

Joint Committee of Central Norfolk  
Building Control Consultancy

STATEMENT OF ACCOUNTS  
2006/07

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## 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, and personnel services to CNC.
4. CNC Building Control Consultancy’s accounts for the year 2006/07 are set out on pages 5 to 13.

They consist of:-

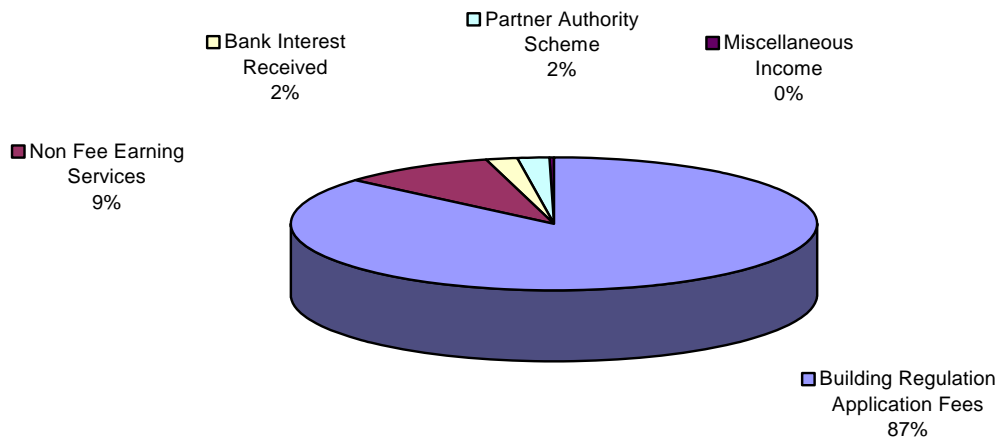
- the Income and Expenditure Account - covering all income and expenditure.
  - the Balance Sheet - which sets out the financial position of CNC on 31st March 2007.
  - the Statement of Movement in the General Fund - which brings together all the recognised gains and losses of CNC.
  - the Cash Flow 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.

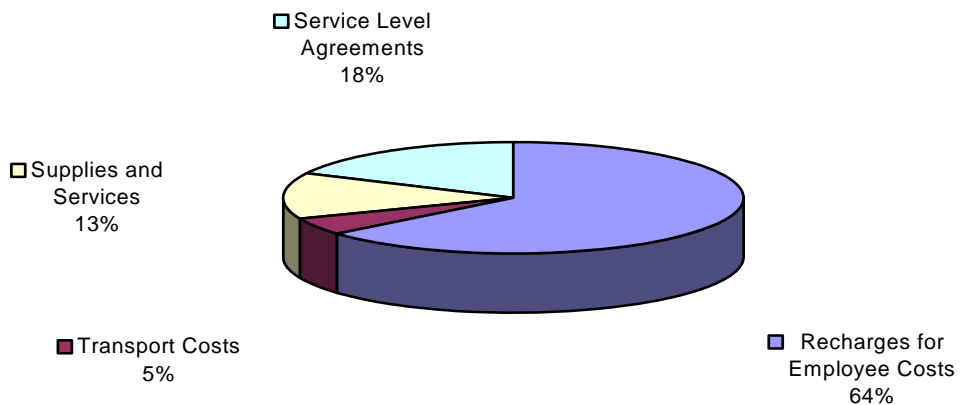
Non Fee income relates to work carried out on behalf of the participating authorities for which a customer is not directly charged.

See pie chart below for a split of the income received.



7. What is the Money spent on?

As can be seen on the pie chart below, 64% of expenditure relates to recharges for employees from South Norfolk Council, and a further 18% for Service Level Agreements relating to support services carried out by the participating authorities on behalf of CNC.



8. The accounting policies adopted by CNC complies 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 in the United Kingdom 2006: A Statement of Recommended Practice (SORP), issued in 2007 by the Chartered Institute of Public Finance and Accountancy (CIPFA) and also with guidance notes issued by CIPFA on the application of accounting standards. They therefore comply with 'proper accountancy practice' under the terms of the Local Government and Housing Act 1989.

The accounting convention adopted is historical cost.

### 2. Accounting Concepts

In managing its finances and preparing the Statement of Accounts the Joint Committee has particular regard to the accounting concepts within the SORP to ensure that the accounts present fairly its financial position and performance.

**Relevance** - the information in the accounts is useful in assessing the Joint Committee's stewardship of public funds and for making economic decisions.

**Reliability** - the information in the accounts is complete, prudently prepared, reflects the substance of transactions and is free of deliberate or systematic bias or material errors.

**Comparability** – a consistent approach to accounting policies is used in preparing the accounts to ensure that it may be compared to previous years. Where there is a change in accounting policy that has a material effect on the figures, this is disclosed.

**Understandability**– the Joint Committee has endeavoured to ensure that an interested reader can understand the accounts.

**Materiality** – in using its professional judgement the Joint Committee has considered the amount and nature of any transaction, or set of transactions. An item is considered to be material where its omission or misstatement would reasonably change the substance of the information presented in the accounts.

**Accruals** – the non-cash effects of transactions have been reflected in the statements for the financial year in which they occur not when any cash is received or paid.

**Going Concern** – the accounts have been prepared on the assumption that the Joint Committee will continue to provide operational services for the foreseeable future.

**Primacy of Legislative Requirements** – the Joint Committee operates through the power of statute. Where legislation prescribes the express treatment of transactions then the accounting concepts outlined above may be over-ruled.

### **3. Fixed Assets**

All assets used by CNC are owned by the participating authorities. Where the cost of assets has fallen below the de minimis 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 2006/07 CNC has incurred no capital expenditure or entered into any finance or operating leases.

### **4. 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.

### **5. Cost of Support Services**

Expenditure has been split between fee and non fee earning activities.

### **6. 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.

### **7. 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. Value Added Tax**

Income and Expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from them through South Norfolk Council.

## INCOME AND EXPENDITURE ACCOUNT

<b>2005/06</b>		<b>2006/07</b>
<b>£'000</b>		<b>£'000</b>
1,543	Expenditure	Note 5 1,805
(1,598)	Income	Note 5 <u>(1,721)</u>
(55)	Net cost of Service	84
(15)	Interest	(31)
<u>(70)</u>	Net Operating Expenditure	<u>53</u>
<u>(70)</u>	Deficit/(Surplus) for The Year	<u>53</u>

## STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

<b>2005/06</b>		<b>2006/07</b>
<b>£'000</b>		<b>£'000</b>
(70)	(Surplus)/Deficit for the year	53
70	Net additional amount required by Statute and Non Statutory Proper practices to be debited or credited to the General Fund Balance For the Year	(53)
<u>0</u>	Movement in General Fund Balance for Year	<u>0</u>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

<b>2005/06</b>		<b>2006/07</b>
<b>£'000</b>		<b>£'000</b>
(70)	(Surplus)/Deficit for the year	53
<u>(70)</u>	Total Recognised (Gains)/Losses for the year	<u>53</u>

## BALANCE SHEET

31 March 2006 £'000			31 March 2007 £'000    £'000
	<b>Current Assets</b>		
234	Debtors	Note 6	225
736	Bank		607
970			832
	<b>Current Liabilities</b>		
(788)	Creditors	Note 7	(703)
182	<b>Total Assets less Liabilities</b>		129
	<b>Financed by:</b>		
182	General Fund	Note 8	129

Andy Radford BA CPFA  
 Head of Finance and property Services                      16<sup>th</sup> April 2008

## CASH FLOW STATEMENT

2005/06 £'000			2006/07 £'000
	Revenue Activities		
	Cash Outflows		
1,271	Other Operating Costs		1,891
	Cash Inflows		
(1,833)	Fees and Charges		(1,762)
(562)	Net Cash Outflow/(Inflow) from Revenue Activities	Note 13	129
	Return on Investments		
(15)	Inflows – Interest Received		0
(577)	(Increase)/Decrease in Cash		129

## NOTES TO THE CORE STATEMENTS

### 1. Publicity

In 2006/07 CNC spent £15,181 on publicity (£9,802 in 2005/06) as defined by the Local Government Act 1986. This expenditure was spent on advertising and marketing CNC's services.

### 2. Related Party Transactions

Any related party transaction of members of the board, are disclosed in the Statement of Accounts of the participating authorities. There were no related party transactions for CNC.

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.

Total	Broadland	Norwich	South Norfolk	Total
£'000	£'000	£'000	£'000	£'000
2005/06	2006/07	2006/07	2006/07	2006/07
Service Level Agreements				
217 Payments to Partner Authorities in respect of services provided	172	41	108	321
Receipts from Partner Authorities:				
(157) Income re non fee earning work	(44)	(62)	(59)	(165)

Balances owing to the Partner Authorities as at 31 March 2007 are as follows:

31 March 2006 £'000		31 March 2007 £'000
0	Broadland	0
0	Norwich	0
562	South Norfolk	475
562		475

### 3. Audit Costs

In 2006/07 a provision of £8,500 was made for the Audit Commission (£9,000 in 2005/06 and £8,000 in 2004/05).

### 4. Leases

No operating or finance leases were entered into in 2006/07.

## 5. 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

<b>2005/06</b>		<b>Fee Earning</b>	<b>2006/07</b>	
<b>Total</b>			<b>Non Fee</b>	<b>Total</b>
<b>£'000</b>		<b>£'000</b>	<b>Earning</b>	<b>£'000</b>
			<b>£'000</b>	<b>£'000</b>
1,101	Employee Charges	1,054	98	1,152
64	Transport Costs	78	11	89
161	Supplies and Services	214	28	242
217	Service Level Agreements	294	28	322
1,543	<b>Total Expenditure</b>	1,640	165	1,805
(1,380)	Charges	(1,515)	0	(1,515)
(157)	SLA income from partner authorities re non fee earning work	0	(165)	(165)
(31)	Partner Authority Scheme	(35)	0	(35)
(15)	Interest	(31)	0	(31)
(30)	Miscellaneous	(6)	0	(6)
(1,613)	<b>Total Income</b>	(1,587)	(165)	(1,752)
(70)	<b>Deficit/(Surplus) for Year</b>	53	0	53

## 6. Debtors

31 March 2006		31 March 2007
£'000		£'000
234	Sundry Debtors (All Fees and Charges)	230
0	Provision for Bad Debts	(5)
<u>234</u>		<u>225</u>

## 7. Creditors

The main creditor is South Norfolk Council, which has paid over VAT to the Inland Revenue on behalf of CNC. CNC will reimburse these costs to South Norfolk Council in 2007/08.

31 March 2006		31 March 2007
£'000		£'000
17	Government Departments (VAT)	0
562	Partner Authorities	506
209	Sundry Creditors	197
<u>788</u>		<u>703</u>

## 8. Movement on General Reserve

31 March 2006		31 March 2007
£'000		£'000
112	Opening Balance	182
70	Movement in Year	(53)
<u>182</u>	Closing Balance	<u>129</u>

## 9. 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:

31 March 2006	31 March 2007			
Total	Broadland	Norwich	South Norfolk	Total
£'000	£'000	£'000	£'000	£'000
234	51	74	100	225
736	50	9	548	607
(788)	(58)	(40)	(605)	(703)
<u>182</u>	<u>43</u>	<u>43</u>	<u>43</u>	<u>129</u>

## 10. Contingent Liabilities

There are no contingent liabilities.

## 11. Investments

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

## 12. Reconciliation of Cash Movements to Balance Sheet

	As at 31 March 2006 £'000	As at 31 March 2007 £'000	Movement £'000
Bank	736	607	(129)

## 13. Reconciliation of Income and Expenditure Account to Revenue Activities Cash Flow

2005/06 £'000		2006/07 £'000
70	Deficit per Income and Expenditure Account	53
	Non-Cash Adjustment	
(2)	Provision Set Aside	5
	Accruals	
237	(Increase)/Decrease in Debtors	(14)
272	Increase/(Decrease) in Creditors	85
(15)	Less Interest Received	0
<u>562</u>	<u>Net Inflow/(Outflow) from Revenue Activities</u>	<u>129</u>

## 14. Authorised for Issue date

The accounts were approved at a meeting on 16<sup>th</sup> April 2008 any further adjustments were delegated to the Head of Finance & Property Services. They were then signed by the Chairman of the Joint Committee of Central Norfolk Building Control Consultancy. The Head of Finance and Property Services authorised that the Statement of accounts should be printed ready for audit and be placed on the CNC Building Control Consultancy website. Any events arising after the balance sheet date have been reflected in the accounts up to this authorised for issue date of 16<sup>th</sup> April 2008.

## **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

### **Joint Committee's Responsibilities**

The Joint Committee 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 Council as its 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 Joint Committee at the accounting date and its income and expenditure for the year ended 31st March 2007.

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 2007.

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Andy Radford BA CPFA  
(Chief Financial Officer for CNC)

16<sup>th</sup> April 2008

## **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 16<sup>th</sup> April 2008.

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

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Mr B Morrey  
(Chairman of the Joint Committee of Central Norfolk Building Control Consultancy)

16<sup>th</sup> April 2008

## 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.

It has been agreed that the Chief Finance Officer is responsible for the collection of Statement of Internal Control assurance and the drafting of the statement. Ownership for a sound system of internal control rests with the CNC Management Team and the Joint Committee.

### 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.

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
- 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 engaged the Internal Audit function to review the audit recommendations made during FY 2005/06 to ensure agreed improvements had been put in place during 2006/07.

### 3. **The Internal Control Environment**

#### **Establishing and Monitoring the Achievement of the Authority's Objectives**

The Business Plan for CNC was approved by the three local authorities in advance of the Joint Committee being established. A revised Business Plan was approved by the Joint Committee in January 2007, covering the remaining two years of the agreement. The Plan includes:

- The mission statement
- Service objectives
- Governance arrangements
- Management and staffing
- Services which form the partnership
- Market opportunities
- Information technology
- Financial and performance management framework
- Risk assessment

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 Finance and Property Services of South Norfolk Council) shall be designated the Chief Finance Officer for the purposes of section 151 of the Local Government Act 1972. During 2006/07 the Deputy Monitoring Officer at Broadland District Council was appointed to act as the Monitoring Officer for the Joint Committee.

#### **The Facilitation of Policy and Decision-making**

There has been a further strengthening of financial management arrangements and their interaction with other management information made available to managers so that they can have the confidence that the best decisions are being made. Regular financial and performance reporting to managers, management team and quarterly reporting to the Joint Committee enables policy implementation and decision-making to take place in an informed way.

An internal audit review conducted in FY 2005/06 made a number of recommendations in respect of corporate governance arrangements. These recommendations included improved risk management arrangements, financial and performance reporting arrangements, developing an IT Strategy and appointing a Monitoring Officer. Some of the recommendations have been implemented during FY 2006/07.

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

Responsibilities for statutory obligations are formally established. The Chief Executive of Broadland (as Head of Paid Service) disseminates statutory instruments to managers responsible for acting on them.

Decisions to be taken by members of the Joint Committee are subject to a rigorous scrutiny process by the Monitoring Officer, Section 151 Officer, HR Adviser before they are considered by the Joint Committee.

The Joint Committee considered a risk assessment made by the CNC Building Control Director, and agreed an action plan to manage these risks.

The Joint Committee approved terms of reference for its own roles and responsibilities, providing clarity over which decisions rest with the Joint Committee, those which rest with the three local authorities and those which rest with officers.

The Joint Committee approved Rules of Financial Governance during 2006/07, which sets out the overall financial framework in which the Joint Committee and officers operate.

### **Economic, Efficient and Effective Use of Resources**

No new audits have been undertaken in relation to CNC Building Control Consultancy during 2006/07, although audit follow up work has been carried out regarding two reviews performed in 2005/06. The corporate governance arrangements have clearly improved in the last 12 months, which is reflected in management's endorsement of 10 audit recommendations designed to strengthen operation of the Joint Committee and decision making process generally, improve aspects of risk assessment, upgrade financial provisions including budgetary control and quarterly progress reports, introduce an IT strategy and provide for legal and monitoring officer services to the Consultancy. Internal control issues still exist, however, in relation to income reconciliations between Building Control systems and South Norfolk Council's General Ledger, although there has been some improvement regarding bank reconciliations. It has therefore been concluded that the overall control environment is sound but further work is still required to fully resolve the income reconciliation problems previously raised by auditor work carried out in 2005/06.

### **Securing Continuous Improvement**

During 2006/07 the Joint Committee received reports from the Building Control Director which described the progress on marketing, staffing and workload. Improvements have been 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 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.

#### **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 and internal audit. The review of the effectiveness of the system of internal control is

informed by the work of the internal auditors and the senior managers within and advising CNC 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.

Action plans to meet all identified internal control issues are allocated to an individual officer. These are monitored and followed up to ensure compliance within agreed timescales.

## **5. Significant Control Issues**

The internal audit function reviewed the controls in respect of internal controls during FY 2005/06. This review highlighted a number of weaknesses, particularly managing income received by CNC. The key weakness was a lack of a reconciliation between the CNC income and the CNC bank account. Improvements have been made in this and the other recommendations implemented.

The remaining areas of weaknesses are 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
- Cash and cheques received were not being banked on a systematic basis
- Requirement to obtain formal approval of service level agreements

Internal audit's conclusion is that further work is still required to fully resolve the income reconciliation problems previously identified by audits conducted in 2005/06.

Some actions have been implemented in accordance with the dates agreed. The Joint Committee will monitor compliance with the remaining audit recommendations during 2007/08.

The Joint Committee will be undertaking further work during 2007/08 to assist the future preparation of the Statement of Internal Control.

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Colin Bland  
(Secretary to the Joint Committee)

16<sup>th</sup> April 2008

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Mr B Morrey  
(Chairman of the Joint Committee)

16<sup>th</sup> April 2008

## **AUDITORS' REPORT TO THE COMMITTEE OF NORFOLK COUNCILS**

These accounts are subject to audit.