



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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