

# Finance News



## It's Clooooozzze Dooooowwwwn !!!!!!!!!!!

To have impact this needs to be sung/shouted out in the style of Noddy Holder. For the younger ones amongst you, such as myself, he was the lead singer of a '70s rock band called Slade, emanating from the Midlands. So if you can sing/shout in a Brummie accent, so much the better.

This year rather than ramble about year end and it's importance to the financial management process of the County Council, I've decided to answer a few FAQ's. Well, everyone else seems to so why not.

### FAQs relating to CLOSING OF ACCOUNTS

1. **Does this concern me?** If you answer 'YES' to any of the following, then the chances are, it does.

#### Are you? :-

- A Finance Manager/Officer
- A Responsible Budget Officer (RBO) for either Revenue or Capital budgets
- A Procurement Officer
- An Imprest Account Holder

#### Do you? :-

- Pass creditors invoices for payment
- Raise debtors invoices for services provided
- Process salary, overtime and travel claims

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### Featured inside:

- |                                  |                                 |
|----------------------------------|---------------------------------|
| ★ Norfolk Audit Services updates | ★ PFI Update                    |
| ★ Purchase To Pay - Good news    | ★ VAT on Income and Expenditure |

# It's Clooooozzze Dooooowwwwwn !!!!!!!!!!!

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- Use the I-proc system to place orders, receipt items, approve invoices etc
- Maintain stock records
- Post journals to the Oracle Financial system
- Clear suspense accounts
- Have any other responsibilities for finance

## **2. So, if you've answered 'YES', what do you need to do?**

- a) Ensure you get hold of a copy of the Closing of Accounts Guidance Notes, and read the sections relevant to you.
- b) Then, if you need clarification of what you read, speak initially to your Departmental Finance Officer(s) or contact either Alan Lincoln (ext 4374) or Stephanie Mullarney (ext 3322) in Corporate Finance.

## **3. When and where can I get a copy of the guidance notes?**

Corporate Finance issued the corporate guidance notes on 12<sup>th</sup> February to Chief Officers, Financial Management and Finance Officer Group members. However you should speak to your own Departmental Finance Officer, as he/she may have adapted the corporate guidance to be more specific for your own department. Otherwise Alan Lincoln (ext 4374) or Stephanie Mullarney (ext 2233) in Corporate Finance will be glad assist you.

## **4. Can I see a copy of the guidance notes on the Intranet?**

Yes. By the time you read this the corporate guidance notes will be on the Corporate Finance intranet site and can be accessed using the 'FINANCE HELP for All' link. But you should check with your Departmental Finance Officer for any local variations to the timetable dates. If there are any, they will almost certainly be earlier dates in order to tie in with the Corporate timetable. The Corporate timetable works back from the Governments requirements that we get Council approval to the Draft Financial Statements by 30 June.

## **5. What will the guidance notes tell me?**

The notes contain detailed processing timetables and instructions to Departments for dealing with the main aspect of closing the accounts of the County Council, which are set to ensure that Statutory deadlines and standards are complied with. Failure to meet those deadlines and standards could lead to the council receiving an unsatisfactory Audit Report from the external auditors and affect the authority's CPA score for Use of Resources.

## **6. I have read the notes, but they seem a bit complicated and I don't fully understand what I need to do. Who can help me?**

Unfortunately the guidance is by it's nature quite detailed but, if you need help, you should initially speak to your own Departmental Finance Officer, as he/she will be able to advise on procedures that may be more specific for your own department. Otherwise Alan Lincoln or Stephanie Mullarney in Corporate Finance will be there to help you. We would rather you ask, than guess.

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**7. How important are the deadlines set in the timetable and can they be changed?**

The deadlines are critical to the smooth operation of the closedown process and cannot be changed under any circumstances. Any slippage in the timetable poses a risk to meeting our statutory deadline of 30 June.

**8. I cannot meet or have missed one of the deadlines. What can I do?**

You need to discuss this with your Departmental Finance Officer, who will decide what needs to be done, depending on how material the issue is. But the deadlines cannot be changed.

**9. I have found a journal I should have completed but the deadline has passed. What can I do?**

You need to discuss this with your Departmental Finance Officer, who will decide what needs to be done depending on the materiality of the problem.

**10. I have found a creditor's invoice relating to 2007-08 I should have passed for payment but the deadline has passed. What can I do?**

You need to discuss this with your Departmental Finance Officer, who will decide what needs to be done depending on the materiality of the problem. It may still be possible to complete a journal entry to set up a sundry creditor.

**11. I have found a debtors invoice relating to 2007-08 which I should have raised but the deadline has passed. What can I do?**

You need to discuss this with your Departmental Finance Officer, who will decide what needs to be done depending on the materiality of the problem. It may still be possible to complete a journal entry to set up a sundry debtor.

**12. I work in a school. Does the Corporate Guidance apply to me?**

Schools will receive their own guidance from Children's Services Finance at County Hall, and should direct any queries or requests for assistance to individual Finance Support Officers in that section.

**Alan Lincoln**  
Corporate Accountant



# Keeping on the straight and narrow

(Please pass this article on to members of your team!)

From time to time it is helpful to revisit some of the arrangements that the Council has in place to protect us all. This article revisits and updates four important topics that are key to the effective running of our operations and protecting our reputation: the Anti-fraud and Corruption policy, the Whistle blowing Policy, the Budget Holder Guidance Booklet and the Conflicts of Interest, Gifts and Hospitality rules.



These documents are regularly being reviewed and we will keep you up to date on any changes or updates in future issues.

## Anti-fraud and Corruption

Norfolk County Council is one of the largest organisations in the County. The Council is determined to protect itself against fraud and corruption from both within the County Council and from outside. The Council is committed to an effective Anti-Fraud and Corruption Strategy designed to:

- Encourage prevention
- Promote detection and
- Identify a clear pathway for investigation

The Council expects Members and staff at all levels to lead by example ensuring adherence to legal requirements, rules, procedures and practices.

The Council is committed to good practice and high standards and wants to be supportive of employees and others who work for the Council.

The Council's Anti-fraud and Corruption Strategy, which can be found on the intranet, is based on a series of procedures designed to frustrate any attempted fraudulent or corrupt act. For information on fraud and corruption visit: [http://intranet.norfolk.gov.uk/cex/Legal\\_Services/antifraud.htm](http://intranet.norfolk.gov.uk/cex/Legal_Services/antifraud.htm)

## Whistleblowing Policy

As a person working for the Council you may be the first to realise that there could be something seriously wrong within your workplace. However, you may feel that speaking up would be disloyal to your work colleagues or to the Council. You may also fear harassment or victimisation. Head of Law, Victoria McNeill explains: "The purpose of the Whistle blowing policy is to make clear that such concerns can be raised in confidence without fear of victimisation, subsequent discrimination or disadvantage."

## Keeping on the straight and narrow (continued)

The Council is committed to the highest possible standards of openness, integrity and accountability. We expect employees, and others that we deal with, who have serious concerns about any aspect of the Council's work, to come forward and voice those concerns.

The Whistle blowing policy covers a wide range of potential issues including: conduct which is an offence or breach of the law; sex, race or disability discrimination; health and safety risks; damage to the environment and possible fraud and corruption.

If you are worried about someone's actions you should initially approach their immediate Manager, Chief Officer or Trade Union. If management is believed to be involved one of those listed below should be contacted:

- Chief Executive, David White 01603 222000
- Head of Finance, Paul Brittain 01603 222400
- Head of Law, Victoria McNeill 01603 223415
- Chief Internal Auditor, Adrian Thompson 01603 222784

Other contacts are:

- Public concern at work 0207 404 6609
- Whistle blowing Hotline 01603 224433

More information on Whistle blowing can be found on the HR intranet site under Employment Topics – Whistle blowing.

## Budget Holder Guidance Booklet

There is a guidance booklet for Responsible Budget Officers, which contains a comprehensive and concise summary of the responsibilities of those officers managing budgets, together with details of useful information sources.

The guidance has been recently updated and will shortly be available on the intranet.

Please address any queries relating to the guidance to Peter Roe, Corporate Finance 01603 222813.

## Conflict of interest, Pecuniary (financial) interests and Personal interests

As an employee of the County Council you should at all times be impartial and demonstrate value for money in carrying out your duties. In particular you should not undertake any County Council work that relates directly or indirectly with any of your outside interests without first discussing it with your Chief Officers to ensure that it doesn't cause an actual or perceived **conflict of interest**.



## Keeping on the straight and narrow (continued)

Orders and contracts must be awarded on merit and by fair competition against other tenders. Scrupulous care must be taken to ensure that the selection process is conducted impartially and in strict accordance with the Contract Standing Orders.

Employees who have both client and contractor responsibility must remember the need for accountability and openness in the tendering process. You should play no part in the selection process where you are known to have relevant interest.

If you become aware that the Council has entered or proposes to enter into a contract in which you have a **Pecuniary interest**, you must declare your interest to the Council's Statutory Monitoring Officer.

You may find yourself in a position where a conflict of interest may arise because of a personal commitment resulting from, for example, a trusteeship of a voluntary body or private work undertaken by a relative, friend or associate in their own capacity. In these cases you should inform your interest to your Chief Officer so that they can take action to avoid a conflict of interest if it becomes necessary.

Further information and examples of conflicts of interests can be found on the HR intranet site, under Employment Topics – Standards of Conduct and Behaviour

### Gifts and Hospitality

If in the course of your work you are offered a gift or some benefit from an organisation, a client or member of the public you must tactfully decline it. Minor items such as calendars and mugs may be accepted. Invitations to hospitality events should be politely declined unless you have received prior authorisation to attend from your Chief Officer.

Gifts and hospitality must not be accepted from contractors who are potential tenderers leading up to the award of a contract by the Council.



**Remember:** Any acceptance of gifts or hospitality that are construed as an action to gain advantage or favour is a **criminal**, as well as a disciplinary, offence. Employees are required to note any gifts received in the register held by the Head of Democratic Services.

Go to the HR intranet site to find out more under Employment Topics – Standards of Conduct and Behaviour.

For more information contact:: Adrian Thompson, Chief Internal Auditor, Norfolk Audit Services, on 01603 222784 or email [adrian.thompson@norfolk.gov.uk](mailto:adrian.thompson@norfolk.gov.uk)

Amanda Howell, Senior Auditor, Norfolk Audit Services on 01603 223445 or email: [amanda.howell@norfolk.gov.uk](mailto:amanda.howell@norfolk.gov.uk)

# Purchase to Pay (P2P)

Corporate Finance Purchase to Payments section (P2P) recently engaged a firm of auditors to review all payments from October 2005 to June 2007 to identify any duplicate payments or overpayments.

They initially wrote to all our Trade suppliers asking for a balance of our account with them.

This resulted in 903,579 transactions (invoices) being investigated with a value of £2.4 billion.

The final report was issued 23<sup>rd</sup> November, which showed that 99.99% of transactions by value and 99.98% by volume were correctly processed.

Indeed, only 178 transactions warranted recovery and of those, 58 invoices were instances where the VAT was incorrectly accounted for.

In total £301,860.07 was recovered and a summary of the findings is listed below.

Classification	Volume	%	Value	%
Duplicate payments	67	37.6%	81,757.45	27%
Overpayments	26	14.6%	91,985.09	30.6%
Unprocessed credits	21	11.8%	85,567.40	28.3%
Other	6	3.4%	-185.97	-0.1%
VAT	58	32.6%	42,736.20	14.2%

The reports also listed those suppliers that were migrated from NORBAS but have never had a payment and those suppliers have had no payment in the last 18 months. P2P intend to deactivate these suppliers in the near future.

Potential duplicate suppliers were also identified and it is intended that these will be merged as soon as possible in an attempt to 'clean up' the supplier database.

P2P are very encouraged by the results of the investigation as it is reassuring that despite the pressures, the accuracy of the work is maintained and that the controls in place are working.

P2P has asked the firm to carry out the same exercise in 2 years time.

The P2P team are based in Charles House,  
Prince of Wales Road and can be contacted on  
01603 495702.



# New Lamps for Old!

Street lighting in Norfolk has never been a high profile service. As long as the lights work people tend not get excited about them. Yet, as they quietly go about their business, street lights and signs perform a valuable service in reducing road accidents, inhibiting crime and helping people feel safer when they are out and about after dark.

Following a Local Government reorganisation in 1974 the Norfolk County Council found itself owning a large number of highway lights that it had inherited from other authorities. These varied in age, condition and effectiveness so, over the following years, sterling efforts were made by NCC to update them.

By the early 2000s it had become apparent that the task was too great for the Council to tackle on its own without considerable additional funding so it was decided that an application for Private Finance Initiative (PFI) funding should be submitted to the Department for Transport. This was to cover work to its own lights as well as those highway lights in the borough of Kings Lynn and West Norfolk after they had decided to take up NCCs offer, open to all districts, to join the project.



The application for PFI credits was supported by a Benefit to Cost analysis, which indicated that the benefits outweighed the costs by 4 to 1. Most of the £160M of benefits at 2007 prices will accrue to the people of Norfolk and visitors to the county. The DfT approved this application in July 2005 when they granted the Council approval for £38.1M in PFI credits.

From that day on a dedicated Streetlighting PFI team, working closely with the Planning & Transport (P&T) Street Lighting Section, set about delivering the solution to the problem through many hours of specification, tendering, evaluation and negotiation until, on November 2nd 2007 the Contract was finally signed with Amey Streetlighting (Norfolk) Ltd.

The photo shows Chris Kutesko, Project Manager, signing one of the 108 contract documents.

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# New Lamps for Old!

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The real work on the streets starts in February 2008. Over the following 5 years all the pre-1987 lighting columns (circa 24,000) will be removed and replaced with new lighting systems that will improve the standard of lighting on our highways. By the end of the 15<sup>th</sup> year of the contract all of the original 50,000 lights will have been brought up to modern lighting standards, and the 25-year contract will finally be in its pure operational phase. The key difference the public will notice is that the lights will look white, which will enable better colour perception and visual clarity at night.

Despite the significant level of investment required to fund the replacement of our 50,000 streetlights, the NCC Planning and Transportation Department has been able to declare a significant saving (£250k to £400k pa) between the projected and actual 2008/9 budget. These savings are the net result of the grant funding, beneficial interest rates and the economies of scale achieved on this large (£150m plus) project.

For the future we have an incentive regime based on penalty deductions if the contractor does not perform, plus an index-linked schedule of rates for new small works. In time and subject to approval, the project may even produce a small income from street advertising. So we really do have new lights for the same net cost to the Council as running the old - all in all, a good deal for Norfolk!

For more information please contact **Adrian French**, Partnership & PFI Manager, SF&T, Corporate Finance. e-mail: [adrian.french@norfolk.gov.uk](mailto:adrian.french@norfolk.gov.uk) - Tel. 01603 223168.

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## VAT on Income

### Extended Schools lettings – Outside the scope of VAT

HMRC have recently confirmed that:

- Where a maintained school charges an operator of an extended school facility for the use of the school
- On the basis of a recharge of costs (rather than to make a profit), the charge is outside the scope of VAT

This may have little impact on the charges, as previously they may have been exempt from VAT as part of a lease agreement, it helps if the correct VAT code can be used. Extended school operators may include the governors, voluntary committees and private operators providing activities such as breakfast and after school clubs.

### Charging for secondments

Because charities can second staff to each other without charging VAT, HMRC has recently considered whether the same treatment could be allowed for local authorities. Unfortunately they could not, so in most cases, the charges made by NCC for the secondment of staff should be standard rated.

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# VAT on Income continued

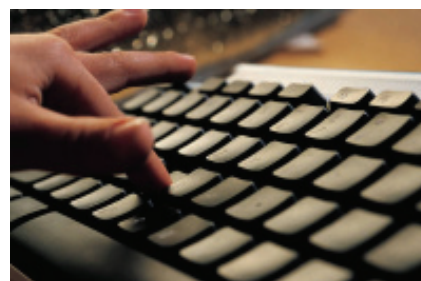
The only exceptions are likely to be:

- Supplies of teaching staff to:
- Eligible bodies (exempt)
- Other local authorities (outside the scope)
- Children's Centres (outside the scope) or
- Extended school providers (outside the scope)
- Staff supplied as part of a supply of examination services (exempt)
- Staff seconded within NCC (outside the scope).

If NCC is grant funding a charity which in turn buys in staff from NCC, it is worth re-writing agreements so that NCC keeps the staff budget and managerial control of NCC staff so that the need to charge VAT is avoided.

## VAT invoicing – must be sequential

VAT invoice rules have recently been amended. If you raise VAT invoices outside the Council's central systems (for example schools), the invoices *must* be numbered sequentially. The sequence can be numeric or alphanumeric with any breaks in, or changes to, the sequence clearly explained.



## Imports and exports

The main thing to remember is that VAT or purchase tax on imports cannot be recovered and the whole invoice should be coded to "T" outside the scope. Special VAT rules can apply to imports and exports so please call the Tax Manager if you make regular or large purchases from abroad or sell good or services to the EU or elsewhere.

## Donation or sponsorship?

Grant income is either standard rated or outside the scope of VAT, the difference being that:

- Donations are outside the scope of VAT (T).
- Sponsorship income is standard rated (S).

Usually the distinction is clear – grant income is freely given and the donor does not get anything in return. Sponsorship involves reciprocity, with the sponsor receiving, for example advertising (over and above a simple acknowledgement), or use of a facility in return for their contribution. If in doubt, please call Howard Jones, Tax Manager, on 01603 222832.

## Various changes to VAT rules

If you:

- regularly sell second hand goods or :
- regularly import or export goods or services (in particular if you make supplies to EU member states) or
- run a leisure facility with a membership scheme or contract out leisure facilities

please call Howard Jones, Tax Manager, on 01603 222832 in case the latest HMRC publications affect you.

# VAT on Expenditure

## VAT on expenditure where we do not hold a valid VAT invoice

In principal, VAT is only recoverable on expenditure where NCC holds a valid VAT invoice. VAT registered suppliers should always be asked for a valid VAT invoice, and are obliged to do so. Unfortunately, they do not always comply. On the plus side, HMRC have stated that it is possible to recover VAT in limited circumstances: VAT may be recovered where there is

- Evidence of supply and payment (eg a summary retail invoice) and attached to this is a statement of
- How the goods/services are used on NCC business and
- Why you believe the supplier to be bona fide (eg a household name or long standing local supplier).

Without the above evidence, the whole of the invoice amount (including any “VAT” should be coded to “T” outside the scope to avoid inappropriate VAT recovery.

**Howard Jones Tax Manager** 01603 222832

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## Efficiency Update

In 2004, Sir Peter Gershon published his report on efficiency savings for Local Authorities, this called for each Authority to make savings of 2.5% for each year for the period 2005 to 2008.

For Norfolk County Council this meant that we had to look for savings of £32.3m. I am pleased to say that we managed to achieve this by 2007 and preliminary estimates suggest that our achievement will be in the region of £55m. This is the result of a large amount of work within the Service Departments with the support of their Finance Teams and we are most grateful for their efforts.



The Government have decided to extend the Efficiency Agenda and in the Spending Review, which was announced in late 2007, they outlined how this would work in the future.

For the period 2008 to 2011, individual Local Authorities will not set their own targets, instead a global target of 3% will be set for Local Government as a whole. However, Norfolk County Council have decided to use this as an internal target for their own Efficiency Programme, this equates to £42.7m over the next three years.

It should also be noted that as well as increasing the target, the Government have tightened the criteria by asking that all savings must be cashable, whereas the previous target allowed for 50% of savings to be non-cashable. An example of a non-cashable saving is where a Library or a Museum receives a greater number of visitors without an impact on the Budget.

If you have questions on Efficiency, please feel free to contact me.

**John Holland** 01603 222807, Corporate Finance

# Updated Guide for RBOs

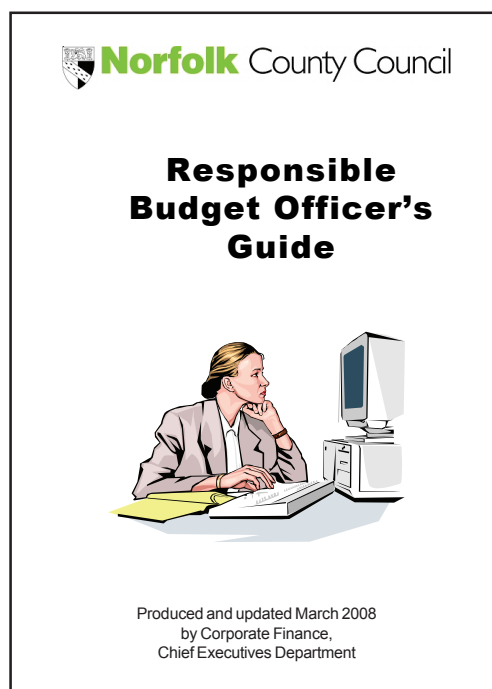
We have just updated and revised the Responsible Budget Officers Guide.

This was first produced several years ago. It has been updated to include some new sections, and also several direct electronic links to sources of further information.

We will be producing it as a paper booklet, and also in electronic form for the intranet to make the best use of all the hyperlinks.

The new Guide will be available very soon so "watch this space".

**Peter Roe**  
Financial Training Manager  
**01603 222813**



## Financial Training... *Next Steps*

### Finance for Non Financial Managers

For Managers, either new or experienced, or those aspiring to management, and who need to have an understanding of how finance works within local government and the impact of their work upon it.

**1 day course dates for 2008 - 13<sup>th</sup> March, 15<sup>th</sup> May, 10<sup>th</sup> July**

### Financial Management for RBOs

For anyone who, as a Responsible Budget Officer (RBO), has responsibility for the effective management of a financial budget.

**1 day course dates 2008 - 10<sup>th</sup> April, 5<sup>th</sup> June**

**For further details please contact CTD on 3414 , or Peter Roe on 2813**

If you need this newsletter in large print, audio, Braille, alternative format or in a different language, please contact the Department of Finance on 01603 223488 (minicom 223833) and we will do our best to help.



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