



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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