework of governance, risk management and control.

11 Limitations of Internal Audit Responsibilities

- 11.1 In the discharge of the responsibilities of Internal Audit, as detailed above, it should be noted that the Internal Audit Service is not responsible for:

- Implementing controls / controlling risks of the Council.
- Establishing / maintaining systems of internal control.
- Determining operational policies or procedures.
- Identifying all instances of fraud / poor governance.

12 Consulting Activity

- 12.1 The GIAS define 'consulting services', or 'advisory services' as:
"Services through which internal auditors provide advice to an organisation's stakeholders without providing assurance or taking on management responsibilities. The nature and scope of advisory service are subject to agreement with relevant stakeholders. Examples include advising on the design and implementation of new policies, processes, systems, and products; providing forensic services; providing training; and facilitating discussions about risks and controls."
- 12.2 The Internal Audit Plan, agreed by the Audit Committee in March each year, will identify any assignments which fall within the above definition. In addition, in terms of the requirements of the GIAS, any additional consulting services identified during the course of the year will be approved by the Head of Internal Audit & Risk Management (Chief Internal Auditor), where resources permit without impacting on the ability to provide the planned annual opinion.
- 12.3 Should significant unplanned consultancy work be identified, approval will be sought from Audit Committee. Within Northumberland County Council, it is considered appropriate to define "significant" as any single assignment which is estimated to require a resource of 15 days or more.
- 12.4 Where internal audit work is proposed in an area / Service which has previously received consulting services, resourcing is carefully managed, in order to ensure that independence and objectivity is not impaired.

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Northumberland County Council

Audit Committee

Thursday, 27 March 2025

Local Partnerships Review of Governance Arrangements for Oversight of Council Owned Companies

Report of Councillor(s) Glen Sanderson, Leader of Council

Responsible Officer(s): Jan Willis, Executive Director for Resources & Transformation (S151)

1. Link to Key Priorities of the Corporate Plan

Effective oversight and governance of Council owned companies supports the Council's priority of demonstrating value for money. Advance Northumberland is a key vehicle for delivering regeneration, economic growth and jobs.

2. Purpose of report

The report sets out the findings of the independent review of governance arrangements for oversight of Council owned companies undertaken by Local Partnerships and an action plan for addressing key recommendations.

3. Recommendations

3.1 Note the findings and recommendations set out in the Local Partnerships report.

4. Forward plan date and reason for urgency if applicable

17th February 2025

5. Background

5.1 The Caller corporate governance review, commissioned in 2022, recommended that the Council "establish a specific governance framework by which, for those companies wholly or partly owned by NCC, their directors are appointed, reports on performance are presented to a Cabinet Sub-Committee, conflicts of interest and risks are dealt with and shareholder agreements are ratified, by both the company and NCC".

- 5.2 In response to these recommendations, the Council established a Shareholder Cabinet Sub-Committee in 2023 and undertook to commission Local Partnerships, a public sector consultancy jointly owned by the LGA, HM Treasury and Welsh Government, to undertake an independent review of progress in embedding the governance framework for oversight of Council owned companies after 12 months. The scope of this review, drawn from the Local Partnerships LATCO Governance Guidance, was approved by the Shareholder Committee on 9th July 2024.
- 5.3 The final Local Partnerships report is attached at Appendix 1. This report was considered by Cabinet on 11 March 2025 together with an action plan setting out how the Council will respond to the recommendations.
- 5.4 The report acknowledges the significant progress that has been made in implementing the recommendations of the Caller review, including:
- a) the preparation and approval of a strategic Business Case for Advance Northumberland in November 2022.
 - b) Approval of a Council owned company governance framework in December 2022.
 - c) The recruitment of 4 independent non-executive directors to the Advance Northumberland board and appointment of a Board Chair in April 2023.
 - d) The development of a new set of articles reflecting up to date best practice, approved in April 2024.
 - e) Starting work on the preparation of a new shareholder agreement and operating agreement in 2024.
 - f) Development of a 5-year business plan for Advance Northumberland covering the period 2025 to 2030 which, together with the updated operating agreement, will provide the basis for ongoing oversight and reporting of company performance.

6. Options open to the Council and reasons for the recommendations

6.1 The report is for noting.

7. Implications

Policy	None identified
Finance and value for money	There are no financial implications arising from this report. Resources for oversight of Council owned companies are provided from mainstream budgets.
Legal	The recommendations of Local Partnerships and identified action plan are aimed to ensure legal and governance compliance in the Councils arrangements with its wholly owned subsidiary.
Procurement	None identified

Human resources	None identified
Property	None identified
The Equalities Act: is a full impact assessment required and attached?	No - no equalities issues identified No changes in policy or service provision impacting staff or service users are proposed.
Risk assessment	None identified
Crime and disorder	None identified
Customer considerations	None identified
Carbon reduction	None identified
Health and wellbeing	None identified
Wards	(All Wards);

8. Background papers

None

9. Links to other key reports already published

Cabinet Shareholder Committee 9 July 2024 – External Review of Arrangements for Governance and Oversight of Council Wholly Owned Companies
Cabinet 11 March 2025 - Local Partnerships Review of Governance Arrangements for Oversight of Council Owned Companies

10. Author and Contact Details

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JOINTLY OWNED BY



Northumberland County Council Review of Governance Arrangements for Wholly Owned Council Companies

ISSUE DATE: 21 JANUARY 2025



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1 Northumberland County Council wholly owned companies governance review

1.1 Scope of the review

This review is focused on how Advance Northumberland (AN) is governed and overseen by Northumberland County Council (the council). The recommendations apply to this existing council company, but equally to the governance of any future council companies.

Over the past two years, significant improvements have been made regarding how the council oversees the company. There have been improvements to governance structures, reporting, and communication between the council and company. The recommendations made in this report are intended to build on the positive changes already made, noting that improvements are continually taking place. The structure of the report reflects this and the focus of recommendations, namely to:

- Clarify the purpose of the company so its role is clearly set out by the council as shareholder and understood by the company directors as well as members, other stakeholders and the council's residents
- Continue to develop the main building blocks of good governance by using the existing structures and building on the skills of the Shareholder Committee, company board and Overview and Scrutiny Committee
- Continue to develop the Business Planning process in line with the emerging Operating Agreement – setting out how the council will feed into this process and measure the success of the company
- Have in place clear policies for conflicts of interest

The scope of work for this review is based on the council report that was approved by the Cabinet Shareholder Committee on 9th July 2024. This comprises the following list, drawn from the Local Partnerships LATCO Governance Guidance:

- Governance aims
- The Council's shareholder role
- Council oversight, scrutiny and governance framework
- Business Case for AN
- Agreements with AN
- How conflicts of interest are managed
- Council appointments to the Board
- Articles of association
- Business Planning



- Role and behaviours of the Board
- Role and behaviours of company directors
- Company board composition
- The Board and risk management
- Board members' skills and development
- Role of executive and non-executive directors
- Role of the board chair
- Financial management

This report is accompanied by a governance checklist which compares current performance against good practice in the above categories and provides greater detail to support further improvements. The council should use the recommendations agreed as a result of this review to develop a generic set of rules and procedures to apply to all council owned companies.

1.2 Background to the company

The company was established in 2018 as successor to Arch Corporate Holdings Ltd, incorporated in January 2011. The group currently comprises the following subsidiaries:

- AN Limited – holding company
- AN (Housing) Limited – private landlord
- AN (Commercial) Limited – commercial landlord and investments
- AN (Developments) Limited – house builder and regeneration projects
- AN (Projects) Limited - project management

In this report “company” refers to the group. The four subsidiary companies are referred to as company “subsidiaries”.

All members of the group board sit on the board of each of the subsidiary companies. Both the group and subsidiary boards meet at the same time, with the subsidiary boards being specifically convened at the appropriate point, to make any subsidiary company decisions.

As of the 31st March 2024 the group had assets of £307.401m with outstanding loans to the council of £274.572m. Whilst at a group level, the outstanding loans can be covered by the asset values, this is not the case at individual company level, with the commercial and development companies having loan to asset values of 108% and 120% respectively.



The draft 5-year Business Plan for the period 2025 - 2030 suggests that the company establishment will increase from 155 at March 2025 to 232 by 2030. The largest growth is proposed for AN (Development) Ltd, and this reflects the proposed scaling up and growth aspiration of the housebuilding part of the business.

The activities of the group are quite clearly defined by the group subsidiaries. The rationale for the council setting up and continuing to invest in the company is a response to both commercial opportunities and market failure. The company has to operate in a commercially sustainable way delivering:

- Regeneration projects
- Housing and other development in areas where the private sector is less able / willing to operate
- Related social and economic benefit, in line with the council's corporate priorities.

In response to the Caller report recommendations (see below) the rationale for the company was reviewed in November 2022 in a strategic Business Case reported to the council's cabinet. This reiterated the purpose and value of the council continuing to deliver some of its activities through the company.

The council provides some services to the company (e.g. legal and procurement support) and the company, in addition to delivering regeneration and development projects on behalf of NCC, provides some services to the council such as project management. The economic development function of the council was until recently provided by the company. This has now been taken back in house by the council.

1.3 Background to the review

This governance review follows two previously commissioned reviews:

The Caller Review

- In 2022 the council commissioned an independent governance review from 'Solace in business' led by Max Caller (Caller report). The review was undertaken based on a Best Value Governance Inspection. The report contained a range of fundamental recommendations on the operation and governance of the council. As a company wholly owned by the council, many of the recommendations are relevant to AN. There were also two recommendations that were specifically relevant to the council's companies and AN. Specifically, that the council should:



- *“10.2.6 Establish a rationale for the establishment or continuation of any company established under the provisions of the Localism Act 2011.*
- *10.2.7 Establish a specific governance framework by which, for those companies wholly or partly owned by NCC, their Directors are appointed, report on performance are presented to a Cabinet Sub-Committee, conflicts of interest are dealt with and risk and how shareholder agreements are ratified, by both the company and NCC.”*
- Since the publication of the report the council has made significant progress in implementing the specific recommendations (see section 1.5 below). This has included the preparation of a strategic Business Case (specifically responding to recommendation 10.2.6) which was reported to the council cabinet in November 2022.

Local Partnerships Governance Review

- In 2024, in response to the company experiencing short term cashflow difficulties, the council commissioned Local Partnerships to undertake a financial assurance review of the company. This report, completed in August 2024, made further recommendations on the financial management of the company and the financial oversight of the company by the council. It covered increasing the financial capacity and capability of the company, improving policies and processes for both the company and council and improving the communication and reporting arrangements between the two organisations and their finance teams.
- Annex 3 of this report contains an action plan reported to the company board on 8th November 2024. It identifies the 11 main recommendations made in the financial assurance review and the progress being made by the company and council in implementing these recommendations.

1.4 Progress made to date

Since the publication of the Caller report, significant progress has been made in meeting the report’s recommendations and improving the governance of the companies. This progress has required leadership and engagement by both the council and company. Important milestones have included the following:

- Council-Owned Company Framework adopted (December 2022)
- Establishment of a Cabinet Shareholder Committee to provide oversight of Council owned companies (the Committee has now met on four occasions as of November 2024)
- Adoption of terms of reference for the Shareholder Committee



- Transitioning of the AN Board from one dominated by council members to one including
 - Independent non-executive Directors (making up at least half of the Board)
 - one elected member
 - one Council Officer Director.
- The recruitment and appointment of four new Independent Non-Executive Directors (April 2023).
- The appointment of a new chair for the company Board
- The development of a new set of Articles, reflecting the most up to date practice (approved by the Shareholder Committee in April 2024)
- Starting work on the preparation of a new shareholder agreement and Operating Agreement (currently being drafted but awaiting this review before finalisation)

The work undertaken by both the company and council to implement the recommendations included in the financial review (see annex 3 which includes 8th November Board report setting out progress) has been similarly important and the journey to strengthen the governance continues with this report intended to provide guidance regarding next steps.

1.5 Approach

To carry out the review, Local Partnerships has been given access to key documents produced by the council and company. It has also interviewed senior council and company officers, cabinet members, back bench council members, along with members of the company board. A list of those who were interviewed is included in annex 2.

The range of documents that have been reviewed includes the following;

- The 2022 Caller report
- Financial Assurance review carried out by Local Partnerships in August 2024
- Strategic Business Case and other documents prepared following on from the Caller report
- Papers and minutes for the company board, and council shareholder, audit and scrutiny Committees
- Key company documents including the previous Operating Agreement and draft shareholder agreement
- Terms of reference of shareholder and company board meetings
- The emerging 2024 – 2029 company Business Plan

Local Partnerships also observed the company board meeting held on 8th November 2024.



2 Findings and Recommendations

We have set out below key areas for consideration to strengthen governance arrangements beyond those already made.

2.1 Purpose of the Company

Although the rationale for the company is well-rehearsed, this should be communicated to all stakeholders.

	Finding	Recommendation
1	<p>There remains a lack of clarity among some stakeholders about the company, including:</p> <ul style="list-style-type: none"> • Is it intended to provide market intervention of last resort or to act purely commercially by holding commercial assets? • It operates with close supervision from the council at the moment because of historical issues but should this remain the case? 	<p>A short document should be produced for communication to all stakeholders, including:</p> <ul style="list-style-type: none"> • What the council expects from the company • Why it was set up • Why it remains relevant and is being invested in • How arm's length it should be • Key outputs • KPIs <p>It should link to the Business Plan.</p>
2	<p>The Business Case has not been updated regularly to reflect the ongoing rationale for the company.</p>	<p>The Business Case should be updated at least every five years, or more frequently if there are significant changes to the company. It should consider:</p> <ul style="list-style-type: none"> • The role that the company plays in holding commercial assets (along with the cost of alternative arrangements and the quality of the outputs) • The commercial return set for the company compared to that available from partnerships with the private sector as well as the cost of delivering in areas of market failure



		<ul style="list-style-type: none"> The difference between the company being purely commercial and acting where there is market failure e.g. delivering homes and regeneration
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2.2 Building blocks of good governance

The Council already has in place good governance structures to build upon.

	Finding	Recommendation
3	<p>The Shareholder Committee is a sub-Committee of the Cabinet and comprises three elected members who have suitable business backgrounds and can provide effective challenge for the company.</p> <p>Three members of the Committee (leader plus two others) will work well when all three are in attendance. However, with a quorate of two, if one member is absent there is a risk that the role will rely on too narrow a range of skills or perspectives.</p>	<p>The Shareholder Committee should be increased to four members to allow for absences and sufficient oversight.</p>
4	<p>Some matters for the Shareholder Committee are discussed before the meeting rather than at the meeting itself.</p>	<p>Consider enabling more detailed discussion at meetings for greater transparency.</p>
5	<p>The Overview and Scrutiny Committee now has access to the necessary officers and information to carry out its function on behalf of the council.</p>	<p>To fully carry out this function the Committee needs to be able to scrutinise the decisions of the council's leadership and how it oversees the performance of its companies.</p>



		To achieve this, the revised Operating Agreement and 2025-30 Business Plan should provide the necessary framework, together with briefings from officers regarding the ongoing activities of the company.
6	The company board has improved significantly in the past two years with the appointment of a number of experienced non-executive directors. As a relatively new board, it is in the process of establishing itself.	<p>Continue to work closely together to embed the working of the board.</p> <p>Review the skills required of the board in on an ongoing basis as changes take place to the Business Plan, to ensure that the skills remain appropriately balanced and reflect the skills needed to oversee the activities that the company undertakes.</p>
7	<p>The chair is an elected member of the council which goes against best practice as this constitutes a conflict of interest.</p> <p>A new chair will be appointed in 2025 when the existing chair retires.</p>	<p>Any future chair of the board should have the following attributes:</p> <ul style="list-style-type: none"> • Be independent of the council and have experience in a main area of company activity e.g. with experience of working on real estate programmes • Have strong leadership and interpersonal skills to steer the board • Be able to act as an ambassador for the company externally
8	<p>The five subsidiary companies are separate entities but with a single board. In certain circumstances decisions need to be taken relating to the group, but others for specific subsidiaries.</p> <p>This is particularly important in relation to the use of Teckal companies as they need to be monitored separately to ensure compliance with the regulations.</p>	The board should be clear about which company they are acting for when taking decisions, dealing with each one separately within single board meetings.
9	The company has reviewed its approach to risk management and decided that the current group structure represents the best approach. Although there is no evidence of unrecorded	The council, in conjunction with the company, will need to ensure that the company's risk management approach and reporting to the council provides a full picture on the risks associated with individual loans and the cumulative financial position of the five subsidiary companies.



	<p>risks, this means that individual company level risks may not be very transparent.</p>	<p>There should be a clear line of sight between risks in subsidiaries, group risks and council risks.</p> <p>The company should be clear about this process as loans, assets (and specific risks) rest with individual companies, not just the group. When providing loans or grant funding to the company, the council needs to have a clear understanding of and control where it will be used, and where any assets acquired or developed using the funding will sit.</p>
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2.3 Embedding the Business Planning Process

The documentation supporting the Business Planning process has been strengthened and will need to be embedded going forward.

	Finding	Recommendation
10	<p>A substantial amount of work has been undertaken over the past year to update the Operating Agreement. It will bring together in one place documented arrangements for approval, drawdown and management of loans to the company, including security over company assets, as well as requirements relating to the payment of dividends and delivery of non-financial outputs.</p>	<p>As the Operating Agreement is central to the working of the company, it should be seen as a key document by both council and company with no optional elements. See Annex 1.</p>
	<p>Significant progress has been made towards embedding a formal Business Planning process over the past two years, overcoming a challenging start. However, the Business Plan is now fully developed. The 2024 version was approved by the AN board and the Cabinet Shareholder Committee in April 2024 and a 5-year Business Plan covering the period</p>	<p>Preparation of the Business Plan and its annual review should continue on a formal basis with a detailed programme of how the board and council will be involved in future years. The council (with the company) should continue to ensure that the plan meets the council's objectives for the company and the company retains clarity of purpose.</p>



	2025 to 2030 was approved by the AN board on 2 January 2025.	A programme for the council feeding into the Business Planning process and the information needed to be provided by the company is set out at Annex 1.
11	The company and council have made significant steps to meeting the recommendations contained in the financial review.	Any remaining recommendations should be addressed. Strengthened finance resource and modelling should evidence that this requirement is being met.

2.4 Conflict management

There is a need for a conflict of interest protocol to implement if required.

	Finding	Recommendation
12	<p>The existence of AN as separate corporate entity creates the potential for conflicts of interest. These relate to where the interest of the company may be different to that of the council and covers the roles of council officers and members.</p> <p>The council lacks a clear protocol on how conflicts of interest are defined and managed in the context of its companies.</p>	<p>The council should develop and communicate a protocol setting out how conflicts of interest will be managed in relation to its companies. It should cover the different roles that members and council officers will be asked to perform. It should set out rules regarding the following:</p> <p>Officers' responsibilities to the council e.g. for specific roles such as the Company Shareholder Representative, it should be clear in their role descriptions that they are acting for the council not the company.</p> <p>Members' responsibilities to the council and company e.g. members should not be on company boards.</p>



Annex 1: Operating Agreement

The consideration of the Operating Agreement has concentrated on requirements relating to the company Business Plan, the council’s role as shareholder and funder and requirements relating to reporting and monitoring.

Requirements relating to the Business Plan

This section of the Operating Agreement should contain the following:

- A requirement that the company should have a multiyear Business Plan
- A requirement that the Business Plan should be reviewed annually and rebased as appropriate to reflect changes in council strategy, the company operating environment or other significant changes in circumstances
- A requirement that the council is engaged in the preparation of the Business Plan in a timely manner which enables it to input changes to its corporate strategy, policies and financial plans into the Business Plan
- A detailed programme setting out how the council, as shareholder, will be involved in the preparation of the plan
- A decision tree setting out the different decision points in the process and their relationship to the company board approval process
- A clear ask (reviewed each year) of the financial requirements of the company in terms of the loans and grant – identifying how the loans and grant will be used by the group and subsidiary companies. This needs to reflect the companies Treasury Management policy and Financing Strategy
- A list of supporting information required by the council to enable it to consider and then approve the Business Plan including
 - Assumptions underpinning the Business Plan
 - Cashflow modelling
 - Sensitivity testing of the key Business Plan assumptions
 - Statement setting out the key risks relating to the delivery of the Business Plan
- An agreed set of outputs and KPIs that the council will use to judge the success of the company within year and at the end of the year.

The table below illustrates a possible programme - setting out the input required from both the company and council.

Quarter	BP stage and status	Company	Council
1	Performance review	Review of company performance against previous years targets and KPIs	Review of performance against corporate plan



Quarter	BP stage and status	Company	Council
		<p>Chief Executive performance appraisal by chair</p> <p>Initial review of strategic direction – reflecting past performance and any changes to council strategy</p>	<p>Shareholder input into company and chief exec performance appraisal</p> <p>Review company objectives against changes in council strategy / policies</p>
2	High level review of strategic direction	<p>Company shareholder joint strategy discussion</p> <ul style="list-style-type: none"> • Setting expectations • Agreement on strategic direction – reflecting any changes to council priorities • Agreement on the type of outputs and KPIs – to be used in following year 	
3	First iteration of new / revised Business Plan	<p>Draft prepared reflecting strategic discussions. Supporting information for council to include</p> <ul style="list-style-type: none"> • Financing strategy (loans and grants required) • Sensitivity testing of key assumptions • Identification of key areas of activity • Resource plan to deliver activity <p>Sign off by company board</p>	<p>Review of council's corporate plan and financial planning for following year</p> <p>Input changes to council strategy and financial requirements into company Business Plan</p> <p>Reflect company business requirements in corporate and financial plans</p> <p>Engagement with wider council (non-shareholder role)</p> <p>Alignment of assumptions and key risks with council risk appetite</p>
	Second iteration of the Business Plan	<p>Near complete Business Plan reflecting responses and engagement</p> <ul style="list-style-type: none"> • Detailed supporting information 	<p>Alignment of company Business Plan with corporate plan and MTFP</p> <ul style="list-style-type: none"> • In principle sign off of company financing strategy



Quarter	BP stage and status	Company	Council
		<ul style="list-style-type: none"> • Cashflow modelling • Appraisals for key areas of activity 	covering loans and grants and any loan repayments (in principle sign off at the company programme level – detailed requirements to draw down loans and grants within year will still be required) <ul style="list-style-type: none"> • Sign off KPIs and other performance metrics
4	Final Business Plan	Formal Board sign off	Shareholder Committee sign off

Council as funder

This section should cover the following points

- How grants will be applied for by the company from the council:
 - Timescale for council and company actions
 - Supporting material required by the council
 - Requirements relating to security of loan
- Where relevant, subsidy control assessment requirements [subsidy control principles assessment template.docx](#)
- Requirements relating to council loans and the need to agree subsidy control compliant interest rates.

Monitoring and reporting

This section should include:

- The level and frequency of engagement with the shareholder representative and Shareholder Committee
- The information required by the Shareholder Committee (say) on a quarterly basis:
 - Performance – against the metrics identified in the Business Planning process



- debt repayments – against the financing strategy set out in the Business Plan
- Summary of the company's overall financial position
- Changes to key risks since the previous meeting



Annex 2: List of consultees

Name	Role
Councillor David Bawn	Chair of Scrutiny Committee
Councillor Elizabeth Dunn	Deputy Chair of Scrutiny Committee
Kelly Gardner	Service Director of NCC and Board Member of AN
Stephen Gerrard	Monitoring Officer of NCC
Steven Harrison	Chief Executive of AN
Andrew Moffatt	Independent NED of AN
Kevin McDonald	Head of Internal Audit NCC
Simon Neilson	Executive Director for Place and Regeneration
Helen Paterson	Chief Executive of NCC
Councillor Wojciech Ploszaj	Cabinet Member/Member of Shareholder Committee
Councillor Jeff Reid	Opposition Councillor and Chair of AN
William Thompson	Executive Director of Governance - AN
Councillor Richard Wearmouth	Cabinet Member/Member of Shareholder Committee
Jan Willis	S151 Officer of NCC
Round table with all board members who attended 8 th November meeting	Board members





Annex 3: Financial Assurance Review Action Plan

Red: Late
Amber: In progress
Green: Complete

Ref	LP Recommendation	LP Priority	Advance Northumberland Action Summary	Advance Northumberland Update	Action	Expected Completion Date. RAG
01	AH needs its own financial controller	High	Recruit Finance business partner for Ascent	Post recruited to.	PR	Completed
02	Financial modelling capability needs to be enhanced – move away from disaggregated spreadsheets.	Medium	New modelling systems to be implemented	Interim FD in place and reviewing process. Business partner to continue process once in post. COINS being implemented, will offer continuity from land to completion.	MC	March 25
03	Development Management Software needs implementing asap	High	COINS software to be implemented	COINS implementation continuing and due to be completed for roll out Q4 24/25	DE	March 25
04	A Treasury Management policy needs produced and implemented	High	Formalise treasury management into a new policy and implement	Policy approved by AN Board Nov 24.	MC	Completed
05	Risk Management – ERMG to review links between Project and Operational RR	Medium	Review and revise policy and practice as required.	Risk policy revised by Head of Business Transformation. Training / awareness sessions for SMT members being held. Focus on project level risks and process /		Completed

				escalation points to Operational and then corporate risk register.		
06	Sustain formal monthly meeting between AN Finance and NCC to address lack of synchronisation.	High	Ensure meetings are programmed and held, with Agenda and meeting notes taken.	In place	AF	Completed
07	Adjust pipeline cashflows to ensure an up-to-date position in respect of development viability.	Urgent	Provide more representative business and project cashflows.	Improved business cashflow forecasting now in place. Revised project viability assessments first being undertaken on Hadston and Longhorsley 8/10/24	MC	Completed
08	Accelerate delivery of units to 3.5-4 per month as part of growth plans	Low	Consider when forming new project programmes and cashflows.	Being undertaken as part of new viability assessments. Need to match against market conditions to avoid any holding costs.		In place - ongoing
09	Consider use of recognised development software to enable sensitivity analysis to be carried out.	Medium	Review use/applicability of project sensitivity software	COINS implementation continuing and due to be completed for roll out Q4 24/25 Sensitivity analysis to be undertaken as part of incoming PM system	DE/PE	March 25
10	Improve processes around loan application, capital budget setting and affordability testing and cashflow impact	High	New Loan Application process to be agreed/implemented. Implement Project Framework process.	Loans to be submitted in new format Oct 24. PM system in trial phase. Any new projects will be tested. System fully in place by Dec 24.	MC/AM	Completed – first 'new' loan approved.
10a			Propose capital project investment plan for next 5 years within Business plan.	Business Plan approved by AN Board January 25	WT	Completed



11	Improve loan management systems	High	Develop and maintain record of all loans and payment dates to include asset security.	Complete and now a standing item on ELT meetings.	MC	Completed
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Contact details

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Local Partnerships Review of Arrangements for Oversight of Wholly Owned Companies – Action Plan

Recommendation	Action	Responsibility & Timescale
<p>A short document should be produced for communication to all stakeholders, including:</p> <ul style="list-style-type: none"> • What the council expects from the company • Why it was set up • Why it remains relevant and is being invested in • How arm's length it should be • Key outputs • KPIs <p>It should link to the Business Plan.</p>	Produce document for Cabinet Shareholder Committee approval.	Council Shareholder Representative June 2025
The Business Case should be updated at least every five years, or more frequently if there are significant changes to the company.	An updated Business Case will be brought to Cabinet Shareholder Committee for approval.	Council Shareholder Representative September 2025
The Shareholder Committee should be increased to four members to allow for absences and sufficient oversight.	Subject to Cabinet approval the Leader to nominate an additional member.	Leader of the Council May 2025
The revised Operating Agreement and 2025-30 Business Plan should provide the necessary framework for the Overview and Scrutiny Committee to fulfil its responsibilities, together with briefings from officers regarding the ongoing activities of the company.	Corporate Services and Economic Growth Overview and Scrutiny Committee already receive regular briefings from NCC and Advance Northumberland officers. Future reports to the Cabinet Shareholder Committee will be based on the operating agreement and business plan to facilitate scrutiny.	Council Shareholder Representative From June 2025
Review the skills required of the board in on an ongoing basis as changes take place to the Business Plan, to ensure that the skills	Undertake annual skills audit for Board members	AN CEO and Chair September 2025

remain appropriately balanced and reflect the skills needed to oversee the activities that the company undertakes.		
Any future chair of the board should have the following attributes: <ul style="list-style-type: none"> • Be independent of the council and have experience in a main area of company activity e.g. with experience of working on real estate programmes • Have strong leadership and interpersonal skills to steer the board • Be able to act as an ambassador for the company externally 	Update role description and person specification for AN Chair for Cabinet Shareholder Committee approval ahead of recruitment of a new independent Chair.	Council Shareholder Representative June 2025
The board should be clear about which company they are acting for when taking decisions, dealing with each one separately within single board meetings.	Review structure of Board meetings and agendas to provide the necessary clarity.	AN CEO and Chair June 2025
The council, in conjunction with the company, will need to ensure that the company's risk management approach and reporting to the council provides a full picture on the risks associated with individual loans and the cumulative financial position of the five subsidiary companies. There should be a clear line of sight between risks in subsidiaries, group risks and council risks.	Review and amend structure of risk reporting to provide the necessary clarity.	Council Shareholder Representative and AN CEO June 2025
When providing loans or grant funding to the company, the council	Amend loan documentation to provide the necessary clarity.	Head of Corporate Finance June 2025

needs to have a clear understanding of and control where it will be used, and where any assets acquired or developed using the funding will sit.		
As the Operating Agreement is central to the working of the company, it should be seen as a key document by both council and company with no optional elements. See Annex 1	Review updated Operating Agreement against best practice guidance and bring to Cabinet Shareholder Committee for approval.	Council Shareholder Representative June 2025
Preparation of the Business Plan and its annual review should continue on a formal basis with a detailed programme of how the board and council will be involved in future years. The council (with the company) should continue to ensure that the plan meets the council's objectives for the company and the company retains clarity of purpose.	Agree a timetable for annual review and updating of the Business Plan	Council Shareholder Representative June 2025
Any remaining recommendations of the financial assurance review should be addressed. Strengthened finance resource and modelling should evidence that this requirement is being met.	The AN finance function has been strengthened and steps taken to improve the quality of financial modelling. This will continue to be monitored.	Council Shareholder Representative and AN CEO Ongoing
The council should develop and communicate a protocol setting out how conflicts of interest will be managed in relation to its companies. It should cover the different roles that members and council officers	Develop conflict of interest protocol for Cabinet Shareholder Committee approval	Monitoring Officer June 2025

will be asked to perform.		
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Northumberland County Council

Audit Committee

Thursday, 27 March 2025

Draft Annual Governance Statement 2024-25

Report of Councillor(s) Cllr Glen Sanderson, Leader of Council

Responsible Officer(s): Jan Willis, Executive Director for Resources & Transformation (S151)

1. Link to Key Priorities of the Corporate Plan

Effective governance arrangements are critical to the delivery of all three priorities in the Council's Corporate Plan.

2. Purpose of report

The purpose of this report is to enable the Audit Committee to review the initial draft Annual Governance Statement for 2024-25 and consider whether it properly reflects the risk environment and supporting assurances.

3. Recommendations

3.1 It is recommended that Audit Committee:

- (i) Consider and comment on the initial draft Annual Governance Statement (shown in Appendix A).

4. Forward plan date and reason for urgency if applicable

Not applicable

5. Background

5.1 Under the Accounts and Audit Regulations 2015, the Council must ensure it has a sound system of internal control, which:

- Facilitates the effective exercise of its functions and the achievement of its aims and objectives;

- Ensures that the financial and operational management of the authority is effective; and,
 - Includes effective arrangements for the management of risk.
- 5.2 The 2015 Regulations also require the Council reviews (at least annually) the effectiveness of those systems of internal control, to ensure governance arrangements are up-to-date and relevant.
- 5.3 The outcome of that review must be considered by a committee of the Council and published in the Draft Annual Governance Statement (AGS), alongside the Draft Statement of Accounts.
- 5.4 The Audit Committee has responsibility for reviewing the Council's corporate governance arrangements against the good governance framework and for considering annual governance reports and assurances.
- 5.5 Local authorities are required to prepare an annual governance statement (AGS) to publicly report on the extent to which they comply with their own code of governance. This includes how they have monitored and evaluated, the effectiveness of their governance arrangements in the year, and on any planned changes in the coming year. In essence, the AGS is an accountability statement from the Council to its stakeholders on how well it has delivered on governance over the course of the previous year.
- 5.6 The AGS should provide a meaningful but brief communication regarding the review of governance that has taken place. It should be high level, strategic and written in an open and readable style. The AGS does not need to describe in detail the key elements of an authority's governance arrangements if they are already easily accessible by the public, such as through the authority's code of governance. The AGS should be signed by the Chief Executive and Leader of the Council and approved by a resolution of a committee or Full Council. In Northumberland, approval of the AGS has been delegated to the Council's Audit Committee.
- 5.7 The AGS should be consistent with the principles of good governance set out in *Delivering Good Governance in Local Government Framework (Governance Framework)* (CIPFA and Solace, 2016).
- 5.8 A consultation was recently undertaken on an addendum to the Framework (13 January to 10 March 2025). The addendum will replace Chapter 7 of the Framework publication. The 2016 publication and the seven principles of good governance remain unchanged.
- 5.9 In preparing the Council's Annual Governance Statement, we have followed the Framework and considered the proposed addendum. We are confident the current arrangements are in line with the guidance and the principles of good governance. Following the publication of the final addendum, we will update our Local Code and Constitution.
- 5.10 The initial draft AGS is set out at Appendix A. Following consideration of this draft, a further draft will be brought to Audit Committee ahead of being subject to audit with the draft the draft Statement of Accounts.

6. Options open to the Council and reasons for the recommendations

- 6.1 The Council is required, by audit regulations, to review and refresh its annual Governance Statement.

7. Implications

Policy	Effective corporate governance supports the delivery of all three Council priorities, as outlined in the Corporate Plan.
Finance and value for money	There are no direct financial implications associated with this report. However, financial planning and management are key components of effective corporate governance.
Legal	The governance review process and publication of an Annual Governance Statement ensures the Council discharges its statutory duties under the Local Government Act 1999 and the Accounts and Audit Regulations 2015. The Local Code of Corporate Governance enables the Council to demonstrate how it complies with the CIPFA / SoLACE 'Delivering Good Governance in Local Government Framework (2016)'.
Procurement	None
Human resources	None
Property	None
The Equalities Act: is a full impact assessment required and attached?	No - no equalities issues identified None
Risk assessment	There are no direct risks associated with this report, but the assessment of corporate risk is a key component of the Council's governance arrangements.
Crime and disorder	None
Customer considerations	None
Carbon reduction	None
Health and wellbeing	None

Wards	(All Wards);
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8. Background papers

Not applicable

9. Links to other key reports already published

Not applicable

10. Author and Contact Details

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Annual Governance Statement 2024-25 Draft – Subject to Audit



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I am delighted to introduce our Draft Annual Governance Statement for 2024-25.

I'm especially pleased with the progress we have made in the past 2-3 years on Governance which reached an important set of milestones last year. In October 2024, we welcomed back our LGA Corporate Peer Review (CPR) Team to review progress since our Peer Review in January 2024. Both the original CPR report as well as feedback from the 'progress review' recognised the excellent work of Officers and Members in driving the Council's improvement.

much strengthened framework for approach to governance was further evidenced by the external audit of the 2023-24 Statement of Accounts which was completed, without modification'.

I'm encouraged that our Scrutiny Committees have continued their work, with recent scrutiny reports recognising the value added to Council decision-making and policy development.

The right governance foundations in place which we do – has meant that over

the past year we've seen real progress against our Corporate Plan. Amongst the highlights we have:

- Delivered on our Environment Policy Statement linking our Climate Change commitment with all that is positive about our county's environment – from biodiversity to simply enjoying our parks.
- Re-opened the 'Northumberland Railway Line' after its closure over 60 years ago.
- Delivered record investment in the County's School estate and our leisure centres.
- Announced a £10bn+ investment at Cambois with one of the world's leading companies for Data and AI.

Alongside this, we've sustained high-quality services to residents. In the past year, our services to Children were rated as 'Outstanding' by Ofsted, whilst Adults' Services were rated as 'Good' by CQC.

Whilst the financial outlook for most councils continues to be challenging, it's clear to me that having the fundamentals of good governance in place alongside sound Officer capacity and stability, has enabled us to drive forward with our vision and priorities. The framework of effective corporate governance set out in this document helps ensure the Council continues to improve, whilst delivering good-quality services to residents.

I thank all staff and Members for their continued, excellent contribution to this work.

Councillor Glen Sanderson
Leader of Northumberland County Council

What is the Annual Governance Statement?

The Annual Governance Statement (AGS) describes how Council has complied with its Local Code of Corporate Governance and the requirements of the Accounts and Audit Regulations 2015.

This has been prepared in accordance with guidance produced in 2016 by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) - the 'Delivering Good Governance in Local Government Framework'. It embraces the elements of internal control required by the 'Code of Practice on Local Authority Accounting in the United Kingdom' (CIPFA).

This document outlines four key things:

1. Our approach to preparing the AGS;
2. A summary of significant governance events during the 2023-24 financial year;
3. The key aspects of our Governance Framework; and,
4. A progress update on our AGS action plan for 2024-25 and proposed strategic governance actions for 2025-26.

Why is Governance Important?

All our residents and service users, together with our suppliers and partners, must be able to have confidence in our governance arrangements; that our ways of working enable us to provide the right services effectively and efficiently and

on a consistent basis, and that we take informed, transparent and lawful decisions. They must also be assured that we properly account for the money we receive and spend.

How this Statement is prepared

In preparing the Annual Governance Statement (AGS), we have:

- Reviewed the Council's existing governance arrangements against relevant guidance;
- Ensured the Council's Local Code of Corporate Governance reflects this guidance;
- Assessed the effectiveness of the Council's governance arrangements against the Local Code of Corporate Governance, and,
- Considered whether there are any 'post-2024-2025 events'.

To learn more about our approach to governance arrangements, including the 'Principles of Good Governance', please see the [Local Code of Corporate Governance](#) on the Council's website.

Significant Governance Events in 2024-25

We highlight here, four significant governance events for the past financial year.

(i) Audit, inspection and other external review

In October 2024, the LGA Corporate Peer Review (CPR) Team returned to review progress since our Peer Review in January 2024. Last year, both the original CPR report as well as feedback from the 'progress review' recognised the positive work of Officers and Members in driving the Council's improvement.

The Council's much strengthened framework for, and approach to governance was further underlined by the External Auditor's Report for 2023-24. The 2023-24 Statement of Accounts was 'unqualified, without modification'. The Auditor's report praised the great strides the Council has made since the Review of Governance, and subsequent Corporate Peer Review with the most notable improvements being in governance. The report commended the Council's ambitious Corporate Plan. Additionally, the BEST programme was highlighted for the substantial progress being made. Also recognised is the Council's successful partnership work in launching the new Northumberland Line and progressing the Energy Central Learning Hub in Blyth.

During last year, Children's Services was inspected by Ofsted and ranked as 'Outstanding'. Following this, Adults' Services was inspected by CQC and ranked as 'Good'.

(ii) Advance Northumberland

The Strategic Review of Advance Northumberland, informed by external advice and expertise, was completed in-year with recommendations made to County Council as part of the 2025-26 Budget and Medium-Term Financial Plan 2025-29 with a report on financial restructuring to be considered by County Council.

(iii) Refresh of BEST Business Case

Following the review of BEST and agreement of the refreshed Strategic Business Case (including BEST governance), arrangements are being updated to deliver more streamlined decision-making. This will make best use of leadership time and make accountabilities clearer and simpler. It also sets out an even more ambitious target for efficiencies and a refocused programme of reviews.

(iv) Financial Management and Procurement

The Finance and Contract Rules and related policies were reviewed during the year. The revised rules and policies were approved by County Council in September 2024.

Our Governance Framework

The Council’s Governance Framework directs the work of the Council. The roles of those responsible for the Governance Framework and other key policies and processes in the framework are summarised in the table below.

Roles	
The Council	Approves the Council Budget and Policy Framework. Approves the Constitution (including Standing Orders and Financial Regulations).
Cabinet	The executive decision-making body of the Council. Comprises ten Cabinet Members (including the Leader and Deputy) who have responsibility for their respective portfolios.
Audit Committee	Provides independent assurance to the Council on the adequacy and effectiveness of the governance arrangements, risk management framework and internal control environment. Promotes high standards of member conduct. Approves the Annual Statement of Accounts and Annual Governance Statement.
Scrutiny Committees	There are four Overview and Scrutiny Committees which support the work of the Cabinet and the Council as a whole. These allow citizens to have a greater say in Council matters by holding inquiries into matters of local concern. They hold Cabinet and Officers to account and scrutinise performance.
Executive Management Team	Implements the policy and budgetary framework set by the Council and provides advice to Cabinet and Council on the development of future policy and budgetary issues. Oversees the implementation of Council Policy.
Chief Financial Officer (s151) (Executive Director of	Accountability for developing and maintaining the Council’s governance, risk and control framework. Contributes to the effective corporate management and Governance of the Council.

Transformation and Resources)	
Monitoring Officer (Director of Law and Corporate Governance)	To report on contraventions or likely contraventions of any enactment of rule of law. To report on any maladministration or injustice where the Local Government Ombudsman has carried out an investigation. To establish and maintain registers of member interests and gifts and hospitality. To advise members on the interpretation of the Code of Conduct for Members and Co-opted Members. Contributes to the effective corporate management and governance of the Council.
Internal Audit	Provides independent assurance and annual opinion on the adequacy and effectiveness of the Council’s governance, risk management and control framework. Delivers annual programme of risk-based audit activity, including counter fraud and investigation activity. Makes recommendations for improvements in the management of risk.
External Audit	Audit / review and report on the Council’s financial statements (including the annual Governance Statement), providing an opinion on the accounts and use of resources, concluding on the arrangements in place for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion).
Managers	Responsible for developing, maintaining and implementing the Council’s governance, risk and control framework. Contributes to the effective corporate management and governance of the Council.
Policies and Processes	
The Corporate Plan	Approved by Full Council in May 2023. It sets out the vision and three priorities which guide everything the Council does.
Performance	A new Planning, Performance and Accountability Framework (PPAF), was completed in March 2024. This embeds continuous improvement across the Council. Performance is reported to Cabinet and Council (outturn).

Annual Governance Statement 2024-25 (Draft)

Service Planning	Plans provide assurance to the organisation that the Corporate Priorities are being delivered.
Spatial Planning	The Council's Local Plan sets out the long-term spatial vision and strategic planning policies of the Council. It was adopted by the Council on 31st March 2022.
Managing Risk	Audit Committee monitors risk management in the Council. In January 2025, Cabinet agreed the key risks to be managed at a corporate level.
The Constitution	Sets out how the Council operates, how decisions are made, as well as the rules and procedures that must be followed. The new Constitution document was agreed by Full Council at its Annual General Meeting in May 2023 and is reviewed and updated as needed.
Forward Plan	Published on the website and contains information about all matters likely to be the subject of a key decision taken by the Council during the forthcoming four-month period.
Pay Policy	The pay policy sets out the Council's policies on a range of issues relating to the pay of its workforce.
Equality	As part of our duty under the Equality Act 2010, the Council publishes equality objectives. New Council policy, proposals or services, or any change to these are subject to an Equality Impact Assessment.
Integrated Impact Assessments	<p>The IIA is a tool that helps us to place equality and equity considerations at the heart of everything we do and makes sure our strategies, policies, services and functions do what they are intended to do and are for everyone. The process ensures we give 'due regard' to the impacts of the activity on:</p> <p>The Public Sector Equality Duty and Human Rights including ensuring the Council meets the three aims of the Public Sector Equality Duty, Socio-economic and digital inequalities and Environment, climate and sustainability.</p>

Financial Management, Procurement and Value for Money	For the 2024-25 financial year, the Council set a balanced budget. The final audited 2023-24 statement of accounts was considered and agreed by Audit Committee in February 2025
Indicators of Financial Resilience and Stress	CIPFA's published Financial Resilience Index for all English local authorities measures performance across nine financial indicators.
Managing Data & Information	The Council is a registered Data Controller with the Information Commissioner's Office (ICO) and we have a robust Information Governance Framework.
Audit and Audit Assurances	The Council's Internal Audit and Risk Management Service operates in accordance with the Accounts and Audit Regulations 2015, the Public Sector Internal Audit Standards (revised April 2017) and the related Local Government Application Note. A Strategic Audit Plan is presented annually to the Audit Committee to consider and review the planned work. The Chief Internal Auditor's 2024-25 'Opinion on the Adequacy and Effectiveness of the Framework of Governance, Risk Management and Control' will be reported to Audit Committee in May 2025.
Conduct	Codes of Conduct for Members and Officers set out the standards of conduct and behaviour required. They are regularly reviewed, and Members and Officers are reminded of the requirements. The Monitoring Officer maintains the Councillors' register of interests, as required under the Localism Act 2011. This is available online for public inspection.
Whistleblowing	The Council operates a whistleblowing policy to ensure that all issues are properly investigated. The Council also provides an independent, confidential 'Safe call' service where employees can report any concerns.
Counter Fraud	A dedicated resource is available within the Fraud Team to lead investigations into breaches of policy and suspected irregularities, including proactive work, and developing an anti-

Annual Governance Statement 2024-25 (Draft)

fraud culture. The Audit Committee receives regular updates

on all fraud investigations.

[ANNUAL OPINION OF THE CHIEF INTERNAL AUDITOR TO BE ADDED HERE IN MAY 2025]

Our plans for improving governance

The progress made during 2024-25 on the improvement areas identified in our 2023-24 Annual Governance statement is summarised in the table below.

1	<p>Key change initiatives</p> <p>Using existing networks, processes and approaches to further embed key initiatives such as BEST and the Corporate Plan (e.g. Corporate Briefing, Performance Reporting, Service-Planning).</p>	<p>Complete: Initiatives such as BEST and the Corporate Plan have been further embedded. All services have undertaken service planning which is linked to the Corporate Plan and priorities. BEST has been further embedded, and it is now part of business as usual processes. This was recognised in our CPR Progress Review. This will remain an ongoing process.</p>
2	<p>Trust and openness</p> <p>Continue the programme of Group Leaders meetings. Communicate the positive progress that is being made with Member to Member working as well as Member to Officer working. Develop the new programme of Policy Conferences for 2024-25, listening to and reflecting on Members’ feedback and ideas for improving these.</p>	<p>Complete:</p> <p>Regular engagement with elected members has been undertaken. A full programme of Policy Conferences was completed, learning from Member feedback.</p>
3	<p>Member development</p> <p>Continue to strengthen the Member Training offer in 2024-25 (listening to Member feedback) as well as improving communication on this.</p>	<p>Partially Complete:</p> <p>Training targeted on the things most important to Members – e.g. planning training delivered to Strategic Planning Committee Chairs and Vice Chairs. This has included ‘scenario-based’ training. Also, we have updated the programme for new Member induction ahead of County Council elections in May 2025. This takes account</p>

		<p>of new ways of working since Covid, as well as listening to Member feedback.</p> <p>This is an action that will developed further during 2025-26</p>
4	<p>Data and performance</p> <p>Deliver Data & Business Intelligence Strategy. Refine and clarify the link between improved use of 'data & BI' and corporate performance reporting.</p>	<p>Complete:</p> <p>The Data & Business Intelligence Strategy was delivered and launched with priorities that will work alongside the new Corporate Performance Framework, as we deliver it in 2025-26.</p>
5	<p>Workforce</p> <p>Develop and rollout NCC's new Workforce Development Plan.</p> <p>Use the rollout of BEST reviews to embed understanding and engagement on BEST across all parts of the organisation.</p>	<p>Complete: The new People and Culture Strategy was completed and rolled out in 2024. BEST has been embedded across the organisation and there a range of ways in which staff can engage with BEST such as BEST 'Ways of Working' workshops and the 'BEST Expos'.</p>
6	<p>Partners</p> <p>Refresh and communicate Member and Officer arrangements in relation to the new Combined Authority (CA). As part of this, consider what NCC services and functions could do differently to work even more effectively with the new CA.</p>	<p>Complete: An Officer Regional Strategy & Intelligence Group established – Officers meet monthly to: support key briefings to Lead Members and officers and produce a monthly update to EMT and SLT. This group makes sure all key NCC officers are aware of work ongoing at the CA and how we can shape and contribute to this.</p>
7	<p>Value for Money</p>	<p>Complete: All services completed a new Value for Money Assessment in 2025-26. Workshops were held to further improved the quality of the assessments.</p>

	<p>Deliver Value for Money Statements for each NCC Service as part of the 2024-25 Service Planning Process. Continue to develop and re-profile the Capital Programme.</p>	<p>Service Planning process refreshed with each service completing a Service Plan. During 2025-26, process will continue to be embedded across the organisation.</p> <p>Capital Programme for 2024-25, agreed by Council in February 2024. Capital Programme has changed during the year as the phasing of schemes was reviewed at the end of the previous financial year with £161.1 million re-profiled from 2023-24 to 2024-25.</p>
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The table below summarises key, strategic areas of improvement identified during the 2024-25 annual governance review and outlines the planned actions to be completed to enhance the Council’s governance arrangements.

1	Key change initiatives	Following the refresh of the Strategic Business Case, implement Phase Two of BEST.
2	Trust and openness	Continue the programme of Group Leaders’ meetings. Develop the new programme of Policy Conferences for 2025-26, building on the successes and lessons learned in the past year.
3	Member development	Following the May 2025 local elections, deliver, with Members, the new Member induction programme as well as refreshed Member Development Plan.
4	Data and performance	Through BEST and, building on the progress of the Data Academy and award-winning data approaches in the past year, continue to strengthen use of data, performance information and knowledge in service delivery and decision-making.
5	Workforce	Implement performance framework to monitor progress on indicators relating to delivery of People and Culture Strategy. Continually review HR policies and procedures for NCC.
6	Partners	With partners, continue to develop and deliver the work of the County Partnership, focused on a shared ‘mission’ to tackle inequalities. Continue to work and through the Combined Authority, securing growth and jobs for Northumberland and the wider region.
7	Value for Money	Continue to develop Value for Money Assessment Statements, learning from the progress from last year.

These areas of improvement will be monitored during 2025-26 and reported to the Audit Committee as part of the Council’s Governance review arrangements.

Assurance

Any system of internal control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, that material errors or irregularities are either prevented or would be detected within a timely period, and, that significant risks impacting on the achievement of the Council's objectives have been mitigated.

Progress had been made against the governance improvement plan identified during the 2023-24 governance review, and where actions have not yet been fully completed, they will continue to be progressed. In addition, opportunities to further strengthen the Council's governance arrangements were identified during the 2024-25 governance review process.

In compliance with the Delivering Good Governance in Local Government: Framework (Governance Framework) (CIPFA and Solace, 2016) the Council has systems in place to review and improve the governance and internal control environment throughout the year.

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of Northumberland County Council systems of governance. The annual review process has demonstrated sufficient evidence that the Council's corporate governance arrangements have operated effectively, and the Council complies with the relevant corporate governance principles in all significant respects.

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Signed [Signature to be added to next draft]
Cllr Glen Sanderson
Leader of Council

Dated: xx/xx/2025

Signed [Signature to be added to next draft]
Dr Helen Paterson
Chief Executive Officer

Dated: xx/xx/2025

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Northumberland County Council

Audit Committee

27 March 2025

Statement of Accounts – Group Boundary Review

Report of Councillor(s) Wojciech Ploszaj, Cabinet Member for Corporate Services

Responsible Officer(s): Jan Willis, Executive Director for Transformation & Resources (S151)

1. **Link to Key Priorities of the Corporate Plan**

This report relates to the statutory requirement to produce an annual Statement of Accounts and can be linked to the Value for Money priority.

2. **Purpose of report**

The purpose of this report is to provide members of the Audit Committee with details of the boundary review which has been undertaken to determine those organisations which should have their financial statements consolidated into the Council's Statement of Accounts for the financial year ended 31 March 2025.

3. **Recommendations**

3.1 It is recommended that the Audit Committee:

3.1.1 Note the contents of the report;

3.1.2 Note that the financial statements of Advance Northumberland Limited will continue to be consolidated with the Council's Statement of Accounts for the financial year ended 31 March 2025;

3.1.3 Note that Northumberland Enterprise Holdings Limited's will be named as an "entity controlled or significantly influenced by the Council", but that the interest is not financially material, and the company did not actively trade during 2024-25;

3.1.4 Note that the Council does have direct control, joint control or significant influence over Energy Central Campus, and the company's accounts should therefore not be consolidated into the Council's Statement of Accounts for the financial year ended 31 March 2025; and

- 3.2 Note that in relation to the Council's leisure provider the Council does not have control or significant influence over the company which is a third-party legal entity with a contractual relationship with the Council and the accounts will not be consolidated into the Council's Statement of Accounts for the financial year ended 31 March 2025.

4. Forward plan date and reason for urgency if applicable

The report is for consideration by Audit Committee and does not require a key decision.

5. Background

- 5.1 The Council has undertaken an assessment (Boundary Review) in advance of producing its 2024-25 Statement of Accounts to ascertain if there are any relationships which fall under the definition of the Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 ("the Code") and should therefore be consolidated into the group position. The outcome of the review is detailed within the report.
- 5.2 Paragraph 9.1.1.7 of the Code sets out a requirement to prepare group accounts where the authority has interests in subsidiaries, associates and/or joint ventures, subject to consideration of materiality.
- 5.3 The Code does not make any specific comments on the consolidation of charitable organisations in local authority financial statements; therefore, local authorities are required to follow the requirements of IFRS 10 and, where material, consolidate any charitable trust where an authority meets the criteria for control.
- 5.4 There has been no material change to the relationships between the Council and the companies considered in the report in 2024-25 and the recommendations in relation to consolidation are the same as in 2023-24.

6. Options open to the Council and reasons for the recommendations

6.1 Advance Northumberland Group of Companies

- 6.1.1 Advance Northumberland Limited is a wholly owned company of the Council. The company was established on 13 November 2018 when all of the assets, liabilities and shares of the now dissolved Arch Group were transferred to it. The Company acts as the holding company for the Advance Northumberland Group and it conducts no business in its own right; its operational subsidiaries are as follows:

- Wholly owned:
 - Advance Northumberland (Commercial) Ltd
 - Advance Northumberland (Housing) Ltd
 - Advance Northumberland (Developments) Ltd
 - Advance Northumberland (Projects) Ltd*

- Joint venture:

- 6.2 Prudhoe Estates LLP

- 6.2.1 The Council has a material financial interest and a significant level of control over Advance Northumberland Limited and it is named in the Council’s Statement of Accounts as an “entity controlled or significantly influenced by the Council”.
- 6.3 Since its inception, the financial statements of Advance Northumberland Limited (which incorporate the financials for the overall group of companies) have been consolidated with the Council’s Statement of Accounts and they will continue to be consolidated for the financial year 2024-25.
- 6.4 **Northumberland Enterprise Holdings Limited Group of Companies**
- 6.5 Northumberland Enterprise Holdings Limited (NEHL) was incorporated on 17 September 2020 and is a wholly owned company of the Council.
- 6.6 The Council has a significant level of control over NEHL and the company will be named in the Council’s Statement of Accounts as an “entity controlled or significantly influenced by the Council”, noting however that the interest is not financially material and NEHL did not actively trade during 2024-25.
- 6.7 **Leisure Provider**
- 6.8 From 1 April 2018 to 31 March 2024 Active Northumberland was commissioned to provide leisure services for the Council. The accounts for Active Northumberland were never consolidated into the Council’s Statement of Accounts on the basis that the Council does not legally own Active Northumberland, nor does it have direct control or significant influence via members on the Active Northumberland Board. Active Northumberland is a third-party legal entity which had a contractor relationship with the Council. Active Northumberland is currently in the process of being wound up and the assessment of the relationship with the Council in terms of an entity for consolidation will no longer be required.
- 6.9 From 1 April 2024 a new leisure provider contract has been in place with Places Leisure. Although the Council acts as a guarantor to the company in relation to its participation in the Local Government Pension Scheme, the Council does not have control or significant influence over the company which is a third-party legal entity with a contractor relationship with the Council and the accounts will not be consolidated into the Council’s Statement of Accounts.
- 6.10 **Energy Central Campus Limited**
- 6.11 Energy Central Campus (ECC) is a partnership between the Council, Port of Blyth, and the Offshore Renewable Energy Catapult, with a mission to create the pipeline of talent required for the expanding the clean energy sector, at the same time, inspiring, training and delivering pathways to employment for the local community.
- 6.12 ECC was incorporated on 2 November 2021 and is a company limited by guarantee (without share capital).
- 6.13 The company’s Articles of Association state that there shall be up to two directors from each of the three stakeholders in addition to independent directors appointed for their skills and experience. During 2024-25 there were eleven directors, two of which were from the Council, representing 18% of the Board voting rights, which is below the 20% that would determine ‘significant influence’.
- 6.14 The Articles of Association confirm that the income and property of the company shall be used solely towards the promotion of the objects and that upon dissolution

the net assets of the company would be transferred to organisation(s) with similar objects or transferred for charitable purposes. The Council does not have exposure or rights to variable returns from its involvement with the company, nor does it have access to the net assets of the company.

- 6.15 The partnership could be described as a joint venture, in which the Council participates, but does not have joint control which is defined as the contractually agreed sharing of control, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Articles of Association determines that decisions are taken by directors collectively and can be taken as majority decisions. As the Council does not have joint control or significant influence then the company’s accounts do not need to be consolidated.
- 6.16 It should also be noted that the accounts of ECC are likely to be immaterial in relation to the Council’s accounts so inclusion could also be deemed unnecessary on materiality grounds.
- 6.17 On this basis the accounts for ECC will not be incorporated into the Council’s Statement of Accounts for 2024-25.

6.18 Conclusions

6.19 The financial statements of the following entities should be consolidated into Council’s Statement of Accounts for the financial year ended 31 March 2025:

- Advance Northumberland Limited
- Northumberland Enterprise Holdings Limited

6.19.2 The Council does not own ECC, nor does it have direct control, joint control or significant influence over the company, and the company’s accounts should therefore not be consolidated into the Council’s Statement of Accounts for the year ended 31 March 2025.

6.19.3 The arrangement in relation to the Council’s leisure provider is a contractual relationship with a third-party company and the Council does not have control or significant influence over the company, and the company’s accounts should therefore not be consolidated into the Council’s Statement of Accounts for the year ended 31 March 2025.

7. Implications

Policy	The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2024-25
Finance and value for money	This report has no financial implication for the Council
Legal	There are no specific legal implications within this report
Procurement	There are no specific procurement implications within this report

Human resources	There are no specific human resources implications within this report
Property	There are no specific property implications within this report
The Equalities Act: is a full impact assessment required and attached?	No - no equalities issues identified There are no specific equalities implication in this report
Risk assessment	No specific risks have been identified within this report
Crime and disorder	There are no specific crime and disorder implications within this report
Customer considerations	There are no specific customer considerations within this report
Carbon reduction	There are no specific carbon reduction implications within this report
Health and wellbeing	There are no specific health and wellbeing implications within this report
Wards	(All Wards);

8. Background papers

CIPFA’s Code of Practice on Local Authority Accounting in the United Kingdom 2024/25
CIPFA’s Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 guidance notes for practitioners
CIPFA’s Accounting for Collaboration in Local Government

9. Links to other key reports already published

Not applicable

10. Author and Contact Details

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Northumberland County Council

Audit Committee

Thursday, 27 March 2025

2024-25 Leases Accounting Policy

Report of Councillor(s) Wojciech Ploszaj, Cabinet Member for Corporate Services

Responsible Officer(s): Jan Willis, Executive Director for Transformation & Resources

1. Link to Key Priorities of the Corporate Plan

The Council's budget is aligned to the priorities in the Corporate Plan 2023-26 with significant investment in each of the priorities; achieving value for money, tackling inequalities and driving economic growth as well as specific funding set aside to deliver Best Value through the BEST work.

2. Purpose of report

The purpose of this report is to provide Audit Committee with an update on the Leases Accounting Policy to be applied in the preparation of the 2024-25 Statement of Accounts.

3. Recommendations

3.1 It is recommended that the members of the Audit Committee:

- a) Approve the Leases Accounting Policy to be used for the preparation of the 2024-25 Statement of Accounts

4. Forward plan date and reason for urgency if applicable

Not applicable.

5. Background

5.1 The Accounting Policies to be applied in the preparation of the 2024-25 Statement of Accounts were presented to Audit Committee on 29 January 2025, with the exception of the Leases accounting policy which required updating due to a

substantial and significant accounting change in the CIPFA Code for 2024-25 for the full adoption of IFRS 16.

- 5.2 IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces the previous Standard IAS 17, providing an accounting model that results in more faithful representation of a lessee’s assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee’s financial leverage.
- 5.3 IFRS 16 introduces a substantial change in accounting practice for local authorities that hold leases. The standard removes the distinction between operating and finance leases in current accounting standards. Under IFRS 16, entities are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value (under £10,000 as per the Council’s ‘de minimis’ level). The asset represents the holder’s right to use the underlying leased property, and the corresponding liability represents the lessee’s obligation to pay for that right.
- 5.4 The updated Leases accounting policy which the Council proposes to disclose in its 2024-25 Statement of Accounts is detailed in Appendix A.

6. Options open to the Council and reasons for the recommendations

7. Implications

Policy	None
Finance and value for money	The report considers the Leases accounting policy for the County Council’s Statement of Accounts 2024-25
Legal	It is a requirement of the Local Government Act 2003 and the Accounts and Audit (England) Regulations 2015 for the Statement of Accounts to be produced in accordance with proper accounting practices.
Procurement	None
Human resources	None
Property	None
The Equalities Act: is a full impact assessment required and attached?	No - no equalities issues identified N/A
Risk assessment	The risks within the preparation of the Statement of Accounts are well managed through the embedded processes in place.

Crime and disorder	None
Customer considerations	None
Carbon reduction	None
Health and wellbeing	The Council's budget is founded on the principle of promoting inclusivity.
Wards	(All Wards);

8. Appendices

8.1 Appendix A – Leases Accounting Policy 2024-25

9. Background papers

Not applicable

10. Links to other key reports already published

Not applicable

11. Author and Contact Details

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Leases and Right of Use Assets

The Council as Lessee

The Council adopted IFRS 16 (Leases) with effect from 1 April 2024. The main impact of the requirements of IFRS 16 is that, for arrangements previously accounted for as operating leases (i.e. without recognising the leased vehicles, plant, equipment, property and land as an asset, and future rents as a liability), a right-of-use asset and a lease liability are now included on the balance sheet from 1 April 2024.

The Council has elected to apply recognition exemptions to low value assets (below £10,000 when new) and to short-term leases, i.e. existing leases that expire on or before 31 March 2026, and new leases with a duration of less than 12 months. A contract is classed as a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS16 also applies to Service Concession Agreements and recognition of the resultant remeasurement of the lease liability.

A right of use asset and corresponding lease liability are recognised at commencement of the lease.

The lease liability is measured at the present value of the lease payments, discounted at the rate implicit in the lease, or if that cannot be readily determined, at the lessee's incremental borrowing rate specific to the term and start date of the lease. Lease payments include: fixed payments; variable lease payments dependent on an index or rate, initially measured using the index or rate at commencement; the exercise price under a purchase option if the Council is reasonably certain to exercise; penalties for early termination if the lease term reflects the Council exercising a break option; and payments in an optional renewal period if the Council is reasonably certain to exercise an extension option or not exercise a break option.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured, with a corresponding adjustment to the right of use asset, when there is a change in future lease payments resulting from a rent review, change in an index or rate such as inflation, or change in the Council's assessment of whether it is reasonably certain to exercise a purchase, extension or break option.

The right of use asset is initially measured at cost, comprising: the initial lease liability; any lease payments already made less any lease incentives received; initial direct costs; and any dilapidation or restoration costs. The right of use asset is subsequently depreciated on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

The right of use asset is tested for impairment if there are any indicators of impairment.

The Council as Lessor

Operating Leases

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

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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



Northumberland County Council

Audit Committee

Thursday, 27 March 2025

Consideration of Going Concern Status for the Statement of Accounts for the year ended 31 March 2025

Report of Councillor(s) Wojciech Ploszaj, Cabinet Member for Corporate Services

Responsible Officer(s): Jan Willis, Executive Director of Transformation & Resources

1. Link to Key Priorities of the Corporate Plan

The Council's budget is aligned to the priorities in the Corporate Plan 2023-26 with significant investment in each of the priorities; achieving value for money, tackling inequalities and driving economic growth as well as specific funding set aside to deliver Best Value through the BEST work.

2. Purpose of report

Northumberland County Council is required to assess whether it should be considered as a 'going concern' organisation, and whether the Council's annual Statement of Accounts should be prepared on that basis. This report considers the Council's status as a going concern and recommends that Members note this.

3. Recommendations

- 3.1 It is recommended that Members of the Audit Committee note that the Council is considered to be a going concern and that the Statement of Accounts 2024-25 will be prepared on that basis.

4. Forward plan date and reason for urgency if applicable

Not applicable.

5. Key Issues

- 5.1 When preparing the annual Statement of Accounts, the Council complies with the Code of Practice on Local Authority Accounting 2024-25 (the Code), as published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code requires the Statement of Accounts shall be prepared on a going concern basis.

- 5.2 This means that the Statement of Accounts shall be prepared on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern.
- 5.3 The assumption that a local authority's services will continue to operate for the foreseeable future is made because local authorities carry out functions essential to the local community and are themselves revenue raising bodies (with limits on their revenue raising powers arising only at the discretion of central government).
- 5.4 This report details the management consideration of Going Concern as at 31 March 2025, and beyond.
- 5.5 The forecast figures as at 31 March 2025 are based on the Financial Performance 2024-25 Position at the end of December 2024, which was reported to Cabinet on 11 March 2025.
- 5.6 The reasons for recommending that the Council be considered as a going concern and that it is appropriate for the statement of accounts to be prepared on that basis are summarised below:
- a) The Code confirms that on the basis that local authorities cannot be created or dissolved without statutory prescription, it would not be appropriate for their financial statements to be provided on anything other than a going concern basis.
 - b) The financial position of the Council remains strong. The Council was able to set a balanced budget for 2025-26 and has a strong record of delivering within budget and achieving savings.
 - c) As at 31 March 2025, the Council is forecast to hold general reserves of £51.310 million and reserves earmarked for specific future purposes, including those held for schools, of £121.148 million.
 - d) Net assets at 31 March 2024 amounted to £1,021.447 million. Net assets at 31 March 2025 is not yet available.
 - e) The Council has a history of stable finance and ready access to financial resources in the future.
 - f) There are no significant financial, operating, or other risks that would jeopardise the Council's continuing operation.
- 5.7 Based on the assessment undertaken, the Executive Director of Transformation and Resource's view is that the Council is aware of the challenges it faces and is prepared to deliver its services in the future taking account of known risks, and therefore the Council is a going concern, and the Statement of Accounts should be and will be prepared on that basis.

6. Background

- 6.1 The general principles adopted in compiling the Statement of Accounts are in accordance with the Code as published by CIPFA. The Code defines proper accounting practices for local authorities in England, Wales, Scotland, and Northern Ireland.

- 6.2 The Code requires that a local authority's Statement of Accounts is prepared on a going concern basis; that is, the accounts should be prepared on the assumption that the authority will continue to be in operational existence for the foreseeable future. This means that the Comprehensive Income and Expenditure Statement and Balance Sheet assume no intention to significantly curtail the scale of the operation.
- 6.3 An inability to apply the going concern concept can have a fundamental impact on the financial statements. In reality, it would be highly unusual for a local authority to have a going concern problem. There may be cases where part of an authority's operation ceases to be viable or affordable. However, this will not give rise to a going concern issue for the authority given that the impact would be restricted to only that part of the operation. Transfers of services under combinations of public sector bodies similarly do not negate the presumption of going concern.
- 6.4 An organisation must consider its financial performance to assess its ability to continue as a going concern. This assessment should cover historical, current, and future performance.

6.5 Financial Position

The Council has a strong record of delivering within budget and achieving savings. In February 2024 the Council set its 2024-25 budget and identified savings of £10.846 million to be delivered to support the budget.

The Council carries out frequent management accounts reporting to enable effective budget monitoring, to ensure that budget holders regularly assess delivery against budget and allow time for considered actions. Revenue monitoring has been reported on a quarterly basis to Cabinet. The forecast revenue outturn position at the end of December 2024 was a net overspend of £2.997 million. It is anticipated that further mitigations will occur in order to bring the position in line with the budget by the end of the financial year, which will maintain the general fund reserve at £51.310 million as at 31 March 2025.

Capital monitoring has been reported quarterly to Cabinet and the forecast capital outturn position at the end of December 2024 was an underspend of £40.231 million when compared to the revised budget of £305.477 million.

The Housing Revenue Account (HRA) forecast outturn at the end of December 2024 is an overspend of £3.556 million, which will be transferred from the HRA reserve, resulting in a forecast reduction in the reserve balance to £24.379 million. The earmarked HRA reserve for supporting the delivery of the housing development plan is forecast to be £0.596 million at 31 March 2025.

The HRA 30-year Business Plan specifically assesses the future sustainability of the HRA and is reviewed at least twice a year as part of the budget setting and final accounts processes. It is currently estimated that the HRA business plan is sustainable.

The financial position of the Council remains healthy. Net assets at 31 March 2024 amounted to £1,021.447 million (£1,073.256 million on a Group basis). Net assets at 31 March 2025 is not yet available.

6.6 Medium-Term Financial Plan 2025-26 to 2028-29

The Council approved its budget for 2025-26 and Medium-Term Financial Plan (MTFP) 2025-29, on 19 February 2025.

The Council has continued to effectively manage its resources during a period of increasing cost pressures and funding uncertainty. The future funding outlook for the public sector and local government is extremely uncertain.

The financial landscape for the Council is likely to remain challenging for the foreseeable future. The one year settlement announced by the Government in December 2024 for 2025-26 does not help with longer term financial planning, and in addition the outcome of the Government's Funding Review and review of the Business Rates Retention system will not be known until 2026-27. The outcome of these reviews will determine the quantum of funding available to local government and the share available to the Council. It is clear that there are significant risks to the Council's funding depending on the principles that are ultimately agreed for funding distribution and how any redistribution of business rates income is implemented. However, beyond 2025-26 the Government have committed to providing a three year settlement which will aid financial planning over the medium term.

The Council continues to face a range of significant budget pressures including general inflation, cost pressures in the care sector, increases in the number of adults and children needing support and rising levels of need, increases in demand for everyday services as the population grows, and increases in core costs such as wage increases, including the Real Living Wage.

The MTFP sets out the Council's approach to achieving a sustainable budget over the medium term whilst ensuring that all revenue resources are directed towards corporate priorities. The MTFP describes the financial direction of the Council over the planning period and outlines the financial pressures it will face.

The Council's MTFP has focussed on protecting front line services as far as possible, prioritising efficiencies from back-office functions and maximising income. As well as a focus on protecting front line services the Council has invested in its BEST initiative to help deliver efficiency savings to balance the Council's budget.

The Council has a strong track record of savings delivery.

In general, the Council has been relatively accurate in forecasting the level of savings required, which has allowed the development of strong plans and enabled the Council to robustly manage the implementation and delivery on time, including meeting extensive consultation and communication requirements. This has put the Council in a strong position to meet the ongoing financial challenges across this MTFP and beyond. However, savings proposals are becoming more complex and difficult to deliver, and this may require increased utilisation of reserves to offset any delays and smoothing of reductions.

After taking into account base budget pressures, additional investment and savings, the Council's net budget for 2025-26 is £471.836 million.

The financing of the net budget requirement is detailed in the following table.

Financing of the 2025-26 Budget

Funding Stream	Amount £m
Council Tax	267.752
Retained Business Rates	110.873
Other Corporate Grants	70.275
Strategic Management Reserve	0.466
Revenue Support Grant	14.829
Council Transformation Fund	7.103
Recruitment and Retention Reserve	0.108
Public Health	0.180
Leisure Reserve	0.250
Total	471.836

The Council has been able to set a balanced budget for 2025-26 and has a clear plan in place to invest in capital infrastructure and to deliver local services over the life of the MTFP, and beyond. Based upon this, it is evident that the Council is a going concern.

6.7 Capital Funding

On 19 February 2025 County Council approved the capital budget for 2025-26 and the medium-term Capital Programme for the period 2025-26 to 2028-29.

The need to continue to invest in capital infrastructure is seen as an essential means of maintaining and regenerating the local economy whilst supporting job creation. The Council also recognises the need for caution in committing the Council to high levels of prudential borrowing at this stage for future years.

The Council has been able to set a balanced budget for 2025-26 and has a clear plan in place to continue to deliver local services. Based upon this, it is evident that the Council is a going concern.

6.8 Reserves

Reserves are held as a:

- i. Working balance to help cushion the impact of any uneven cash flows and avoid unnecessary temporary borrowing

- ii. Contingency to cushion the impact of any unexpected events or emergencies
- iii. Means of building up funds, earmarked reserves, to meet known or predicted future liabilities

As at 31 March 2025, the Council is forecast to hold general reserves of £51.310 million and reserves earmarked for specific future purposes, including those held for schools, of £121.148 million.

Details of individual reserves are contained within Appendix A.

Based on the level of reserves held, the Council has demonstrated robust financial management that underpins its status as going concern.

7. Risk

- 7.1 The Council has previously recognised that a wide range of financial risks need to be managed and mitigated across the medium term. The risks faced are exacerbated by the Council's responsibility for business rates and council tax support. All risks will be assessed continually throughout the MTFP period. Some of the key risks identified include:
- a) ensuring the achievement of a balanced budget and financial position across the MTFP period.
 - b) ensuring savings plans are risk assessed across a range of factors e.g. impact upon customers, stakeholders, partners and employees.
 - c) there is no certainty over the quantum of government funding available for local government beyond 2025-26. This will be determined by the Government's Funding Review and Review of Business Rates Retention which will be implemented in 2026-27. These reviews could result in significant changes to the distribution of government funding, however they will provide a three year settlement to aid financial planning.
 - d) the localisation of council tax support which passed the risk for any increase in council tax benefit claimants to the Council. Activity in this area will need to be monitored carefully with medium term projections developed in relation to estimated volume of claimant numbers.
 - e) the economic outlook and increase in employers National Insurance contribution rate is expected to have an impact in the medium term on business rates income.
 - f) the impact of future increases in inflationary factors such as the Real Living Wage and pay awards will need to be closely monitored.
 - g) the Council continues to experience increases in demand for social care services. Although some allowance is made for demand increases across the MTFP period, this issue will need to be closely monitored.
 - h) the continued rise in demand in Education, Health and Care Plans is exceeding the growth in funding for the High Needs Block of the Dedicated Schools Grant leading to an overall deficit. The service is consulting on some options that can partially reduce the deficit, but it is hoped that the government fully recognises this pressure as part of the Comprehensive Spending Review. Current

regulations require the deficit balance on the High Needs DSG Reserve to be held in an unusable reserve. The Government will set out plans for reforming the SEND system during 2025-26. This will also include plans to help Local Authorities “deal with their historic and accruing deficits” as well as considering any transitional period between the current and reformed system. This work will inform any decision about the continuation of the statutory override. If the balance on the DSG Unusable Reserve is transferred back to the Council’s total Earmarked Reserves, it would materially impact on the overall level of reserves. This would not be of sufficient magnitude to put the Council’s financial standing at immediate risk. At this stage it is assumed that this scenario will not materialise, and as such this report assumes that the Government will find a solution towards dealing with and accounting for the accumulated deficit by March 2026 when the current statutory override is due to end.

7.2 Based upon the above there are no risks which would indicate that the Council is not a going concern.

8. Conclusion

8.1 Based on the assessment undertaken, the Executive Director of Transformation and Resource’s view is that the Council is aware of the challenges it faces and is prepared to deliver its services in the future taking account of known risks, and therefore the Council is a going concern, and the Statement of Accounts should be and will be prepared on that basis.

9. Options open to the Council and reasons for the recommendations

9.1 Audit Committee are asked to note the contents of the report and are not required to make a decision.

10. Implications

Policy	None
Finance and value for money	The Statement of Accounts summarises the financial performance of the Council for the 2024-25 financial year
Legal	It is a requirement of the Local Government Act 2003 and the Accounts and Audit (England) Regulations 2015 for the Statement of Accounts to be produced in accordance with proper accounting practices
Procurement	None
Human resources	None
Property	None

The Equalities Act: is a full impact assessment required and attached?	No - no equalities issues identified N/A
Risk assessment	The risks within the preparation of the Statement of Accounts are well managed through the embedded processes in place
Crime and disorder	None
Customer considerations	None
Carbon reduction	None
Health and wellbeing	None
Wards	(All Wards);

11. Appendices

Appendix A – Forecast Reserves Position as at 31 March 2025

12. Background papers

None

13. Links to other key reports already published

None

14. Author and Contact Details

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Forecast Reserves Position at 31 March 2025

Appendix A

	Opening Balance at 1 April 2024	Movement in Reserve	Commitments	Forecast Closing Balance at 31 March 2025
	£m	£m	£m	£m
General Reserves/Balances				
General Fund	(51.310)	-	-	(51.310)
Total General Reserve	(51.310)	-	-	(51.310)
HRA General Reserves/Balances				
Housing Revenue Account	(28.938)	-	4.559	(24.379)
Major Repairs (HRA)	(8.140)	-	1.043	(7.097)
Total HRA General Reserves/Balances	(37.078)	-	5.602	(31.476)
HRA Earmarked Reserves				
HRA Capital Investment	(0.978)	-	0.924	(0.054)
HRA - Hardship Fund	(0.230)	-	(0.312)	(0.542)
Total Earmarked HRA Reserves	(1.208)	-	0.612	(0.596)
Specific Reserves/Balances				
Capital Grants Unapplied	(67.954)	-	(0.001)	(67.955)
Capital Receipts	(0.089)	-	-	(0.089)
Capital Receipts - HRA	(9.033)	-	0.941	(8.092)
Total Specific Reserves/Balances	(77.076)	-	0.940	(76.136)

	Opening Balance at 1 April 2024	Movement in Reserve	Commitments	Forecast Closing Balance at 31 March 2025
	£m	£m	£m	£m
Earmarked Reserves				
Balances held by Schools	(7.791)	7.160	(4.398)	(5.029)
Borderlands Energy Masterplan	(0.808)	-	0.808	-
Business Recovery	(0.322)	-	0.322	-
Community Led Housing	(0.551)	-	0.132	(0.419)
Council Tax Hardship & Discount Scheme	(1.888)	-	1.888	-
Council Transformation Fund	(14.144)	-	5.809	(8.335)
Dedicated Schools Grant	(1.159)	-	1.159	-
Economy & Regeneration Investments	(0.050)	-	0.050	-
Empty Dwelling Management Order	(0.104)	-	0.066	(0.038)
Empty Homes - Deep Dive	(0.544)	-	(0.144)	(0.688)
Estates Rationalisation	(5.045)	0.606	2.056	(2.383)
Exceptional Inflationary Pressures	(1.017)	-	1.017	-
FPF Admin Grant	(0.033)	-	-	(0.033)
FRS HMICFRS Improvement	(0.022)	-	0.014	(0.008)
Firefighters' Immediate Detriment	(0.200)	-	-	(0.200)
Haltwhistle Repairs	(0.057)	-	0.023	(0.034)
Highways Commuted Maintenance Funds	(1.073)	0.053	-	(1.020)
Homes for Ukraine	(3.513)	-	0.855	(2.658)
Insurance	(6.717)	-	0.054	(6.663)
Legal Challenge	(0.906)	0.250	0.356	(0.300)
Leisure	-	-	(0.611)	(0.611)
NCC Economic Regeneration	(0.170)	-	0.150	(0.020)

Northumberland Growth and Investment Endowment Fund	-	(1.800)	0.810	(0.990)
Open Spaces Maintenance Agreements	(0.083)	-	0.011	(0.072)
Park and Green Spaces	(0.226)	-	0.226	-
Planning Delivery Grant	(1.078)	-	0.240	(0.838)
Problematic Empty Properties	(0.047)	-	0.001	(0.046)
Recruitment & Retention	(0.317)	-	0.044	(0.273)
Regeneration Additional Capacity	(0.405)	-	0.225	(0.180)
Regeneration Development	(2.183)	0.047	1.654	(0.482)
Repair & Maintenance	(0.250)	-	0.250	-
Replacement of Defective Street Lanterns	(2.418)	0.123	0.377	(1.918)
Restructuring	(0.686)	-	-	(0.686)
Revenue Grants	(20.852)	7.462	(0.539)	(13.929)
School Libraries	(0.036)	-	(0.059)	(0.095)
Sealodge	(0.038)	-	(0.014)	(0.052)
Section 106	(19.638)	0.001	(6.896)	(26.533)
Selective Licensing	(0.141)	-	0.061	(0.080)
Severe Weather	(5.409)	-	1.331	(4.078)
Social Fund	(0.724)	-	0.220	(0.504)
Sports Development	(0.276)	0.029	0.010	(0.237)
Storm Arwen	(0.153)	-	0.153	-
Strategic Management	(56.569)	1.710	15.726	(39.133)
Transformation of Revs & Bens	(0.215)	-	-	(0.215)
Violence Reduction	(0.039)	-	0.039	-
Winter Services	(1.750)	-	-	(1.750)
Women's Safety in Public Places	(0.022)	-	-	(0.022)
Total Earmarked Reserves	(165.996)	15.641	29.803	(120.552)
Total Usable Reserves	(332.668)	15.641	36.957	(280.070)

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NORTHUMBERLAND COUNTY COUNCIL

AUDIT COMMITTEE

**MONITORING REPORT / ACTION LIST
2024-25**

Peter Topping, Chair of Audit Committee
E-mail: peter.topping@northumberland.gov.uk

Updated: 18 March 2025

**NORTHUMBERLAND COUNTY COUNCIL
AUDIT COMMITTEE ACTION LIST**

Ref	Date	Report	Action	To be actioned by	Outcome
1.	31.07.24	Annual Report from Audit Committee to Council	The Chair and officers discuss further how to develop the skills of members to improve the overall effectiveness of the Audit Committee.	Chair/K. McDonald	Keep action open until training has been completed.
2.	31.07.24	Group Audit Committee: Update on Internal Audit work in relation to active group entities	The terms of reference and outcomes of the Local Partnerships review of governance arrangements for wholly owned companies to be shared with the Audit Committee.	J. Willis	This work is in progress and will be reported to the Committee when complete. Now expected to come to the March meeting.
3.	28.08.24	Statement of Accounts 2022-23	Officers report to a future meeting on the progress being made with Borderlands projects.	J. Willis	A report was considered by Corporate Services and Economic Growth Overview & Scrutiny Committee on 25 November 2024. A further update to members will be provided once discussions with Government about a potential reset had been concluded.

WORK PROGRAMME

Updated: 18 March 2025

ISSUE
27 March 2025
<p>Internal Audit, Risk Management & Corporate Fraud</p> <ul style="list-style-type: none"> • Strategic Audit Plan 2024/25 • Annual Audit Committee Work Programme • Annual Review of Audit Committee Effectiveness <p>Corporate Finance</p> <ul style="list-style-type: none"> • Group Boundary Review 2024/25 • Draft Annual Governance Statement 2024/25 • Local Partnerships Report • 2024-25 Leases Accounting Policy • Consideration of 'Going Concern Status' for the Statement of Accounts for the year ended 31 March 2025 <p>External Audit</p> <ul style="list-style-type: none"> • Progress Update Report <p>Reports from Other Service Areas</p> <ul style="list-style-type: none"> • Adults and Children's Services - review of external inspection reports

MEETING DATES TO BE CONFIRMED/SCHEDULED

- Monitor any impacts from recent changes within Adult Social Care and wider NHS changes where/when appropriate.

Updated: 18 March 2025

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