

Joint Committee of Central Norfolk
Building Control Consultancy

STATEMENT OF ACCOUNTS
2005/06

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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 2005/06 are set out on pages 6 to 11.

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 2006
 - 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.

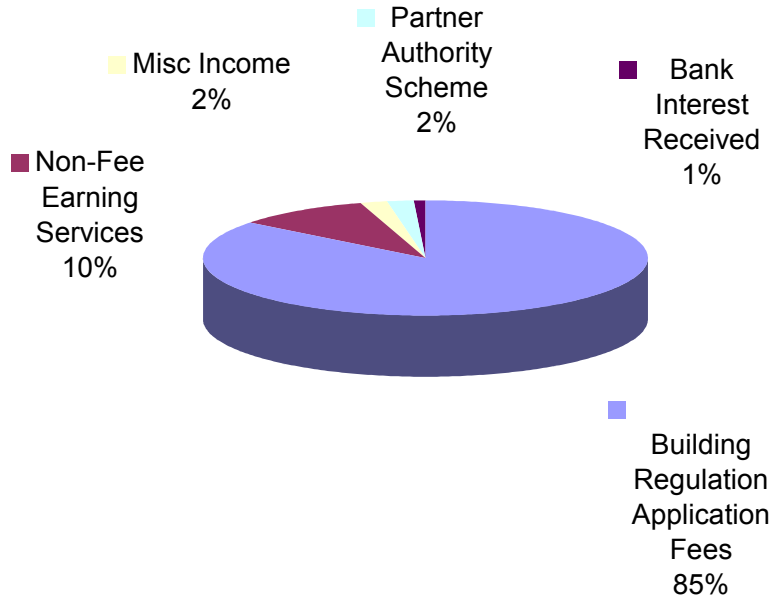
This foreword provides a brief explanation of the financial aspects of CNC’s activities and draws attention to the main characteristics of CNC’s financial position.

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.

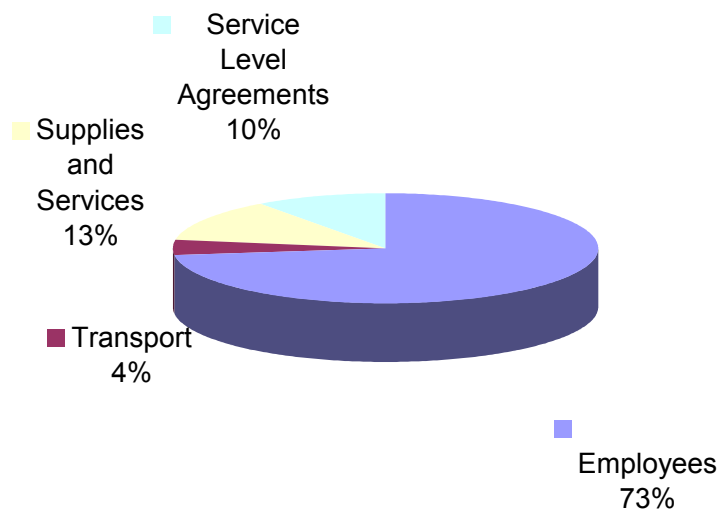
1.

Where the money comes from



7. As can be seen on the pie chart below, 73% of expenditure relates to employee costs and a further 10% for Service Level Agreements relating to support services carried out by the participating authorities on behalf of CNC.

What the money is spent on



2.

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.
9. Actual pension contributions in respect of all of CNC's employees have been charged to the revenue account. The statutory requirements of FRS17 in respect of these staff has been complied with in the accounts of the relevant participating authority. The underlying commitment that each of the participating authorities have in the long term to pay retirement benefits to their respective employees has been incorporated within each of the individual authority accounting statements.
10. The three constituent authorities have agreed to allow Breckland District Council to join the partnership on 1 October 2006. A decision will be made by Breckland at a council meeting to be held on 30th June 2006.

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 2005 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 2005.

2. Accounting Concepts

In managing its finances and preparing the Statement of Accounts the Council 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 Council'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 Council has endeavoured to ensure that an interested reader can understand the accounts.
- **Materiality** – in using its professional judgement the Council has considered the size 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 Council will continue to provide operational services for the foreseeable future.

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

4.

3. **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 2005/06 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. **Costs 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. **Pensions**

In 2005/06 CNC paid an employer's contribution of 13.9% of employees' reckonable pay into a superannuation fund administered by Norfolk County Council. The fund is a final salary scheme. CNC's contribution includes the costs of inflation awards (Pensions Increase Act payments) to pensioners of the Fund. The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations. The last review was at 31st March 2004 which resulted in a new rate from 1st April 2005.

The requirements of FRS17 relating to CNC employees are fully reflected in the accounts of the relevant partner councils. Those accounts reflect the individual authority's commitment in the long-term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

8. **Investments**

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

5.

THE REVENUE ACCOUNT

	Broadland £'000	Norwich £'000	South Norfolk £'000	Total 2005/06 £'000	Total 2004/05 £'000
Expenditure					
Employee Costs	322	435	344	1101	906
Transport Costs	20	13	31	64	64
Supplies and Services	45	45	45	135	162
Service Level Agreements	118	34	109	261	460
Total Expenditure	505	527	529	1,561	1,592
Income					
Charges	(455)	(455)	(461)	(1,371)	(1,403)
SLA income from partner authorities re non fee earning work	(41)	(61)	(55)	(157)	(247)
Partner Authority Scheme	(10)	(10)	(11)	(31)	(31)
Interest	(3)	(6)	(6)	(15)	(7)
Miscellaneous	(10)	(10)	(10)	(30)	(4)
Total Income	(519)	(542)	(543)	(1,604)	(1,692)
Surplus for Year	(14)	(15)	(14)	(43)	(100)

STATEMENT OF TOTAL MOVEMENT IN RESERVES

	Broadland £'000	Norwich £'000	South Norfolk £'000	Total Increase in Revenue Resources 2005/06 £'000	Total Increase in Revenue Resources 2004/05 £'000
Balance at beginning of year	(32)	(33)	(35)	(100)	0
Surplus for Year	(14)	(15)	(14)	(43)	(100)
Balance at end of year	(46)	(48)	(49)	(143)	(100)

NOTES TO THE REVENUE ACCOUNT

1. **Publicity**

In 2005/06 CNC spent £9,802 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 2005/06 no employees received remuneration, excluding pension contributions, in excess of £50,000.

3. **Pension Costs**

CNC staff participate in the Local Government Pension Scheme, a defined benefit statutory scheme, administered by Norfolk County Council. This is a funded scheme, meaning that the CNC and staff pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations. The last review was at 31st March 2004. Under Superannuation Fund Regulations contribution rates are set to meet the overall liabilities of the Fund. The new rate resulting from the review was effective from 1st April 2005.

CNC will also be responsible for all pension payments relating to any added years benefits it may award, together with the related increases. In 2005/06 no awards were made.

As part of the terms and conditions of employment of its staff, CNC offers retirement benefits. Although these benefits will not actually be payable until staff retire, the commitment to make these payments in the future is shown in the accounts of the partner authorities which include full disclosures under FRS17.

4. **Related Party Transactions**

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

5. **Members' Allowances**

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

6. Audit Costs

In 2005/06 a provision of £5,000 was made for the audit commission.

7. Leases

No operating or finance leases were entered into in 2005/06.

7.

8. 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	Non Fee Earning	Total 2005/06	Total 2004/05
	£'000	£'000	£'000	£'000
Expenditure				
Employee Costs	1,012	89	1,101	906
Transport Costs	58	6	64	64
Supplies and Services	119	16	135	162
Service Level Agreements	215	46	261	460
Total Expenditure	1,404	157	1,561	1,592
Income				
Charges	(1,371)	0	(1,371)	(1,403)
SLA income from partner authorities re non fee earning work	0	(157)	(157)	(247)
Partner Authority Scheme	(31)	0	(31)	(31)
Interest	(15)	0	(15)	(7)

Miscellaneous	(30)	0	(30)	(4)
Total Income	(1,447)	(157)	(1,604)	(1,692)
Surplus for Year	(43)	0	(43)	(100)

8.
BALANCE SHEET

	31 March 2006		31 March 2005	
	£'000	£'000	£'000	£'000
Current Assets				
Debtors	245		473	
Bank	711	956	152	625
Current Liabilities				
Creditors		(813)		(525)
		(Note 1)		
Total Assets less Liabilities		<u>143</u>		<u>100</u>
Financed by:				
General Reserve		143		100
		(Note 2)		

NOTES TO THE BALANCE SHEET

1. **Creditors**

	Total 2005/06 £'000	Total 2004/05 £'000
Government Departments (VAT)	56	41
Partner Authorities	566	452
Sundry Creditors	191	32
	<u>813</u>	<u>525</u>

The £566k under Partner Authorities relates to invoices and salaries paid by SNC on behalf of CNC.

2. **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 2005/06	Total 2004/05
	£'000	£'000	£'000	£'000	£'000
Debtors	75	75	95	245	473
Bank	142	305	264	711	152
Creditors	(171)	(332)	(310)	(813)	(525)
	<u>46</u>	<u>48</u>	<u>49</u>	<u>143</u>	<u>100</u>

9.

3. Contingent Liabilities

There are no contingent liabilities.

4. Investments

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

10.

CASH FLOW STATEMENT

	2005/06		2004/05	
	£'000	£'000	£'000	£'000
Revenue Activities				
Cash Outflows				
Employees	813		876	
Other Operating Costs	<u>695</u>	1,508	<u>643</u>	1,519
Cash Inflows				
Fees and Charges		(2,052)		(1,664)
Net Cash Inflow from Revenue Activities		<u>(544)</u>		<u>(145)</u>
Servicing of Finance				
Inflows – Interest Received		(15)		(7)
Increase in Cash		<u>(559)</u>		<u>(152)</u>

Reconciliation of Cash Movements to Balance Sheet

	As at 31 March 2006 £'000	As at 31 March 2005 £'000	Movement £'000
Bank	<u>711</u>	<u>152</u>	<u>559</u>

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 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 authority at the accounting date and its income and expenditure for the year ended 31st March 2006.

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 2006.

Andy Radford BA CPFA
(Chief Financial Officer for CNC)

30 June 2006

12.

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 30 June 2006.

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)

30 June 2006

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.”

The legal 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.

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; 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 engaged internal audit to review its governance and financial arrangements during FY2005/06.

14.

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

The business plan is reviewed and updated on an annual basis.

During 2005/06 the Joint Committee received reports from the Building Control Director which provided 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 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 quarterly reporting to members enables policy implementation and decision-making to take place in an informed way.

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

- Define 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 a Monitoring Officer

Some actions have been implemented in accordance with the dates agreed. The Joint Committee will monitor compliance with the remaining audit recommendations via an agreed action plan being implemented during FY 2006/07.

15.

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.

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
- None of the building control systems were being reconciled to South Norfolk Council's General Ledger to ensure all income had been invoiced. Progress has been made in this, but there is more work to do to complete the recommendation.
- Satisfactory controls were in operation over all areas of payroll processing. There remain concerns over this issue.
- The CNC Bank Account had not been formally reconciled and reviewed by a senior officer. The bank account has been reconciled as at 31 March 2006, and arrangements have been put in place for regular reconciliations during FY 2006/07.
- Satisfactory controls were in operation over the general ledger and budget monitoring

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

The Performance Monitoring and Reporting of the Joint Committee

There has been some improvement in this area, but further development work is necessary around improving 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, 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.

16.

5. Significant Control Issues

These are referred to in other parts of the Statement, which includes commentary on actions taken or proposed to deal with significant internal control issues.

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

17.

Colin Bland
(Secretary to the Joint Committee)

June 2006

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

June 2006

18.

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.

