

Joint Committee of Central Norfolk
Building Control Consultancy

STATEMENT OF ACCOUNTS
2004/05

CONTENTS

	Page Numbers
• Explanatory Foreword	1 - 2
• Statement of Accounting Policies	3
• Revenue Account	4
• Statement of Total Movements in Reserves	4
• Notes to Revenue Account	5 - 6
• Balance Sheet	7 - 8
• Cash Flow Statement	9
• Statement of Responsibilities for the Statement of Accounts	10
• Board Approval of Accounts	11
• Statement of Internal Control	12 - 15
• Auditors' Report	16

NR7 0DU

Telephone (01603) 430100

EXPLANATORY FOREWORD

1. Under section 101(5) of the Local Government Act 1972 three Councils (Broadland District Council, Norwich City Council and South Norfolk Council) have formed a partnership for the joint provision of building control services in their areas from 1 April 2004.
2. The partnership is managed by a joint committee (Joint Committee of Central Norfolk Building Control Consultancy – C.N.C.). It consists of one executive member from each Council and trades as “C.N.C. Building Control Consultancy”.
3. Under section 1 of the Local Authorities (Goods and services) Act 1970 South Norfolk Council is providing finance, personnel and legal services to CNC.
4. CNC Building Control Consultancy’s accounts for the year 2004/05 are set out on pages 4 to 10.

They consist of:-

- the Revenue Account - covering all income and expenditure
 - the Balance Sheet - which sets out the financial position of CNC on 31st March 2005
 - the Statement of Total Movements in Reserves - which brings together all the recognised gains and losses of CNC.
 - the Cash Flow Statement - which summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes
5. These accounts are supported by the Statement of Accounting Policies, which follows this foreword, and various notes to the accounts.

This foreword provides a brief explanation of the financial aspects of CNC’s activities and draws attention to the main characteristics of CNC’s financial position.

6. Income is received in respect of application and inspection work carried out on behalf of customers within the area covered by the three participating authorities. The distribution of this income is roughly equal.

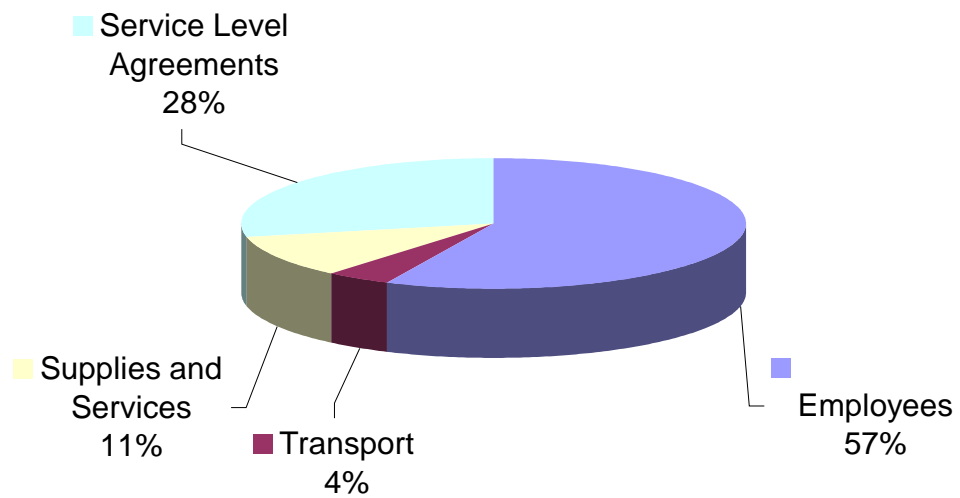
Non Fee income relates to work carried out on behalf of the participating authorities for which a customer is not directly charged.

7. As can be seen on the pie chart below, 57% of expenditure relates to employee costs and a further 28% for Service Level Agreements relating to

support services carried out by the participating authorities on behalf of CNC.

1.

What the money is spent on



8. The accounting policies adopted by the CNC comply with the relevant recommended accounting practices and are explained fully in the notes to the accounts.

STATEMENT OF ACCOUNTING POLICIES

1. General

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting: A Statement of Recommended Practice (SORP), issued in 2004 by the Chartered Institute of Public Finance and Accountancy (CIPFA) and also with guidance notes issued by CIPFA on the application of accounting standards (SSAPs). They therefore comply with 'proper accountancy practice' under the terms of the Local Government and Housing Act 1989.

The accounts also comply with the Best Value Accounting Code of Practice produced by CIPFA as updated in 2004.

2. Fixed Assets

All assets used by CNC are owned by the participating authorities. Where the cost of assets has fallen below the de minimus level set by an individual authority, the cost of the asset has been charged to CNC. The capital charge relating to assets used by CNC is deemed to be included within the charge for the service level agreement.

In 2004/05 CNC has incurred no capital expenditure or entered into any finance or operating leases.

3. Debtors and Creditors

The revenue accounts of CNC are maintained on an accruals basis in accordance with the Code of Accounting Practice and FRS18. That is, sums due to or from the CNC during the year are included whether or not the cash has actually been received or paid in the year.

4. Costs of Support Services

Expenditure has been split between fee and non fee earning activities pro rata to an individual authority's revenue stream.

5. Reserves

CNC maintains a reserve to act as working capital and to finance any significant investment in the service necessary to support its operational requirements.

6. Investments

Any surplus funds are invested on behalf of CNC by South Norfolk Council. Interest earned is paid direct to CNC's bank account.

3. THE REVENUE ACCOUNT

		£'000
Expenditure	Note 7	1,585
Income	Note 7	<u>(1,690)</u>
Net cost of Service		(105)
Interest		(7)
Net Operating Expenditure		<u>(112)</u>
Transfer to Reserve		112
Surplus for The Year		<u><u>0</u></u>

STATEMENT OF TOTAL MOVEMENT IN RESERVES

	Total Increase in Revenue Resources £'000
Balance at beginning of year	0
Surplus for Year	<u>(112)</u>
Balance at end of year	<u><u>(112)</u></u>

NOTES TO THE REVENUE ACCOUNT

1. Publicity

In 2004/05 CNC spent £17,613 on publicity as defined by the Local Government Act 1986. This expenditure was spent on advertising and marketing CNC's services.

2. Officers' Remuneration

In 2004/05 no employees received remuneration, excluding pension contributions, in excess of £50,000.

3. Related Party Transactions

Any related party transaction of members of the board are disclosed in the Statement of Accounts of the participating authorities.

Each participating authority charges CNC for services they provide under service level agreements and make a contribution to the partnership in respect of non-fee earning work.

	Broadland	Norwich	South Norfolk	Total
	£'000	£'000	£'000	£'000
Service Level Agreements				
Payments to Partner Authorities in respect of services provided	130	158	161	449
Receipts from Partner Authorities:				
Income re non fee earning work	(58)	(99)	(90)	(247)

Balances owing to the Partner Authorities as at 31 March 2005 are as follows:

	31 March 2005 £'000
Broadland	55
Norwich	234
South Norfolk	140

4. Members' Allowances

Allowances paid to members of the board are included in the Statement of Accounts of the participating authorities.

5. Audit Costs

In 2004/05 £8,000 was paid to the audit commission.

5.

6. Leases

No operating or finance leases were entered into in 2004/05.

7. Trading Account

Income is received in respect of application and inspection work carried out on behalf of customers within the area covered by the three participating authorities.

Non Fee income relates to work carried out on behalf of the participating authorities for which a customer is not directly charged. Service level agreements are in place for the provision of this service.

Work is also undertaken via the LABC Partner Authority Scheme. Under this scheme a Partner Company is given a one to one relationship with a Partner Authority (i.e. CNC) for the plan approval aspect of all construction projects irrespective of location. CNC acts as an effective conduit with the local authority where the project is to be built. CNC assesses the plans for a project and issues a decision advice notice to the inspecting authority, which leads to automatic Building Regulations approval by the Inspecting Authority. This close working relationship simplifies and streamlines the consultation process; removing any delays, which may otherwise impede the progress of applications.

The table below shows the trading account split between fee earning and non fee earning work

	Fee Earning £'000	Non Fee Earning £'000	Total £'000
Expenditure			
Employee Costs	761	141	902
Transport Costs	54	10	64
Supplies and Services	145	25	170
Service Level Agreements	378	71	449
Total Expenditure	1,332	247	1,585

Income			
Charges	(1,408)	0	(1,408)
SLA income from partner authorities re non fee earning work	0	(247)	(247)
Partner Authority Scheme	(31)	0	(31)
Interest	(7)	0	(7)
Miscellaneous	(4)	0	(4)
Total Income	(1,450)	(247)	(1,697)
Surplus for Year	(112)	0	(112)

6.
BALANCE SHEET

		31 March 2005	
		£'000	£'000
Current Assets			
Debtors	Note 1	469	
Bank		<u>159</u>	628
Current Liabilities			
Creditors	Note 2		(516)
Total Assets less Liabilities			<u>112</u>
Financed by:			
General Reserve	Note 3		<u>112</u>

NOTES TO THE BALANCE SHEET

1. Debtors

	Total £'000
Sundry Debtors (All Fees and Charges)	471
Provision for Bad Debts	<u>(2)</u>
	<u>469</u>

2. Creditors

	Total £'000
Government Departments (VAT)	41
Partner Authorities	429
Sundry Creditors	<u>46</u>
	<u>516</u>

3. General Reserve

CNC maintains a reserve to provide working capital and to finance any significant investment in the service necessary to support its operational requirements. The interest in this reserve is shared between the partner authorities as follows:

	Broadland	Norwich	South Norfolk	Total
	£'000	£'000	£'000	£'000
Debtors	157	156	156	469
Bank	(36)	144	51	159
Creditors	(84)	(263)	(169)	(516)
	<u>37</u>	<u>37</u>	<u>38</u>	<u>112</u>

7.

4. **Contingent Liabilities**

There are no contingent liabilities.

5. **Investments**

Any surplus funds are invested on behalf of CNC by South Norfolk Council. Interest earned is paid direct to CNC's bank account.

8.

CASH FLOW STATEMENT

	2004/05	
	£'000	£'000
Revenue Activities		
Cash Outflows		
Other Operating Costs		1,519
Cash Inflows		
Fees and Charges		(1,671)
Net Cash Inflow from Revenue Activities		<u>(152)</u>
Return on Investments		
Inflows – Interest Received		(7)
Increase in Cash		<u>(159)</u>

NOTES TO THE CASH FLOW STATEMENT

1. Reconciliation of Cash Movements to Balance Sheet

	As at 31 March 2005	As at 31 March 2004	Movement
	£'000	£'000	£'000
Bank	159	0	159

2. Reconciliation OF revenue Account to the Revenue Activities Cash Flow

	£'000
Surplus per Revenue Account	0
Non-Cash Adjustment	
Provision Set Aside	(2)
Movement on Reserve	114
Accruals	
Increase in Debtors	(469)
Increase in Creditors	516
Less Interest Received	(7)
Net Inflow from Revenue Activities	152

9.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

Joint Committee's Responsibilities

The authority is required:

- To make arrangements for the proper administration of CNC's financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. The joint committee has appointed the Head of Financial Services of South Norfolk Committee as it's Chief Financial Officer.
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the statement of accounts.

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the CNC's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the code'), is required to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31st March 2005.

In preparing this statement of accounts, the Chief Financial Officer has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Code.

The Chief Financial Officer has also:

- Kept proper accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the statement of accounts presents fairly the financial position of CNC at the accounting date and its income and expenditure for the year ended 31 March 2005.

April 2007

Andy Radford BA CPFA
(Chief Financial Officer for CNC)

10.

APPROVAL OF STATEMENT OF ACCOUNTS

I confirm that these accounts were approved by the Joint Committee of Central Norfolk Building Control Consultancy at a meeting held on March 2007.

Signed on behalf of the Joint Committee of Central Norfolk Building Control Consultancy

Mr B J M Iles
(Chairman of the Joint Committee of Central Norfolk Building Control Consultancy)

April 2007

STATEMENT OF INTERNAL CONTROL

1. **Scope of Responsibility**

Under section 101 (5) of the Local Government Act 1972 three local authorities have entered into an agreement to discharge their building control and related functions through a Joint Committee. The Joint Committee is responsible for ensuring that its business is conducted in accordance with the law and highest standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Additionally, the Joint Committee acting on behalf of the three local authorities has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

The Accounts and Audit Regulations 2003 state that:

“The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body’s functions and which includes arrangements for the management of risk.”

2. **The Purpose of the System of Internal Control**

The System of Internal Control is designed to manage risk at a reasonable and acceptable level rather than to try to eliminate all risk in achieving the outcome of policies, aims and objectives. The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of the Joint Committee’s policies, aims and objectives and to evaluate the likelihood of those risks being realised. Systems must then be put in place to minimise the likely occurrence of the affected risks.

A system of internal control has been in place for CNC for the year ended 31 March 2005 and up to the date of the Statement of Accounts.

12.

3. The Internal Control Environment

Establishing and Monitoring the Achievement of the Joint Committee's Objectives

The Business Plan for CNC was approved by the three local authorities in advance of the Joint Committee being established. This Plan covered the first 5 years of CNC's operations. The Plan includes:

- The mission statement
- Services which form the partnership
- Market opportunities
- Management and organization arrangements
- Financial framework

During 2004/05 the Joint Committee received reports from the Building Control Director which described the progress on marketing, staffing and workload. Improvements are being made in performance monitoring so that the Joint Committee is more able to measure the success of operations against the objectives contained in the business plan.

The partnership agreement identifies that the Secretary (being the Chief Executive of Broadland District Council) of the Joint Committee shall be designated the Head of Paid Service for the purposes of section 4 of the Local Government and Housing Act 1989. The legal agreement identifies that the Treasurer of the Joint Committee (being the Head of Financial Services of South Norfolk Council) shall be designated the Chief Finance Officer for the purposes of section 151 of the Local Government Act 1972.

The Facilitation of Policy and Decision-making

The establishment of a new body such as the Joint Committee has inherent risks. The Joint Committee has managed its first year in operation effectively. Regular financial and performance reporting to managers, management team and regular reporting to members enables policy implementation and decision-making to take place in an informed way.

Ensuring Compliance with Established Policies, Procedures, Laws and Regulations, including Risk Management

Responsibilities for statutory obligations are formally established within Broadland District Council (as the host of CNC). The Chief Executive disseminates statutory instruments to managers responsible for acting on them. The relevant professional heads are tasked with monitoring compliance with appropriate policies and procedures to ensure all officers work within them.

A risk management survey has recently been undertaken and an assessment of risks presented to the management board.

13.

Economic, Efficient and Effective use of Resources, and Securing Continuous Improvement

Based upon the work of internal audit, the adequacy of the internal control environment is described below:

- Satisfactory controls were in operation over all areas of processing creditor payments
- Satisfactory controls were in operation over all areas of payroll processing

The Financial Management and Reporting of the Joint Committee

The Joint Committee's overall financial position is sufficiently robust; the business plan and future year's budgets show continuing surpluses being achieved.

There is development work necessary to improve financial management.

The Performance Monitoring and Reporting of the Joint Committee

There is development work necessary to improve performance management systems.

4. Review of Effectiveness

The Joint Committee is responsible for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of

the internal auditors and the senior managers advising the Joint Committee, who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

The completion of the Statement of Internal Control involves the Joint Committee:

- Reviewing the adequacy of its internal control arrangements
- Knowing where it needs to improve those arrangements; and
- Communicating to users and stakeholders what it plans to do to improve the arrangements and how the planned improvements in internal control lead to better quality public services and best use of resources.

The Joint Committee has engaged internal audit to review its governance and financial arrangements. Although these audits were conducted during FY 2005/06, their key findings are shown within this Statement of Internal Control.

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control by internal audit and a plan to address weaknesses and ensure continuous improvements of the system is in place.

14.

5. Significant Control Issues

The internal audit review undertaken in FY 2005/06 has highlighted a number of areas for improvement, and these can be summarized as follows:

- None of the building control systems were being reconciled to South Norfolk Council's General Ledger to ensure all income had been invoiced
- The CNC Bank Account had not been formally reconciled and reviewed by a senior officer
- Absence of detailed budgets means the whole of the budget setting, budget and performance monitoring process is inadequate
- Cash and cheques received were not being banked on a systematic basis
- Define better the roles and responsibilities of the Joint Committee and the relationships and reporting back to the three local authorities
- Develop a formal risk management process
- Formalise the budget setting, monitoring and performance monitoring arrangements
- Obtain formal approval of service level agreements
- Develop an IT Strategy
- Appoint someone to undertake the legal function of a Monitoring Officer

Internal audit's conclusion is that weaknesses identified indicate the existence of a poor control environment.

The Joint Committee will satisfy the auditors' findings through an agreed action plan being implemented during FY 2005/06 and 2006/07.

The Joint Committee will be undertaking further work during 2005/06 to assist the future preparation of the Statement of Internal Control.

Colin Bland
(Secretary to the Joint Committee)

April 2007

Mr B J M Iles
(Chairman of the Joint Committee)

April 2007

15.

AUDITORS' REPORT TO THE COMMITTEE OF NORFOLK COUNCILS

These accounts are subject to audit.

A final set of accounts will be produced with the auditor's opinion after the audit has been completed.

