

## Note for Audit Committee 17 May 2022

### Agenda Item 4

The following changes to the draft statement of accounts (Appendix 1) have been agreed with the external auditor after the publication of the agenda. The original note is included with the agreed change being highlighted in yellow for ease.

Accounts page 118 (agenda pack page 161)

## 32. Associates

Norwich City Council has three associate companies; NPS Norwich Limited, Norwich Norse Environmental Limited and Norwich Norse Building Limited– see disclosure of services produced in note 47. In line with the service level agreements, Norwich City Council is entitled to an amount equivalent to 50% of any pre-tax profits as a discount on charges. An estimate of the pre-tax discounts has been accrued in the accounts. There is no other entitlement to the Council in terms of dividends or rights to retained earnings.

The audited performance is shown below for NPS (Norwich) Ltd and Norwich/Norse Environmental Ltd. The draft unaudited performance is shown below for Norwich Norse Building Ltd.

	NPS (Norwich) Ltd		Norwich/Norse Environmental Ltd		Norwich Norse Building Ltd	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
	£000	£000	£000	£000	£000	£000
<b>Profit &amp; Loss Account</b>						
Operating Profit	96	73	151	119	(426)	124
Interest (Payable) /Receivable	-	-	(3)	(2)	-	-
<b>Profit on Ordinary Activities before Corporation Tax</b>	<b>96</b>	<b>73</b>	<b>148</b>	<b>117</b>	<b>(426)</b>	<b>124</b>
Corporation Tax	(20)	(13)	(28)	(21)	81	(23)
<b>Retained Profit for the financial year</b>	<b>76</b>	<b>60</b>	<b>120</b>	<b>96</b>	<b>(345)</b>	<b>101</b>
<b>Balance Sheet</b>						
Profit & Loss b/f	945	885	604	508	491	390
Profit & Loss for the financial year	76	60	120	96	(345)	101
<b>Profit &amp; Loss reserve c/f</b>	<b>1,021</b>	<b>945</b>	<b>724</b>	<b>604</b>	<b>146</b>	<b>491</b>

Accounts page 120 (agenda pack page 163)

## 39. Contingent Assets and Liabilities

### Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

## **Dispute**

The Council was in dispute with one of its contractors over some construction costs. The case was referred for adjudication and on 1 May 2018 the Adjudicator ruled in favour of the Council, finding it not to be liable for additional payments to the contractor. Whilst the decision could be referred to the High Court, the Council does not believe there is any liability for these costs.

## **Water Charges**

The Authority has acted as a collection agent on behalf of Anglia Water in respect of Housing Revenue Account (HRA) tenants' water and sewerage charges. In return for this service the Authority has received a commission which has been treated as an income stream to the HRA. The treatment of this arrangement has been called in to question due to a Court ruling (Kim Jones versus London Borough of Southwark). Traditionally this has been viewed as an agency arrangement, but the Court ruling concluded that the Authority concerned was acting as a water supplier and that amounts could be reclaimed by tenants. In light of the ruling a contingent liability is disclosed while the council assesses any potential impact on its own current and previous arrangements.

## **End of Contract Negotiation**

In 2020/21 the Council held a contract with Norwich Norse Building Limited which subsequently ceased on 31 March 2022. There is now a need to undertake an end of contract negotiation which may lead to a contract cessation payment, the timing and level of which is unknown.

## **Next steps**

A small number of audit work remains outstanding which will be summarised at the meeting and which may result in a small number of other minor changes being required. The committee is being asked to delegate the final signing of the accounts to the Council's Executive director for corporate and commercial services.

The above adjustments have already been agreed by the auditors for inclusion in a revised set of accounts which will be prepared as part of the final sign off process.