

NORWICH HIGHWAYS AGENCY JOINT COMMITTEE

28 JUNE 2007

ITEM NO: 6

2006-2007 FINAL ACCOUNTS

Report by the Director of Finance

This report details the final accounts of the Norwich Highways Agency Joint Committee for 2006-2007.

1. Introduction

- 1.1 As part of the formal process of closing the Norwich Highways Agency Joint Committee's 2006-2007 accounts, members are required to approve the draft Statement of Accounts by 30 June.

2. Background

- 2.1 The Accounts and Audit Regulations issued by the Secretary of State set out the requirements for the preparation and publication of final accounts. These regulations include the requirement for the formal approval of the Norwich Highways Agency Joint Committee's Statement of Accounts.
- 2.2 The County Council's Director of Finance is satisfied that the Statement of Accounts has been prepared in accordance with both the current Code of Practice on Local Authority Accounting in Great Britain and the Best Value Accounting Code of Practice. The Statement is required to present fairly the Joint Committee's financial position at 31 March 2007 and also the income and expenditure for the financial year.
- 2.3 The Statement of Accounts will be available for public inspection during the four-week period running from 23rd July to 17th August 2007.
- 2.4 The Audit Commission will start their detailed examination of the Statement of Accounts in July. They will only be able to formally conclude the audit, and issue their report and certificate if they have received a copy of the Statement of Accounts as approved by this Committee.
- 2.5 Any significant amendments to these accounts will be notified to members of the Committee. This is planned for the September meeting, when the District Auditor should also present the Annual Governance Report.

- 2.6 The Accounts and Audit Regulations require that the 2006-2007 Statement of Accounts must be published by 30th September.

3. Statement of Accounts - Content

- 3.1 The content and the format of the Accounts is as prescribed in the Accounting Code of Practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), which has approval from the Accounting Standards Board as a Statement of Recommended Practice (SORP).

Explanatory Foreword

- 3.2 The purpose of the foreword is to offer interested parties an easily understandable guide to the most significant matters in the accounts.

Statement of Responsibilities

- 3.3 This statement sets out the respective responsibilities of the Norwich Highways Agency Joint Committee and the Director of Finance in relation to the production of the final accounts.

Statement of Internal Control

- 3.4 The Accounts and Audit Regulations require that a Statement of Internal Control, signed by the Chairman, Vice-Chairman and Chief Executive, is included in the Joint Committee's approved Accounts.
- 3.5 This statement is included on pages 11 to 16. It confirms that, during the 2006-07 financial year, and up to the date the accounts are published, overall Corporate Governance arrangements and internal controls in the Joint Committee were in place and effective in terms of business as well as financial risk. It also confirms that areas where controls need to be developed or improved are known about and are being actioned.

Statement of Accounting Policies

- 3.6 This section summarises the accounting rules and conventions that have been used in preparing the accounts.

Income and Expenditure Account

- 3.7 The Income and Expenditure account shows, in the format required by the Accounting Code of Practice, the income and expenditure for the year, which resulted in an overall breakeven position.

Statement of Movement on the General Fund Balance

- 3.8 This statement is intended to show how the surplus/deficit on the income and expenditure account links with the raising of Council Tax. However, as the Norwich Highways Joint Agency Committee does not have tax raising powers it will only show any surplus/deficit on the income and expenditure account.

Statement of Total Recognised Gains and Losses

- 3.9 This statement brings together all the gains and losses of the Norwich Highways Agency Joint Committee for the year and shows the aggregate movement in its net worth. The statement is likely to only show any surplus/deficit on the income and expenditure account. If the Joint Committee had responsibility for fixed assets or pension arrangements, any valuation changes would be included in this statement.

Balance Sheet

- 3.10 The Balance Sheet statement sets out the financial position of the Joint Committee at 31st March 2007. The statement shows the net current assets employed by the Joint Committee. The Joint Committee does not hold any fixed assets or reserves.

Cash Flow Statement

- 3.11 The cash flow statement summarises the inflows and outflows of cash arising from transactions with third parties. The statement shows that there has been a net cash outflow of £0.186m.

Notes to the Core Financial Statements

- 3.12 The SORP requires that some specific notes have to be included in Statement of Accounts, for example disclosure of related parties transactions. In addition, other notes may be added in order that a reader of the accounts has sufficient information to have a good understanding of the Joint Committee's activities.

4. Next Steps

- 4.1 After approval of the accounts by this Committee, the Director of Finance will submit the Statement of Accounts to the District Auditor for auditing.
- 4.2 Subject to satisfactory progress on the audit of the accounts, any changes to the accounts together with the District Auditor's Annual Governance Report will be reported to the September Committee meeting.

5. Section 17 Crime and Disorder Act

- 5.1 There are no implications of this report for the Crime and Disorder Act.

6. Alternative Options

- 6.1 There are no alternative options that the Norwich Highways Agency Joint Committee needs to consider.

7. Conclusion

7.1 This report and the accompanying Statement of Accounts detail the final position for 2006-2007.

8. Recommendation

8.1 **The Norwich Highways Agency Joint Committee is requested to consider and approve the Joint Committee's Statement of Accounts for 2006-2007.**

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If you need this statement in large print, audio, Braille, alternative format or in a different language please contact Dawn Filtness on tel. 01603 222828 or fax 01603 222811, and we will do our best to help.



Norwich Highways Agency Joint Committee

Statement of Accounts 2006-07

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Contents

INTRODUCTION	3
OVERVIEW OF THE NORWICH HIGHWAYS AGENCY JOINT COMMITTEE	4
EXPLANATORY FOREWORD	5
STATEMENT OF RESPONSIBILITIES	8
CERTIFICATION OF COMMITTEE RESOLUTION	9
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NORWICH HIGHWAYS AGENCY JOINT COMMITTEE	10
STATEMENT OF INTERNAL CONTROL FOR NORWICH HIGHWAYS AGENCY JOINT COMMITTEE	11
STATEMENT OF ACCOUNTING POLICIES	17
INCOME AND EXPENDITURE ACCOUNT	21
STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE	22
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	24
CASH FLOW STATEMENT	26
NOTES TO THE CORE FINANCIAL STATEMENTS	27
GLOSSARY OF TERMS	30

Introduction

This report presents the statutory financial statements of Norwich Highways Agency Joint Committee for the period from 1 April 2006 to 31 March 2007. This is the first year that an individual statement of accounts has been prepared for the Joint Committee, and these have been prepared in accordance with the Accounts and Audit Regulations.

The form and content of this report follows the guidance laid down in the Statement of Recommended Practice (the SORP) as required by the Local Government and Housing Act 1989.

The document is divided into three main sections:

- ◆ An overview of the Norwich Highways Agency Joint Committee
- ◆ The detailed accounts including the External Auditor's opinion
- ◆ Glossary of Financial Terms

The Norwich Highways Agency Joint Committee's statement of accounts is a statutory document produced to inform stakeholders of the activities of the Joint Committee. Publication of the accounts is an essential feature of public accountability, since the accounts provide the stewardship report on the use of funds raised from the public and business ratepayers.

Further information sources:

The Joint Committee's meetings, reports and minutes can be accessed via Norwich City Council's website at <http://www.norwich.gov.uk> under Committee meetings.

Overview of the Norwich Highways Agency Joint Committee

Norwich City Council and Norfolk County Council have established a Norwich Highways Agency Joint Committee to exercise a range of highways and transportation and associated functions of Norfolk County Council.

Norwich City Council and Norfolk County Council employ all the staff working for the Joint Committee, and process all financial transactions through their bank accounts. However, within the Accounts and Audit Regulations, the Norwich Highways Agency Joint Committee is a separate statutory body.

Terms of Reference

The overall responsibilities of the Norwich Highways Agency Joint Committee are:

- ◆ To oversee the operation of the highways and traffic functions delegated to Norwich City Council by Norfolk County Council
- ◆ To exercise certain functions delegated by the County Council direct to the Joint Committee
- ◆ To advise the County Council on various highways and traffic matters in Norwich.

Joint Committee Structure

Norwich Highways Agency Joint Committee has 10 members. Norwich City Council appoints five members (2 voting members) and Norfolk County Council also appoints five members (2 voting members). The Chairman is a County Council member and the Vice-Chairman is a Norwich City Council member.

The rules of Norwich City Council apply to the conduct and proceedings of the Joint Committee. Joint Committee meetings are held in public in accordance with Local Government legislation.

Staff

The number of people directly employed by Norwich City Council on behalf of the Norwich Highways Agency Joint Committee as at 31 March 2007 was 38.9 full time equivalents (FTE) (44.1 at 31 March 2006). These figures include permanent, temporary, sessional and supply staff.

Explanatory Foreword

The Norwich Highways Agency Joint Committee's statement of accounts for the 2006-07 financial year is set out on the following pages. Where possible, information on the accounts is presented as simply and clearly as possible. However, due to the technical nature of the accounts, the use of accounting terms is required in certain cases. A glossary of the meaning of these terms is provided at the end of this document to help the reader's understanding.

The Main Accounting Statements

The accounts are set out in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (the SORP), which defines the content and layout of the accounts.

In addition to the financial statements, the accounts also include a statement of the accounting policies, explanatory notes to the main accounting statements to inform the reader, and a glossary of financial terms. The accounting policies explain the main principles used in producing the figures in the accounts. Many of the accounting principles are specified by the SORP and this ensures that the accounts of local authorities (including Joint Committees) across the country are prepared on a consistent and comparable basis.

The main financial statements comprise:

- ◆ The Income and Expenditure Account – this shows the Norwich Highways Agency Joint Committee's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months.
 - ◆ Statement of the Movement on the General Fund Balance – this reconciles the surplus/deficit on the Income and Expenditure account with the movement on the General Fund for setting the Council tax. The Norwich Highways Agency Joint Committee does not have tax raising powers and will therefore show no movement on the General Fund balance.
 - ◆ Statement of Total Recognised Gains and Losses. This brings together all of the recognised gains and losses of the Norwich Highways Agency Joint Committee.
 - ◆ The Balance Sheet - This statement shows the financial position of the Norwich Highways Agency Joint Committee at 31 March 2007.
 - ◆ The Cash Flow Statement – This shows the Norwich Highways Agency Joint Committee's cash transactions for the year, indicating the source of the cash income received and the actual cash spent.
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Overview

The Norwich Highways Agency Joint Committee's expenditure is funded by income raised from fees and charges and contributions from Norwich City Council and Norfolk County Council.

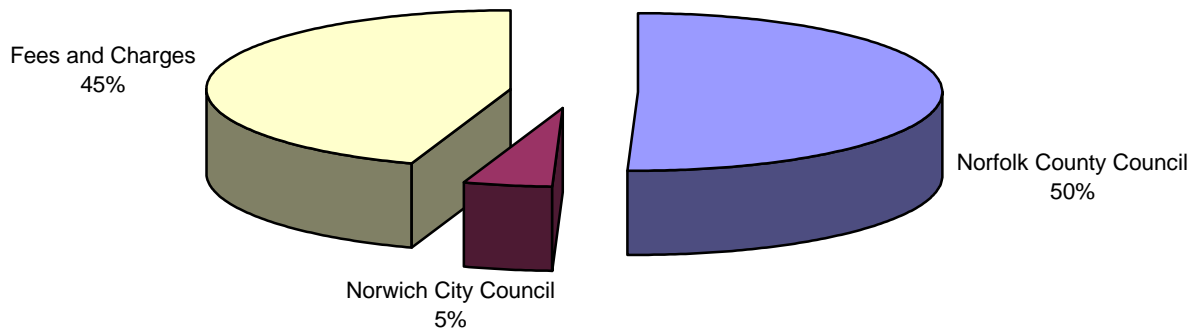
The Joint Committee's actual revenue expenditure in 2006-07 was £3,627,857.

The Norwich Highways Agency Joint Committee does not own any fixed assets. However, it does incur capital expenditure costs on behalf of Norfolk County Council, which are then reimbursed by this Council.

Actual capital expenditure in 2006-07 was £3,869,032.

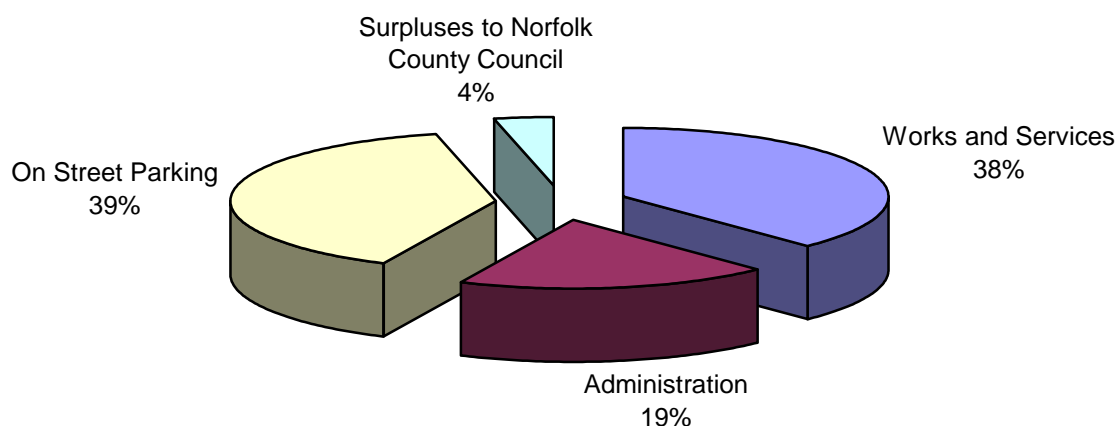
Where does the money come from?

The chart shows all sources of income for the Norwich Highways Agency Joint Committee, including monies raised from fees and charges as included in the Income and Expenditure Account. When these sources of income are taken into account, the proportion of expenditure funded by Norwich City Council is 5%, Norfolk County Council is 50% and 45% is generated from other fees and charges.



The spending for 2006-07 was on the following services:

Spending against the cash limited budget has been monitored regularly throughout the year, and reports have been received at each of the Joint Committee's meetings.

**Accounting Policies**

The accounting policies adopted by the Joint Committee comply with the relevant recommended accounting practice, except where stated. The Joint Committee's policies are fully explained on pages 17 to 20.

Pension Contributions

Actual pension contributions in respect of employees delivering the Joint Committee's activities have been charged to the income and expenditure account. The statutory requirements of Financial Reporting Standard 17 in respect of these staff have been complied with in the accounts of Norwich City Council or Norfolk County Council as appropriate. The underlying commitment that Norwich City Council and Norfolk County Council have in the long term to pay retirement benefits to their respective employees has been incorporated within each Council's Statement of Accounts.

Further Information

Interested members of the public have a statutory right to inspect the accounts before the audit is completed. This has been advertised in the local press. The authority complies with the Freedom of Information Act 2005 requirements in responding to queries from the general public.

Further information about the financial statements and accounts is available from the Director of Finance, Mr R.D. Summers, Norfolk County Council, County Hall, Martineau Lane, Norwich, NR1 2DW.

Statement of Responsibilities

The Joint Committee's Responsibilities

The Joint Committee is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. The Joint Committee has agreed that this officer is Norfolk County Council's Director of Finance (hereafter referred to as the Director of Finance).
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to approve the Statement of Accounts.

The Director of Finance's Responsibilities

The Director of Finance is responsible for the preparation of the Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) and Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in Great Britain ("the Code").

In preparing this Statement of Accounts, the Director of Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code.

The Director of Finance has also:

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

Certificate by the Director of Finance

I certify that the Statement of Accounts set out on pages 17 to 29 present fairly the financial position of the Joint Committee at the accounting date and its income and expenditure for the year ended 31 March 2007.

Date: 19th June 2007

Signature:



R.D. Summers,
Director of Finance

Certification of Committee Resolution

In accordance with the requirements of Regulation 10 of the Accounts and Audit Regulations I confirm that the Statement of Accounts was approved by a resolution of the Norwich Highways Agency Joint Committee on 28th June 2007.

Date: 28th June 2007

Signature:

Independent Auditors' Report To the Members of Norwich Highways Agency Joint Committee

Wording for this to be inserted – possibly 4 pages including the 'conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources'.

Statement of Internal Control for Norwich Highways Agency Joint Committee

1. Scope Of Responsibility

- 1.1. The Norwich Highways Agency Joint Committee (Joint Committee) is responsible for ensuring that its business is conducted in accordance with the law, appropriate standards, in accordance with corporate objectives and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- 1.2. The Joint Committee also 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.
- 1.3. In discharging this overall responsibility, the Joint Committee is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Joint Committee's functions and which includes arrangements for the management of risk.

2. The Purpose Of The System Of Internal Control

- 2.1. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.
- 2.2. The system of internal control is based on an ongoing process designed to
 - identify and prioritise the risks to the achievement of the Joint Committee's policies, aims and objectives,
 - evaluate the likelihood of those risks being realised and the impact should they be realised, and
 - manage them efficiently, effectively and economically.
- 2.3. The system of internal control has been in place at the Joint Committee for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts.

3. The Internal Control Environment

3.1. General

- 3.1.1. The key elements of the Joint Committee's internal control environment are listed in the following paragraphs.
 - 3.1.2. The City Council and County Council have similar constitutions.
 - 3.1.3. The City Council has since 1 April 1974, acted as agent of the County Council for various highways and traffic functions. Norwich Joint Highways Agency Agreement was established under the Local Government Act 1972, the Local Government Act 2000, and the Highways Act 1980. The current Agency Agreement is dated 4th July 2006. This is confirmed within "Joint Arrangements", Article 11 to the Norwich City Council constitution.
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- 3.1.4. The Joint Committee consists of two Norfolk County and two Norwich City Councillors. It is advised and supported by three Norfolk County and three Norwich City Advisory Councillors.
- 3.1.5. Norwich City Council is the lead authority, and the Joint Committee's activities are undertaken through the offices of the City Council. Norwich City Council's Statement on Internal Control is in its Statement of Accounts publication. The draft programme of works is drawn up by Norwich City Council, and has to be approved by Norfolk County Council. A "Description of Joint Arrangements" is given in Appendix 18 of the Norwich City Council constitution with a similar reference in the County's constitution.
- 3.1.6. The Joint Committee's Terms of Reference and specification of Functions are also contained within Appendix 18 of the Norwich City Council constitution.
- 3.1.7. The staff employed by the City Council would be transferred to Norfolk County Council if the agreement were to be dissolved. Property would also be transferred to Norfolk County Council in the event of termination.

3.2. Objectives Establishment and Achievement Monitoring

- 3.2.1. The overall responsibilities of the Norwich Joint Highways Agency Committee are:
- to oversee the operation of the highways and traffic functions delegated to Norwich City Council by the County Council
 - to exercise certain functions delegated by the County Council direct to the Joint Committee
 - to advise the County Council on various highways and traffic matters in Norwich.
- 3.2.2. The Joint Committee meets at least six times a year.
- 3.2.3. It receives reports from officers of the County and City Councils regarding their respective areas.
- 3.3. Policies, Procedures and Prescriptions Compliance
- 3.3.1. Norwich City Council and Norfolk County Council each have a designated Monitoring Officer, both of whom have Monitoring Officer responsibilities relating to the Joint Committee. The Monitoring Officers of Constituent authorities have Monitoring Officer responsibilities for the Joint Committee.
- 3.3.2. It is the function of a Monitoring officer to ensure compliance with established policies, procedures, laws and regulations. If a Monitoring Officer considers that any proposal, decision or omission would give rise to unlawfulness or mal-administration, after consulting with the relevant Council's Head of Paid Service and Chief Finance Officer, a report will be made to each member of the Council. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered. The role of the monitoring Officer is set out within "Employees", Appendix 12 of the Norwich City Council constitution.
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3.4. Policy and Decision-Making Facilitation

- 3.4.1. Corporate Governance is the system by which local authorities direct and control their functions and relate to their communities. In other words it is the way in which organisations manage the business, determine strategy and objectives and go about achieving these objectives. The fundamental principles are openness, integrity and accountability, together with the overarching concept of leadership.
- 3.4.2. In recognition of the need for sound corporate governance arrangements, Norfolk County Council and Norwich City Council have over the years put in place policies, systems and procedures designed to achieve this.
- 3.4.3. Norwich City Council also has a Code of Corporate Governance in place. The Joint Committee operates under this Code. Procedures are thus in place, which are followed to ensure that activity operation and decision-making are efficient, transparent and accountable to local people.
- 3.4.4. The Conduct and proceedings of meetings of the Joint Committee are governed by the rules relating to meetings of Norwich City Council Committees, as per "Council and Committee Procedure Rules", Appendix 1 of the Norwich City Council constitution.
- 3.4.5. The rights of the public to attend meetings of the Joint Committee and raise questions are set as for Norwich City Council meetings, as per Appendix 1.
- 3.4.6. Norfolk County Council produces an Annual Business Plan, which aims to give an overview of the way it is improving its services for local people. It fits into the County Council Plan, and is informed by individual Service Plans. Norwich City Council also produces an Annual Business Plan.
- 3.4.7. The Joint Committee operates within the Terms of the Agency Agreement, and a plan of activities for the year.

3.5. Use of Resources and Securing Continuous Improvement.

- 3.5.1. Norfolk County Council sets most of the budgets for the service. Norwich City Council sets a relatively minor part of the service budget.
 - 3.5.2. The Joint Committee receives budget-monitoring reports, covering highway maintenance and certain other agency functions.
 - 3.5.3. The Committee works within the City Council's system of financial management, outlined within Article 14 "Finance, Contracts And Legal Matters", and expanded on within Appendix 10 "Financial Regulations and Procedures" and Appendix 11 "Standing Orders Relating to Contracts".
 - 3.5.4. Trained and experienced people deliver the services. All posts have a detailed job description and person specification. Training needs are addressed through personal development plans. The structure and general definitions of management roles are given in "Employees", Article 12 to the Norwich City Council constitution.
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3.5.5. The Committee constantly seeks ways to ensure the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty. It does this through Internal Audit, and Best Value and Fundamental reviews, and by employing a Value for Money approach.

3.6. Financial Management and its Reporting

3.6.1. The County Council's designated Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972, acts as Chief Finance Officer for the Joint Committee. However the Chief Financial Officer of each constituent authority also has reporting responsibilities.

3.6.2. Internal audit work is provided by the City Council's internal audit service, which operates with regard to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK'.

3.7. Risk Management

3.7.1. Risk Management is being developed in the activities of Norwich City Council; the Joint Committee's services are included in that process.

3.8. Performance Monitoring

3.8.1. The Joint Committee receives reports and monitors performance as per 3.2.3 above.

4. Review Of The Effectiveness Of Internal Control

4.1. The Joint Committee has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control.

4.2. The review of the effectiveness of the system of internal control is informed by the work of:

- the internal auditors and
- the executive managers within the authority who have responsibility for the development and maintenance of the internal control environment, and also
- comments made by:
 - the external auditors in their annual audit letter and other reports.
 - other review agencies.

4.3. Scrutiny

4.3.1. Reports will be brought to the Joint Committee, or the City Council or County Council may review the Joint Committee arrangements. The means of scrutiny may be through the County Council's Cabinet, Cabinet Scrutiny Committee or Audit Committee or the City Council's Executive Committee or Scrutiny Committee.

4.3.2. The role and responsibilities of the Scrutiny Committee are given in “Overview and Scrutiny Committees”, Article 6 of the Norwich City Council constitution.

4.4. Corporate Governance

4.4.1. The County and City Council’s Codes of Corporate Governance are reviewed annually to reflect further corporate governance elements put in place over the previous 12 months.

4.5. Standards Committee

4.5.1. In accordance with the provisions of Part III of the Local Government Act 2000 the Councils have established Standards Committees to support the proper conduct of the Councils’ businesses by Members. The Joint Committee follows each of the appointing bodies rules regarding members standards of behaviour.

4.6. Audit Committee

4.6.1. The role of the Audit Committee at the City Council was fulfilled by the Scrutiny Committee during 2006-07, which provided proactive and effective leadership on audit and governance issues and champions both audit and the embedding of risk management throughout the council. From 2007-08 an Audit Committee has been formed at the City Council.

4.6.2. The City Scrutiny Committee

- reviews internal audit’s strategy, plan and performance,
- reviews the committee’s own terms of reference to ensure they are current,
- reviews the financial statements, external auditor’s opinion and reports to members, including ISA 260 and report required actions to Council,
- receives risk management reports at least quarterly to take appropriate action to ensure that corporate business risks are being actively managed, including reporting to full council at least annually,
- considers the reports of external audit and inspection agencies,
- considers the effectiveness of the Council’s risk management arrangements, the control environment and associated anti fraud and anti corruption arrangements, and receive assurances that action is being taken on risk related issues identified by auditors and inspectors.
- monitor management action in response to the issues raised by external audit.

4.6.3. The City Scrutiny Committee are also

- satisfied that the Councils’ assurance statements, including the Statement on Internal Control, properly reflect the risk environment and any actions required to improve it.
- ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.

4.7. The City’s Internal Audit Section is subject to regular inspection by the Councils’ external auditors.

- 4.8. Internal Audit's Annual Audit planning risk assessment includes Services covered by the Joint Committee, and includes audits of Highways functions.
- 4.9. An Annual Report is presented to the Committee covering the performance under the Agency Agreement.
- 4.10. The Committee relies on the City Council's systems of internal control. The Annual Audit of Inspection Letter March 2007, covering the period 2005-06, noted that the Council's internal control framework needs strengthening and further work is necessary to develop risk management. The City's Section 151 Officer has confirmed that there were no significant issues regarding the City's 2006-07 Statement on Internal Control relevant to the Joint Committee.

5. Significant Internal Control Issues

- 5.1. There are four significant control issues identified at present, which appear below in Table 1.

Table 1: Significant Control Issues 2006-7

	Issue	Action
1	The latest estimates for On Street Income, including permits and parking fines income for 2006-07 is £105,000 compared to the estimate of £400,000.	Norfolk Audit Services has been requested to review the 2006-07 Decriminalised Parking Scheme accounts.
2	During the compilation of the 2006-07 accounts it was noted that there is scope to strengthen financial management for the Joint Committee.	A Financial Management Improvement Plan will be agreed and actioned during 2007-08.
3	Risk Management reporting to the Joint Committee needs to be strengthened.	The risk register will be reported to the Committee periodically.
4	The results of audits that are relevant to the systems and controls of the Joint Committee have not been reported in summary to the Committee.	Periodic summary reports to the Joint Committee for relevant audit work, including key findings and agreed action plans.

Chairman

Date:

Vice Chairman

Date:

Chief Officer

Date:

Statement of Accounting Policies

The accounts have been prepared in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2006: A Statement of Recommended Practice (SORP), the Best Value Accounting Code of Practice and guidance notes issued by CIPFA on the application of Statements of Standard Accounting Practice and Financial Reporting Standards (SSAP's and FRS's). They comply therefore with "proper accounting practice" under the terms of the Local Government and Housing Act 1989.

The accounts are prepared under the historical cost convention, except where specifically noted below.

1. Accounting Concepts

Relevance

The objective of the financial statements is to provide information about an Authority's financial performance and position that is useful for assessing the stewardship of public funds and for making economic decisions.

Reliability

Financial information is reliable if it can be depended on to represent faithfully what it either purports to represent or what it can be reasonably expected to represent and is free from deliberate, systematic or material error.

Understandability

The accounting principles on which the SORP is based include accounting concepts, treatments and terminology which require reasonable knowledge of accounting and local government, and reasonable diligence in reading the financial statements if they are to be properly understood. However all reasonable efforts have been taken in the preparation of the financial statements to ensure they are as easy to understand as possible.

Comparability

The information in the accounts is more useful if it can be compared with information for some other period or point in time. This depends upon consistency in the application of the accounting policies, unless it can be shown that a new policy would introduce improved accounting practices.

Materiality

Strict compliance with the Code of Practice, both as to disclosure and accounting principles, is not necessary where the amounts involved are not material to the fair presentation of the financial position and transactions of the authority and to the understanding of the Statement of Accounts by a reader.

Going Concern

A local authority's Statement of Accounts should be prepared on a going concern basis, that is, the accounts should be prepared on the assumption that the authority will continue in operational existence for the foreseeable future. This means in particular that the income and expenditure accounts and balance sheet assume no intention to curtail significantly the scale of the operation.

Accruals

This requires the non-cash effects of transactions (debtors and creditors) to be reflected in the financial statements for the accounting period in which those effects are experienced and not in the period in which any cash is received or paid.

Prudence

Sound stewardship of public funds calls for a prudent approach to financial management. Income should only be included to the extent that it can be realised with reasonable certainty, and proper allowances made for all known and foreseeable losses and liabilities.

Substance over form

The accounting statements should be prepared so as to reflect the reality or substance of the transactions and activities underlying them, rather than only their formal legal character. In determining the substance of a transaction, it is necessary to identify all of the transaction's aspects and implications. A group or series of transactions that achieves or is designed to achieve an overall economic effect should be viewed as a whole.

Primacy of Legislative Requirements

Local authorities derive their powers from statute and their financial and accounting framework is closely controlled by primary and secondary legislation. To the extent that law prescribes treatments the accounting principles outlined above may not apply in all cases. It is a fundamental principle of local authority accounting that, where specific legislative requirements and accounting principles conflict, legislative requirements shall apply.

2. Accruals of income and expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- ◆ Fees and charges due from customers are accounted for as income at the date Norwich Highways Joint Agency Committee provides the relevant goods or services.
 - ◆ Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the balance sheet.
 - ◆ Works are charged as expenditure when they are completed, before which they are carried as works in progress on the balance sheet.
 - ◆ Interest payable and receivable on borrowings is accounted for in the year to which it relates, on a basis that reflects the overall effect of the loan or investment.
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- ◆ Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- ◆ Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

3. Fixed Assets and Charges to Revenue for Fixed Assets

Norwich Highways Agency Joint Committee does not own any fixed assets. Whilst the Joint Committee has the use of land, buildings, vehicles, plant and equipment, ownership remains with Norfolk County Council or Norwich City Council. The relevant authority finances enhancements and major repairs to those assets, and an annual charge is made to the Joint Committee in respect of the use of the asset. This charge represents the cost of depreciation and any impairment losses. The charge then forms part of the contribution from the relevant authority (i.e. Norfolk County Council or Norwich City Council), which is included within the net cost of services and has the effect of reversing it. The only exception to this is the depreciation charge for decriminalised car parking, which is not reversed and is paid to Norwich City Council.

4. Government Grants and Contributions (Revenue)

Whether paid on account, by instalments or arrears, Government grants and third party contributions and donations are recognised as income at the date that Norwich Highways Agency Joint Committee satisfies the conditions of entitlement to the grant/contribution and there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred.

5. Overheads and Support Services

Overheads and support service costs are recharged from Norfolk County Council and Norwich City Council. These are calculated in accordance with the principles of the CIPFA Best Value Accounting Code of Practice and on an equitable basis.

The Norwich Highways Agency Joint Committee also receives a charge from Norfolk County Council and Norwich City Council for costs relating to Corporate and Democratic Core. These costs are in relation to Joint Committee's status as a democratic organisation.

Non-distributed costs are the cost of discretionary benefits awarded to employees retiring early. Any awarded by Norwich Highways Agency Joint Committee will be included as part of the net cost of services.

6. Retirement Benefits

Staff undertaking Norwich Highways Agency Joint Committee's activities are employees of either Norwich City Council or Norfolk County Council. Employees of both Councils undertaking Joint Committee activities are eligible for membership of the Local Government Pension Scheme, which is a final salary defined benefit scheme.

Both Councils' Local Government Pension Scheme employer contributions in respect of staff employed on Norwich Highways Agency Joint Committee activities are included in the Joint Committee's net cost of service.

The requirements of Financial Reporting Standard No. 17 – Retirement Benefits (FRS 17) relating to staff carrying out the Joint Committee's activities are fully reflected in the accounts of Norwich City Council and Norfolk County Council as appropriate. Those accounts reflect the underlying commitment that Norwich City Council and Norfolk County Council have in the long term to pay retirement benefits to their respective employees and to make up any shortfall in attributable net assets in the pension fund.

7. Stocks

Stocks are included in the balance sheet at the lower of cost and net realisable value.

8. Value Added Tax (VAT)

All VAT collected is payable to HM Revenue and Customs and the income and expenditure excludes any amounts related to VAT, except where the VAT is irrecoverable. Irrecoverable VAT is included in the service revenue accounts as part of Net Cost of Services.

Income and Expenditure Account

2005-06 £000's		2006-07 £000's
(1,858)	Income	(1,622)
(1,915)	Contribution from Norfolk County Council	(1,831)
(250)	Contribution from Norwich City Council	(175)
(4,023)	Total Income	(3,628)
878	Employee Expenditure	927
3,145	Non-Employee Expenditure	2,701
4,023	Total Expenditure	3,628
0	Net Cost of Services	0
0	Net Operating Expenditure	0
0	(Surplus)/Deficit for the Year	0

Statement of Movement on the General Fund Balance

The Income and Expenditure Account shows the Norwich Highways Agency Joint Committee's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

The Joint Committee does not have tax raising powers and therefore the General Fund Balance is zero.

2005-06		2006-07
£000s		£000s
0	(Surplus)/Deficit for the year on the Income and Expenditure Account	0
0	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	0
0	Decrease in General Fund Balance for the Year	0
0	General Fund Balance brought forward	0
0	General Fund Balance carried forward	0

Note of reconciling items for the Statement of Movement on the General Fund Balance

2005-06	2006-07
£000s	£000s
<p>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</p> <p style="text-align: right;">0</p> <hr/> <p style="text-align: right;">0</p>	<p>0</p> <hr/> <p>0</p>
<p>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year</p> <p style="text-align: right;">0</p> <hr/> <p style="text-align: right;">0</p>	<p>0</p> <hr/> <p>0</p>
<p>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</p> <p style="text-align: right;">0</p> <hr/> <p style="text-align: right;">0</p>	<p>0</p> <hr/> <p>0</p>
<p style="text-align: right;">0</p> <hr/> <p>Net additional amount required to be credited to the General Fund balance for the year</p> <hr/>	<p>0</p> <hr/>

Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses of Norwich Highways Agency Joint Committee for the year and shows the aggregate increase in its net worth.

2005-06 £000s		2006-07 £000s
0	(Surplus)/Deficit for the year on the Income and Expenditure Account	0
0	Other (gains)/losses	0
<u>0</u>	Total recognised (gains)/losses for the year	<u>0</u>

Balance Sheet

31 March 2006 £000s	Note		31 March 2007
			£000s £000s
		Fixed Assets	
0		None	0
		Current Assets	
0		Stocks	0
267		Debtors	113
348		Cash and Bank	162
<u>615</u>		Total Assets	<u>275</u>
		Current Liabilities	
(615)	9	Creditors	(275)
<u>0</u>		Total assets less current liabilities	<u>0</u>
0		Long Term Liabilities	0
<u>0</u>		Total Assets less liabilities	<u>0</u>



R.D. Summers

Director of Finance (Norfolk County Council)

Date: 19th June 2007

Cash Flow Statement**31 March 2006** Note**31 March 2007**

£000s

£000s

£000s

Revenue ActivitiesCash Outflows

877

Cash paid to and on behalf of employees

927

3,204

Other operating cash payments

3,040

4,081

3,967

Cash Inflows

(1,952)

Cash received for goods and services

(1,690)

(1,864)

Contribution from Norfolk County Council

(1,984)

(142)

Contribution from Norwich City Council

(107)

(3,958)

(3,781)

123**Net Revenue Activities Net Cash Flow****186****123****Net (increase)/decrease in cash****186**

Notes To The Core Financial Statements

1. Publicity

Section 5 of the Local Government Act 1986 requires Norwich Highways Agency Joint Committee to maintain a separate account of expenditure on publicity. In 2006-07 Norwich Highways Agency Joint Committee spent £20,160 (£14,745 in 2005-06) on publicity. A breakdown of the publicity expenditure between staff recruitment and other advertising and public relations activities was unavailable.

2. Overheads and Support Services

Non-employee expenditure, within the Income and Expenditure Account, includes a charge for Overheads and Support Services that are provided by central departments of Norwich City Council and Norfolk County Council to Norwich Highways Agency Joint Committee. There is also a charge for costs relating to Corporate and Democratic Core. Information on these charges is available within Norwich City Council and Norfolk County Council's Statements of Accounts.

3. Audit Costs

In 2006-07 external audit and inspection of Norwich Highways Agency Joint Committee was completed as part of the external audit and inspection of Norfolk County Council. Information on the external audit and inspection fee incurred by Norfolk County Council is included within their accounts.

4. Objective Analysis of Expenditure

	Highways / Traffic	On Street Parking	Section 74, Street Closure Notices & Licences	Skips & Scaffolding Licences & Permits	Total
	£'000's	£'000's	£'000's	£'000's	£'000's
Works and Services	1,374	0	0	0	1,374
Administration	564	0	113	15	692
On Street Parking	0	1,431	0	0	1,431
Surpluses to be paid to Norfolk County Council	0	106	5	20	131
TOTAL	1,938	1,537	118	35	3,628

Administration costs includes corporate and democratic core costs of £16,977 in 2006-07 (£29,633 in 2005-06).

5. Norwich City Council and Norfolk County Council Contributions

Norfolk County Council made a contribution to Norwich Highways Agency Joint Committee for revenue expenditure of £1,830,988 in 2006-07 (£1,915,044 in 2005-06).

Norwich City Council made a contribution to Norwich Highways Agency Joint Committee for revenue expenditure of £174,713 in 2006-07 (£249,337 in 2005-06), which results in Norwich Highways Agency Joint Committee having neither a surplus nor a deficit.

6. Members Allowances and Employee Emoluments

Norwich Highways Agency Joint Committee does not pay members' allowances directly. Norwich City Council and Norfolk County Council pay these. The Chair of Norwich Highways Agency Joint Committee is entitled to a Special Responsibility Allowance, which is paid by Norfolk County Council. This amount paid by the County council in 2006-07 in respect of this allowance was £4,959 (£4,092 in 2005-06)

The SORP requires disclosure of employees' whose remuneration, excluding pension contributions, exceeds £50,000. In 2006-07 there were none.

7. Related Party Transactions

Norwich Highways Agency Joint Committee is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence Norwich Highways Agency Joint Committee or to be controlled or influenced by Norwich Highways Agency Joint Committee. Disclosure of these transactions allows readers to assess the extent to which Norwich Highways Agency Joint Committee might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with Norwich Highways Agency Joint Committee. These include:

Norfolk County Council and Norwich City Council – material transactions with both Councils are disclosed elsewhere in the accounts.

Members of Norwich Highways Agency Joint Committee – have direct control over the committee's financial and operating policies. The Norwich Highways Agency Joint Committee wrote to all members requesting details of any related party transactions. There are no disclosures.

Officers – Norwich Highways Agency Joint Committee wrote to all Chief Officers requesting details of any related party transactions. There are no disclosures.

8. Retirement Benefits

Staff employed by Norwich City and Norfolk County Council in undertaking the Joint Committee's activities can 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 Councils and staff pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

The Fund's Actuary based on triennial actuarial valuations determines employer's contribution rates. The last review was at 31st March 2004. Under Pension Fund Regulations contribution rates are set to meet the overall liabilities of the Fund. The rates arising from the next review based on information at 31st March 2007 will be implemented from 1st April 2008.

In 2006-07 Norwich Highways Agency Joint Committee's expenditure includes employer's contribution of £124,484, representing 13.7% of employees pensionable pay. This has been paid into the Norfolk Pension Fund.

9. Creditors

Norwich Highways Agency Joint Committee pay any surplus monies from decriminalised car parking arrangements, fees and charges under the New Road and Street Works Act 1991, and income from statutory licences and similar activities to Norfolk County Council. At the 31st March 2007, £162,295 is due to be paid in 2007-08 (£432,008 at the 31st March 2006).

10. Financing of Capital Expenditure

All capital expenditure is included in Norfolk County Council's accounts and details of financing are included in notes to Norfolk County Council's core financial statements. However, as the Norwich Highways Agency Joint Committee oversees the capital works undertaken by Norwich City Council on behalf of the County Council, the capital expenditure and reimbursement are shown as a note within these accounts.

In 2006-07 the City Council has spent £2,240,348 on capital structural maintenance, which has been financed from the County Council paying £2,185,496 in 2006-07 and from monies brought forward from 2005-06.

The City Council has also spent £1,628,684 in 2006-07 on capital improvements financed by £1,272,515 paid from the County Council in 2006-07 and from monies brought forward from 2005-06.

At 31st March 2007, Norwich City Council held monies for capital work not yet completed totalling £1,164,483 (£1,575,504 at 31st March 2006).

11. Note Relating to the Cash Flow Statement

Reconciliation of net surplus/deficit on the Income and Expenditure Account to the Revenue Activities net cash flow

	2005-06	2006-07
	£000s	£000s
Income and Expenditure (Surplus)/Deficit	0	0
Movement in Accruals items		
Debtors	51	(153)
Creditors	72	339
Net inflow/(outflow) on revenue activities	123	186

Glossary of Terms

ACCRUAL ACCOUNTING

The inclusion of income and expenditure in the accounts for the period in which they are earned or incurred, rather than the period in which the cash is received or bills paid.

ASSET

An item owned by Norwich Highways Agency Joint Committee, or that they have use of to support their activities, which has a value, for example cash.

BUDGET

The statement of Norwich Highways Agency Joint Committee expressed in financial terms usually for the current forthcoming financial year.

CAPITAL EXPENDITURE

Expenditure on the acquisition of a fixed asset which lasts normally for more than one year or expenditure which adds to the life or value of an existing fixed asset.

CREDITORS

Amounts owed by Norwich Highways Agency Joint Committee for goods and services provided for which payment has not been made at the end of the financial year.

DEBTORS

Sums of money due to Norwich Highways Agency Joint Committee but not received at the end of the financial year.

DEPRECIATION

The measure of the wearing out, consumption, or other reduction in the useful economic life of fixed asset.

OUTTURN

The actual amount spent in the financial year.

RESERVES

A reserve is an amount set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years.

REVENUE EXPENDITURE AND INCOME

Day to Day expenses, mainly salaries and wages, and general running expenses. Charges for goods and services.

VALUE ADDED TAX (VAT)

A tax on consumer expenditure which is collected on business transactions at each stage in the supply, but which is ultimately borne the final customer.
