



**Central Durham Crematorium Joint Committee  
Annual General Meeting**

**Date**        **Wednesday 30 June 2010**  
**Time**        **5.30 pm**  
**Venue**       **Chamber, Spennymoor Town Hall, Spennymoor**

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**Business**

**Part A**

1. Appointment of a Chair for the ensuing year.
2. Appointment of a Vice-Chair for the ensuing year.
3. Minutes of the meeting held on 12 May 2010. (Pages 1 - 10)
4. Report of the Clerk to the Joint Committee. (Pages 11 - 14)
5. Audit Opinion Plan - Audit Commission. (Pages 15 - 32)
6. Joint Report of the Treasurer to the Joint Committee / Corporate Director Neighbourhood Services: (Pages 33 - 42)  
Annual Governance Statement 2009/10.
7. Joint Report of the Treasurer to the Joint Committee / Corporate Director Neighbourhood Services: (Pages 43 - 90)  
Revenue Outturn and Statement of Accounts 2009/10.
8. Report of the Superintendent and Registrar. (Pages 91 - 94)
9. Joint Report of the Treasurer to the Joint Committee / Corporate Director Neighbourhood Services: (Pages 95 - 100)  
2010/11 Revenue Budget – Amendment.
10. Joint Report of the Treasurer to the Joint Committee / Corporate Director Neighbourhood Services: (Pages 101 - 104)  
Financial Monitoring Report 2010/11 - Spend to 31 May 2010 and Projected Outturn to 31 March 2011.
11. Such other business as, in the opinion of the Chair of the meeting, is of sufficient urgency to warrant consideration.

**Sharon Spence**  
Clerk to the Joint Committee

County Hall  
Durham  
22 June 2010

To: **The Members of the Central Durham Crematorium Joint  
Committee**

Durham County Council: J Blakey, J Chaplow, N Foster, A Hopgood,  
M Plews, D Stoker, M Williams and  
C Woods

Spennymoor Town Council: J Marr (Chair), F Walker and JL Wood

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

## **Agenda Item 3**

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**Central Durham Crematorium  
Joint Committee**

**30 June 2010**

**Treasurer to the Joint  
Committee**



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**Report of the Clerk to the Joint Committee**

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**Purpose of the Report**

- 1 The purpose of this report is to inform members of the Central Durham Crematorium Joint Committee of revised arrangements with regards to the position of Treasurer to the Joint Committee.

**Background**

- 2 The current Treasurer to the Joint Committee, Stuart Crowe was appointed to the position on 17 June 2009 and is to retire in early July 2010. His position as Corporate Director: Resources at Durham County Council is currently subject to a recruitment process and whilst an appointment is expected shortly, notice periods will dictate that alternative interim arrangements will need to be put in place, with effect from 1 July 2010.

**Treasurer to the Joint Committee**

3. In accordance with Durham County Council's constitution, it is proposed that the new Corporate Director: Resources, once appointed, take on the role of Treasurer to the Joint Committee. Members of the Committee will be notified in due course of the subsequent appointment.
4. As an interim measure, it is the intention that the Head of Finance: Resources Jeff Garfoot (Durham County Council's Deputy S151 Officer), take on the role of Interim Treasurer to the Joint Committee. This would extend through the forthcoming external audit process.
5. Day to day support to the Joint Committee will continue to be facilitated through the Direct Services and Finance, HR and Business Support teams within Neighbourhood Services.

## Recommendations

6. It is recommended that:

- (a) Members note the retirement of the Treasurer to the Joint Committee, Stuart Crowe and support the proposals with regards to the appointment of the Head of Finance: Resources, Jeff Garfoot (Durham County Council's Deputy S151 Officer) as Interim Treasurer to the Joint Committee, effective from 1 July 2010.
- (b) That the Joint Committee place on record their thanks to Stuart Crowe for the valuable service he has given to the Joint Committee since his appointment.

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<b>Contact:</b>	<b>Sharon Spence</b>	<b>Tel:</b>	<b>0191 383 3507</b>
<b>Email:</b>	<b>sharon.spence@durham.gov.uk</b>		

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**Appendix 1: Implications**

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**Finance**

There are no Financial implications associated with this report

**Staffing**

As detailed in the report, it is proposed that the Joint Committee note the change in Treasurer post 30 June 2010.

**Equality and Diversity**

None

**Accommodation**

None

**Crime and disorder**

None

**Sustainability**

None

**Human rights**

None

**Localities and Rurality**

None

**Young people**

None

**Consultation**

Officers of Spennymoor Town Council were consulted on the contents of this report

**Health**

None

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# Audit Opinion Plan

Central Durham Crematorium Joint Committee  
Audit 2009/10

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# Contents

<b>Introduction</b>	<b>3</b>
<b>Responsibilities</b>	<b>4</b>
<b>Fee for the audit of financial statements</b>	<b>5</b>
<b>Auditors report on the financial statements</b>	<b>6</b>
<b>Identification of specific risks</b>	<b>7</b>
<b>Testing strategy</b>	<b>9</b>
<b>Key milestones and deadlines</b>	<b>10</b>
<b>The audit team</b>	<b>11</b>
<b>Appendix 1 – Basis for fee</b>	<b>13</b>
<b>Appendix 2 – Independence and objectivity</b>	<b>14</b>
<b>Appendix 3 – Working together</b>	<b>16</b>
<b>Appendix 4 – Schedule of working papers</b>	<b>17</b>

# Introduction

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- 1 This plan sets out the audit work that we propose to undertake for the audit of Central Durham Crematorium Joint Committee's (the Committee's) 2009/10 financial statements. The plan is based on the Audit Commission's risk-based approach to audit planning. It reflects:
  - audit work specified by the Audit Commission for 2009/10;
  - current national risks relevant to your local circumstances; and
  - your local risks.

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# Responsibilities

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- 2 The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies sets out the respective responsibilities of the auditor and the audited body. The Audit Commission has issued a copy of the statement to every audited body.
- 3 The statement summarises where the different responsibilities of auditors and of the audited body begin and end, and our audit work is undertaken in the context of these responsibilities.
- 4 We comply with the statutory requirements governing our audit work, in particular:
  - the Audit Commission Act 1998; and
  - the Code of Audit Practice.

# Fee for the audit of financial statements

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- 5 The fee for the audit is £13,000, as indicated in my letter of 1 April 2010. In setting the fee, we assumed that:
  - we will not identify any significant audit risks;
  - the Committee has begun to address the weaknesses in its control environment which were identified in 2008/09;
  - you will have improved processes for producing the draft financial statements and will provide us with complete and materially accurate financial statements;
    - with supporting working papers; and
    - within agreed timeframes.
- 6 Where these assumptions are not met, I will be required to undertake additional work which is likely to result in an increased audit fee. Where this is the case, we will discuss this in the first instance with officers and we will issue supplements to this plan to record any revisions to the risk and the impact on the fee.
- 7 Further information on the basis for the fee is set out in Appendix 1.

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## Specific actions the Committee could take to reduce its audit fees

- 8 The Audit Commission requires its auditors to inform audited bodies of specific actions it could take to reduce its audit fees. As in previous years, we will work with staff to identify any specific actions that the Committee could take and to provide ongoing audit support.

# Auditors report on the financial statements

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- 9 I will carry out the audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB).
- 10 I am required to issue an audit report giving my opinion on whether the accounts give a true and fair view of the financial position of the Committee as at 31 March 2010.

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## Identifying opinion audit risks

- 11 As part of our audit risk identification process, we need to fully understand the audited body to identify any risk of material misstatement (whether due to fraud or error) in the financial statements. We have done this by:
  - identifying the business risks facing the Committee, including assessing your own risk management arrangements;
  - considering the financial performance of the Committee;
  - assessing internal control - including reviewing the control environment, the IT control environment and Internal Audit; and
  - assessing the risk of material misstatement arising from the activities and controls within the Committee's information systems.

# Identification of specific risks

12 We have considered the additional risks that are appropriate to the current opinion audit and have set these out below.

**Table 1**      **Specific risks**  
Specific opinion risks identified

Risk area	Audit response
<p><b>Internal Control</b> Our work on the Committee's financial systems has shown there has been notable improvement since 2008/09. However, there are some remaining gaps in control that need to be addressed in future years. The main reason for these gaps relate to the manual nature of the Committee's General Ledger.</p>	<p><b>Payroll:</b> We will carry out predictive analytical review to satisfy ourselves that staff costs disclosed in the draft financial statements is complete. <b>Accounts payable:</b> we will substantively test expenditure in 2009/10. <b>Income:</b> We will carry out predictive analytical review to satisfy ourselves that income disclosed in the draft financial statements is complete.</p>
<p><b>Compliance with SORP requirements</b> Last year's audit highlighted significant scope to strengthen year end arrangements to ensure that the draft financial statements:</p> <ul style="list-style-type: none"> <li>• are prepared in a timely fashion to ensure approval by members by the 30 June deadline;</li> <li>• meet disclosure requirements; and</li> <li>• are free from error.</li> </ul>	<p>Review arrangements for producing the draft financial statements. Complete a checklist to ensure SORP disclosure requirements are met. Detailed testing on the draft financial statements.</p>
<p><b>Statement of accounting policies</b> Last year's audit found that the statement of accounting policies disclosed in the draft financial statements contained a number of key omissions and did not meet SORP requirements.</p>	<p>Review the statement of accounting policies to ensure all key polices are disclosed, appropriate and accurately reflect processes used by the Committee.</p>
<p><b>Opening balances and prior period figures</b> Last year's audit identified a number of errors in opening balances and prior period figures which required amendment.</p>	<p>Detailed testing on opening balances and prior period comparatives in the draft financial statements.</p>

## Identification of specific risks

Risk area	Audit response
<p><b>Fixed assets</b></p> <p>Last year's audit identified a number of errors in valuing and accounting for fixed assets, and the related disclosures, which required amendment.</p>	<p>Detailed testing on the completeness, existence, ownership and valuation of fixed asset balances disclosed in the draft financial statements, including relevant notes.</p>
<p><b>Cut off arrangements</b></p> <p>Last year's audit showed that arrangements for identifying year end creditors did not operate effectively. This led to a failure to account for payments in the correct year. This meant creditors and expenditure in the draft financial statements were materially misstated.</p>	<p>Detailed testing on year end payments to ensure that creditors and or expenditure are not materially misstated.</p>
<p><b>Treasury management</b></p> <p>In 2008/09 we identified that there was no written agreement in place between Durham County Council and the Committee setting out the terms of the treasury management agreements.</p>	<p>We are following this up as part of this year's audit.</p>
<p><b>Annual Governance Statement (AGS)</b></p> <p>The Committee prepared an AGS for the first time in 2008/09, which did not fully comply with requirements.</p>	<p>We will review the AGS in the draft financial statements to ensure it meets requirements and is consistent with our knowledge of the Committee.</p>
<p><b>Internal Audit</b></p> <p>Last year's audit identified scope to improve the Committee's internal audit arrangements and coverage.</p>	<p>We are following this up as part of this year's audit.</p>



# Testing strategy

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- 13 On the basis of risks identified above we will produce a testing strategy which will consist of testing key controls and/or substantive tests of transaction streams and material account balances at year end.
- 14 Our testing can be carried out both before and after the draft financial statements have been produced (pre and post statement testing).
- 15 Wherever possible, we will complete some substantive testing earlier in the year before the financial statements are available for audit. We will also discuss areas where we may be able to rely on Internal Audit testing on financial systems.

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# Key milestones and deadlines

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- 16 The Committee is required to prepare the financial statements by 30 June 2010. We are required to complete our audit and issue our opinion by 30 September 2010. The key stages in the process of producing and auditing the financial statements are shown in Table 2.
- 17 We will agree with you a schedule of working papers required to support the entries in the financial statements. Appendix 4 contains a draft schedule.
- 18 Every week, we will meet with the key contact and review the status of all queries. If appropriate, we will meet at a different frequency depending upon the need and the number of issues arising.

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**Table 2 Proposed timetable**

<b>Task</b>	<b>Deadline</b>
Control and early substantive testing	February to May 2010
Receipt of accounts	30 June 2010
Forwarding audit working papers to the auditor	5 July 2010
Start of detailed testing	5 July 2010
Progress meetings	Weekly
Present report to those charged with governance at the Joint Committee meeting	September 2010
Issue opinion	By 30 September 2010

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# The audit team

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19 The key members of the audit team for the 2009/10 audit are shown in the table below.

**Table 3**      **Audit team**

Name	Contact details	Responsibilities
Cameron Waddell (CPFA) District Auditor	<a href="mailto:c-waddell@audit-commission.gov.uk">c-waddell@audit-commission.gov.uk</a> or 0844 798 1650	Responsible for the overall delivery of the audit including the quality of outputs, signing the opinion and conclusion, and liaison with the Clerk and members.
Catherine Banks (FCA) Audit Manager	<a href="mailto:c-banks@audit-commission.gov.uk">c-banks@audit-commission.gov.uk</a> or 0191 383 6410	Manages and coordinates the different elements of the audit work. Key point of contact for officers.
Mark Outterside (CPFA) Audit Team Leader	<a href="mailto:m-outterside@audit-commission.gov.uk">m-outterside@audit-commission.gov.uk</a> or 0844 798 1666	Lead fieldwork and audit team on opinion work. Key points of contact for and liaison with Finance officers.
Alan Coxon (ACA) Contractor	<a href="mailto:a-coxon@audit-commission.gov.uk">a-coxon@audit-commission.gov.uk</a> or 0844 798 1697	Carry out detailed work on the financial statements.

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## Independence and objectivity

- 20 I am not aware of any relationships that may affect the independence and objectivity of the District Auditor and the audit staff, which we are required by auditing and ethical standards to communicate to you.
- 21 I comply with the ethical standards issued by the APB and with the Commission's requirements in respect of independence and objectivity as summarised in Appendix 2.

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## Meetings

- 22 The audit team will maintain knowledge of your issues to inform our risk-based audit through regular liaison with key officers. Our proposals are set out in Appendix 3.

## The audit team

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### Quality of service

- 23** We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively, you may wish to contact the North East Head of Operations, Dave Allsop: [d-allsop@audit-commission.gov.uk](mailto:d-allsop@audit-commission.gov.uk) .
- 24** If we are unable to satisfy your concerns, you have the right to make a formal complaint to the Audit Commission. The complaints procedure is set out in the leaflet 'Something to Complain About' which is available from the Commission's website or on request.
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### Planned outputs

- 25** Reports will be discussed and agreed with the appropriate officers before being issued to the Committee.
- 

**Table 4**      **Planned outputs**

<b>Planned output</b>	<b>Indicative date</b>
Opinion audit plan	June 2010
Annual governance report	September 2010
Auditor's report giving an opinion on the financial statements	September 2010
Final accounts report	October 2010

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# Appendix 1 – Basis for fee

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- 1 The Audit Commission is committed to targeting its work where it will have the greatest effect, based upon assessments of risk and performance. This means planning work to address areas of risk relevant to our audit responsibilities and reflecting this in the audit fees.
- 2 The risk assessment process starts with the identification of the significant financial and operational risks applying to the Committee with reference to:
  - our cumulative knowledge of the Committee;
  - planning guidance issued by the Audit Commission;
  - the specific results of previous and ongoing audit work;
  - interviews with officers; and
  - liaison with Internal Audit.

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## Assumptions

- 3 In setting the fee, I have assumed that:
  - the level of risk in relation to the audit of the financial statements is lower than that identified for 2008/09 given this is the second year the Committee has produced SORP compliant financial statements;
  - you will inform us of significant developments impacting on the audit;
  - Internal Audit meets the appropriate professional standards;
  - good quality working papers and records will be provided to support the financial statements by 5 July 2010;
  - requested information will be provided within agreed timescales;
  - prompt responses will be provided to draft reports; and
  - additional work will not be required to address questions or objections raised by local government electors.
- 4 Where these assumptions are not met, I will be required to undertake additional work which is likely to result in an increased audit fee.

# Appendix 2 – Independence and objectivity

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- 1 Auditors appointed by the Audit Commission are required to comply with the Commission's Code of Audit Practice and Standing Guidance for Auditors, which defines the terms of the appointment. When auditing the financial statements, auditors are also required to comply with auditing standards and ethical standards issued by the Auditing Practices Board (APB).
- 2 The main requirements of the Code of Audit Practice, Standing Guidance for Auditors and the standards are summarised below.
- 3 International Standard on Auditing (UK and Ireland) 260 (Communication of audit matters with those charged with governance) requires that the appointed auditor:
  - discloses in writing all relationships that may bear on the auditor's objectivity and independence, the related safeguards put in place to protect against these threats and the total amount of fee that the auditor has charged the client; and
  - confirms in writing that the APB's ethical standards are complied with and that, in the auditor's professional judgement, they are independent and their objectivity is not compromised
- 4 The standard defines 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case, the appropriate addressee of communications from the auditor to those charged with governance is the Joint Committee. We will communicate directly with the Joint Committee on matters which are considered to be of sufficient importance.
- 5 The Commission's Code of Audit Practice has an overriding general requirement that appointed auditors carry out their work independently and objectively, and ensure that they do not act in any way that might give rise to, or could reasonably be perceived to give rise to, a conflict of interest. In particular, appointed auditors and their staff should avoid entering into any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.

## Appendix 2 – Independence and objectivity

- 6 The Standing Guidance for Auditors includes a number of specific rules. The key rules relevant to this audit appointment are as follows.
- Appointed auditors should not perform additional work for an audited body (ie work over and above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might give rise to a reasonable perception that their independence could be compromised. Where the audited body invites the auditor to carry out risk-based work in a particular area that cannot otherwise be justified as necessary to support the auditor's opinion and conclusions, it should be clearly differentiated within the Audit and Inspection Plan as being 'additional work' and charged for separately from the normal audit fee.
  - Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission.
  - The District Auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every five years.
  - The District Auditor and senior members of the audit team are prevented from taking part in political activity on behalf of a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body.
- 7 The District Auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.

# Appendix 3 – Working together

## Meetings

- 1 The audit team will maintain knowledge of your issues to inform our risk-based audit through regular liaison with key officers.
- 2 Our proposal for meetings on audit issues is as follows.

**Table 5 Proposed meetings with officers**

Joint Committee officers	Audit Commission staff	Timing	Purpose
Head of Finance/ HR and Business Support - Neighbourhood Services	AM and Team Leader (TL)	Quarterly	General update plus: <ul style="list-style-type: none"> <li>• March - fee letter</li> <li>• June - opinion audit plan</li> <li>• July - accounts progress</li> <li>• September - annual governance report</li> </ul>
Principal Accountant	AM and Team Leader (TL)	Quarterly Weekly in July	Update on audit issues
Joint Committee	AM and TL as appropriate	As determined by the Joint Committee	Formal reporting of: <ul style="list-style-type: none"> <li>• Audit Plan</li> <li>• Annual governance report</li> <li>• Other issues as appropriate</li> </ul>

## Sustainability

- 3 The Audit Commission is committed to promoting sustainability in our working practices and we will actively consider opportunities to reduce our impact on the environment. This will include:
  - reducing paper flow by encouraging you to submit documentation and working papers electronically;
  - use of video and telephone conferencing for meetings as appropriate; and
  - reducing travel.



# Appendix 4 – Schedule of working papers

Description	Responsible officer	Telephone number	WP schedule
Financial Statements	Jo McMahon	0191 3833446	Schedule 1
Income and Expenditure Account	Jo McMahon	0191 3833446	Schedule 2
Statement of Movement on General Fund Balance	Jo McMahon	0191 3833446	Schedule 3
Statement of Total Recognised Gains and Losses (STRGL)	Jo McMahon	0191 3833446	Schedule 4
Tangible Fixed Assets	Jo McMahon	0191 3833446	Schedule 5
Investments	Jo McMahon/ Tracy McKeown	0191 3833446/ 3834380	Schedule 6
Debtors and payments in advance	Tracy McKeown	0191 3834380	Schedule 7
Cash and bank	Tracy McKeown	0191 3834380	Schedule 8
Creditors and receipts in advance	Tracy McKeown	0191 3834380	Schedule 9
Funds, balances and reserves	Jo McMahon	0191 3833446	Schedule 10
Contingent liabilities	Jo McMahon	0191 3833446	Schedule 11
Post balance sheet events	Jo McMahon	0191 3833446	Schedule 12
Cash Flow Statement	Jo McMahon	0191 3833446	Schedule 13
Notes to the financial statements not included elsewhere	Jo McMahon	0191 3833446	Schedule 14
Annual Governance Statement (AGS)	Jo McMahon	0191 3833446	Schedule 15

**Appendix 4 – Schedule of working papers**

**Central Durham Crematorium Joint  
Committee**

**30 June 2010**

**Annual Governance Statement 2009/10**



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**Joint Report of Terry Collins – Corporate Director: Neighbourhood  
Services; Stuart Crowe – Corporate Director: Resources and Treasurer  
to the Joint Committee**

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**Purpose of the Report**

- 1 The purpose of this report is to seek approval of the Annual Governance Statement for the Central Durham Crematorium Joint Committee for the financial year ended 31 March 2010, as attached at Appendix 2.

**Background**

- 2 The Central Durham Joint Crematorium Committee is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in a way which functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 3 In discharging this overall responsibility the Joint Committee is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risks.
- 4 The Joint Committee has adopted and operates under (via Durham County Council, its lead Authority), a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework – 'Delivering Good Governance in Local Government'. The Annual Governance Statement (AGS) explains how the Joint Committee complies with this code and also meets the requirements of the Accounts and Audit regulations 2003 as amended by the Accounts and Audit (Amendment) (England) regulations 2006 in relation to the publication of a Statement on Internal Control.
- 5 The AGS (attached at Appendix 2), requires consideration and approval by the Joint Committee and will need to be signed by the Chair to the Joint Committee and Treasurer to the Joint Committee (the Corporate Director: Resources) once approved.

## The Annual Governance Statement

- 6 The format and structure of the statement is prescribed in guidance contained within the Statement of Recommended Practice 2009 (SORP) and is broken down into a number of different sections.
- 7 The terminology used is therefore consistent across all authorities. These are:-
- Scope of Responsibility;
  - The purpose of the Governance Framework
  - The Governance Framework – incorporating details of the internal control environment i.e. the systems, procedures and processes by which the Joint Committee directs and controls its functions, including the formulation of strategy, its objectives and how it delivers its service to meet those objectives;
  - Review of Effectiveness – which sets out details of a review of the Governance Framework (set out above) and which is informed by the work of internal audit, the Superintendent Registrar, external auditors and other review agencies and inspectorates; and
  - Significant Governance Issues – the Joint Committee must identify any areas of significant internal control, including what action is being taken to address them.
- 8 The statement was initially compiled by the Neighbourhood Services Head of Finance, HR and Business Support, in accordance with guidance contained within the SORP. The statement was then subject to member scrutiny on 12 May 2010. The statement reflects the current position within the Crematoria, however, should any major concerns arise between approval of the Statement and the date that the Accounts are signed off by the External Auditor, then this must be brought to the attention of the Head of Finance HR and Business Support and the statement amended to reflect the new position.
- 9 The statement is evidence based and relies on written assurances from the Superintendent and Registrar (who prepares a standardised comprehensive assurance statement on an annual basis), Internal audit's views, having carried a review during the year and commented on the assurance given by each; external auditors and other review agencies and inspectorates and the assurances contained within their reports to the Joint Committee.

## Recommendations and reasons

- 10 It is recommended that:
- a) The Joint Committee note the report;
  - b) The Joint Committee approve the Annual Governance Statement 2009/10 for the year ended 31 March 2010, attached at Appendix 2; and
  - c) The Chair and Treasurer sign the Annual Governance Statement 2009/10.

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**Contact:** Paul Darby, Head of Finance, HR & Business Support  
**Tel:** 0191 383 6594

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## **Appendix 1: Implications**

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### **Finance**

Financial planning and management is a key component of effective corporate governance.

### **Staffing**

Ensuring the adequate capability of staff meets a core principle of the CIPFA/ SOLACE guidance.

### **Equality and Diversity**

Engaging local communities including hard to reach groups meets a core principle of the CIPFA/ SOLACE guidance.

### **Accommodation**

Asset management is a key component of effective corporate governance.

### **Crime and disorder**

None

### **Sustainability**

Moving forward, corporate governance will increasingly highlight the key risks around sustainability.

### **Human rights**

None

### **Localities and Rurality**

Engaging local communities meets a core principle of the CIPFA/ SOLACE guidance.

### **Young people**

None

### **Consultation**

Engaging local communities meets a core principle of the CIPFA/ SOLACE guidance.

### **Health**

None

## **Annual Governance Statement**

### **1. Scope of Responsibility**

The Central Durham Crematorium Joint Committee is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. It also has a responsibility 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. This Committee was jointly established by the City of Durham Council and Spennymoor Town Council. Following Local Government Reorganisation, as successor to the City of Durham Council, Durham County Council acts as the lead authority.

In discharging this overall responsibility, the Central Durham Crematorium Joint Committee is also responsible for putting in place proper arrangements for the governance of its affairs and for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

The Central Durham Crematorium Joint Committee has adopted and operates under the Code of Corporate Governance (the Local Code), policies and strategies including Contract Procedure rules, Financial procedure rules, financial regulations, developed, agreed and adopted by the Durham County Council, its lead authority.

This statement explains how the Central Durham Crematorium Joint Committee has complied with the code and also meets the requirements of Regulation 4(2) of the Accounts and Audit regulations 2003 as amended by the Accounts and Audit (Amendment) (England) regulations 2006 including circular 03/2006 which replaces the publication of a statement of internal control with an annual governance statement.

### **2. The Purpose of the Governance Framework**

The Governance framework comprises the systems, processes, culture and values by which the Central Durham Crematorium Joint Committee directs and controls its activities through which it accounts to, engages with and leads the community. It enables the Committee to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and 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. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Central Durham Crematorium Joint Committee’s aims and objectives, its policies and

procedures, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Central Durham Crematorium Joint Committee for the year ended 31<sup>st</sup> March 2010 and up to the date of approval of the annual report and statement of accounts.

### 3. The Governance Framework

The governance framework supports the Central Durham Joint Crematorium in establishing, implementing and monitoring policies and objectives. The system of internal control refers to the system by which the Central Durham Crematorium Joint Committee directs and controls its operational functions and relates this to the community it serves. It is therefore the totality of the strategies and objectives of the joint committee and the management systems, procedures, and structures it has adopted, that together determine and control the way in which the Central Durham Joint Crematorium manages its business, and sets about delivering its services to meet those objectives.

The system of internal control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers appointed by the joint committee to facilitate its effective and efficient operation by enabling it to respond appropriately to significant business, operational, financial, compliance and other risks to achieve its objectives. The Central Durham Joint Crematorium's system of internal control reflects its control environment which encompasses its organisational structure.

In particular, the system includes control activities, information and communication processes and processes instigated by the Joint Committee and its lead authority for monitoring the continuing effectiveness of the system of internal control.

The key elements of the systems and processes that comprise the Joint Committee's governance arrangements include:

#### **Defining and documenting the roles and responsibilities of the Central Durham Crematorium Joint Committee member and officer functions, with clear delegation arrangements and protocols for effective communication**

The Joint Committee ensures that the necessary roles and responsibilities for the Governance of the crematorium are identified and allocated so that it is clear who is accountable for decisions that are made. The Joint Committee does this by:

- ◆ Electing a Chair, Vice Chair with defined executive responsibilities.
- ◆ The Central Durham Crematorium Joint Committee's Constitution which clearly describes the roles of the Chair and Vice Chair.
- ◆ Adopting Durham County Councils constitution, undertaking regular reviews of the operation of both the Joint Committee and Council Constitutions.

- ◆ Ensuring that all policy and decision making is facilitated through the Central Durham Crematorium Committee with all party membership being drawn from the constituent authorities.
- ◆ Making Durham County Council's nominated Senior Officer responsible for the proper administration of its financial affairs (Treasurer)
- ◆ Developing protocols that ensure effective communications between Members and Officers.
- ◆ Regularly reviewing the Corporate Governance arrangements in place.

### **Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and officers**

The Joint Committee fosters a culture of behaviour based on shared values, high ethical principles and good conduct. The Joint Committee does this by:

- ◆ Adopting the Human Resource policies, plans and procedures of the lead authority, Durham County Council.
- ◆ Establishing and keeping under review, systems for reporting and dealing with any incidents of fraud and corruption.
- ◆ The Crematorium's values on leadership as set out in the business plan.
- ◆ Appropriate and timely advice, guidance and training for both Members and Officers.

### **Reviewing and updating financial instructions and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required in managing risks.**

The Council and Joint Committee Constitutions set out how they operate, how decisions are made and the procedures which are followed to ensure that these are effective, transparent and accountable to service users

A risk management approach is in operation that aids the achievement of strategic objectives, supports decision making processes, protects the reputation and other assets of the Crematorium and is compliant with statutory and regulatory obligations. The Joint Committee ensures that the risk management approach:

- ◆ Is conducted in accordance with the risk management policy and strategy of Durham County Council. The Crematorium Superintendent is advised by the corporate risk management working group where strategic and operational risks are considered.
- ◆ Involves regular reports by internal audit, to standards defined in the CIPFA code of practice, and in accordance with the Accounts and Audit Regulations 2003. These include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the system of internal control, at the crematorium, together with recommendations for improvement
- ◆ Involves independent annual audits carried out by the Audit Commission with the recommended outcome of these reviews actioned and undertaken.
- ◆ Ensures financial management is undertaken by the Neighbourhood Services Head of Finance, HR and Business Support under the scheme of delegated



responsibilities by the Treasurer of the Joint Committee in accordance with the standing orders, contract procedure and procurement rules, financial regulations and financial procedure rules of Durham County Council.

- ◆ Ensures comprehensive monthly budgetary control systems including the preparation of regular financial reports which indicate actual expenditure against budget and forecast year end positions are undertaken and reported quarterly to the Joint Committee.
- ◆ Ensures SMART targets are set to measure financial and other performance
- ◆ Ensures clearly defined capital expenditure guidelines are adhered to

#### 4. Review of Effectiveness

Central Durham Crematorium Joint Committee has responsibility for conducting, at least annually, a review of the effectiveness of its 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 executive managers within the authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

The Crematorium Joint Committee has established the following processes to achieve this aim:

- ◆ Formalised arrangements with Durham County Council for the provision of internal audit through the development of a formal service level agreement.
- ◆ Strengthened existing internal audit arrangements through an agreed annual plan of work covering all key financial systems for the year and the production of an annual report to inform the annual governance statement
- ◆ Risk based assessments of key financial systems (as agreed in the annual plan of work) carried out in the final quarter of the financial year to ensure maximum coverage of the Crematorium's financial transactions and provide an informed opinion on the robustness, adequacy and effectiveness of the system of internal control, at the crematorium, together with recommendations for improvement
- ◆ The production of a Risk Register with regular reviews undertaken by the Crematorium Superintendent Registrar and action plan reports produced and approved where necessary.
- ◆ Strengthened year end procedures for producing financial statements with the production of a full closedown timetable including risk assessment and control and ensuring those involved in the closedown process are fully aware of the SORP requirements for 2009/2010
- ◆ Annual reviews of corporate governance arrangements and the annual review undertaken by the lead authority, Durham County Council, of its corporate governance arrangements, together with the arrangements that the lead authority, Durham County Council has in place to detect and deter fraud and corruption.
- ◆ Performance monitoring undertaken through the use of comparative statistics with other crematoria.

- ◆ The Internal audit section is subject to review by the Council's external auditors who report annually to the Council. The external auditors seek to place reliance on the work carried out by the Internal Audit Section.
- ◆ The Internal audit section is also subject to an annual review of its activities and performance by key senior officers of the Council in order to meet the requirements of the Accounts and Audit Regulations 2003 (amended). A formal report on the performance of the Internal Audit section is considered by the County Council's Audit Committee in this respect and this provides assurance to the Joint Committee that the Internal Audit Section is reputable and follows the required standards
- ◆ Internal Audit Reports presented to, and reviewed by the Joint Committee
- ◆ Attendance at Regional and National Seminars in a `speaker` capacity by the Superintendent Registrar and provision of advice and mentoring to Durham university PHD students
- ◆ Commissioning of an options appraisal for procurement of replacement cremators and mercury abatement equipment to ensure the installation of such equipment by the regulatory deadline

In summary the governance framework and the system of internal control in place at the Central Durham Crematorium for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts and except for the details of internal control issues at section 5 accords with proper practice.

## 5. Significant Governance Issues

The Joint Committee is fully committed to the principles of corporate governance, and has made further progress in recent months in developing its arrangements. Following the production of the External Auditors Annual Governance Report for 2008/09 an action plan of the recommendations was produced and undertaken.

In addition to the issues contained within the action plan, Internal Audit sought assurance, via its annual plan of work and review of key systems.

The internal audit inspection resulted in a moderate assurance provision. The following governance and internal control issues have been identified:

### *Recording of Transactions*

All transactions including income should be recorded within a single general ledger to reduce the risk of error caused by manual processes. An action plan has been produced and discussions made around the system setup within the Oracle FMS and bank account arrangements. Further work will continue to ensure the recording of all transactions within Oracle

### *Stock Control*

Stock records should be held and maintained for all stocks held in emergency stores to ensure all purchases/ sales are properly accounted for. Records for emergency stocks are being compiled by the Superintendent Registrar, further work will continue to ensure that full records are established and maintained in 2010/11.

### *Treasury Management Arrangements*

Arrangements with Durham County Council regarding Treasury Management should be formally documented including the terms of agreement for all funds held on behalf of the Joint Committee. Meetings have taken place and the updated Treasury Management Strategy has been requested along with regular update reports which will be presented to the Joint Committee on a quarterly basis

### **Declaration of Those Charged with Governance**

We have been advised on the implications of the result of the review of the effectiveness of the governance framework and the system of internal control by the Crematorium Joint Committee and are satisfied that plans to address weaknesses and ensure continuous improvement of the system is in place

<b>Signed</b>	<b>Date</b>
<b>Councillor Maria Plews</b> <b>Chair to the Joint Committee</b>	

<b>Signed</b>	<b>Date</b>
<b>S.D. Crowe, CPFA</b> <b>Corporate Director of Resources and</b> <b>Treasurer to the Joint Committee</b>	

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## Central Durham Crematorium Joint Committee

30 June 2010

### Revenue Outturn & Statement of Accounts for the Year ended 31 March 2010



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### Joint Report of Terry Collins – Corporate Director: Neighbourhood Services; Stuart Crowe – Corporate Director: Resources and Treasurer to the Joint Committee

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#### Purpose of the Report

1. The purpose of this report is to seek approval of the Statement of Accounts for the Central Durham Crematorium Joint Committee for the financial year ended 31 March 2010, as attached at Appendix 2.
2. The report also summarises the final outturn for 2009/10, providing members with details of areas of over and under spending (against the approved budget) in 2009/10, and highlighting any changes from the provisional outturn report considered by the Joint Committee on 12 May 2010.

#### Background

3. The 'Accounts and Audit Regulations 2003' as amended by the Accounts and Audit (Amendment) (England) Regulations set out the requirements for the production and publication of the annual Statement of Accounts. The Regulations require the Statement of Accounts to be approved by the Joint Committee on or before 30 June 2010.
4. The Statement of Accounts is subject to audit by external auditors – the Audit Commission. The audit of the accounts is currently ongoing, having commenced in April 2010. On completion, the auditor's report will be incorporated into the published version of the Statement of Accounts.
5. The attached Statement of Accounts is the statutory published accounts for the Central Durham Crematorium Joint Committee for the year ended 31 March 2010.

#### The Statement of Accounts

6. The Statement of Accounts has been prepared in accordance with the requirements of the 2009 'Code of Practice on Local authority Accounting in Great Britain' as updated and published by the Chartered Institute of Public Finance and Accountancy (CIPFA). As a result, the document contains a great deal of detailed financial information, which is unavoidably technical and complex

7. There are five Core Statements that provide fundamental information on the financial activities and position of the Joint Committee.
- The Income and Expenditure Account;
  - The Statement of Movement on the General Fund Balance
  - The Statement of Total Recognised Gains and Losses
  - The Balance Sheet
  - The Cash Flow Statement
8. Additional explanations on the contents of the Statement of Accounts will be provided at the meeting

### Financial Outturn 2009/10

9. Members will recall that regular (quarterly) budgetary control reports have been considered throughout the year, which incorporated forecast year end outturn positions. A provisional final outturn report was presented to the Joint Committee on 12 May 2010.
10. The following table shows the final outturn position (as incorporated into the Statement of Accounts):

Subjective Analysis	Original Base Budget 2009/10	Outturn 2009/10	Variance Over/ (Under)	MEMO - Provisional Outturn [12/05/10] 2009/10
	£	£	£	£
Employees	242,000	216,768	(25,232)	210,555
Premises	177,683	136,068	(41,615)	137,611
Transport	1,500	2,726	1,226	2,302
Supplies & Services	52,584	92,341	39,757	32,985
Agency & Contracted	33,733	39,370	5,637	14,550
Transfer Payments	0	0	0	0
Capital Charges	0	0	0	0
Central Support Costs	32,000	32,000	0	32,000
<b>Gross Expenditure</b>	<b>539,500</b>	<b>519,273</b>	<b>(20,227)</b>	<b>430,003</b>
<b>Income</b>	<b>(995,750)</b>	<b>(1,080,376)</b>	<b>(84,626)</b>	<b>(1,017,000)</b>
<b>Net Income</b>	<b>(456,250)</b>	<b>(561,103)</b>	<b>(104,853)</b>	<b>(586,997)</b>
<b>Transfer to Reserves</b>				
- Masterplan Memorial Garden	5,000	5,000	0	5,000
- Major Capital Works	130,000	234,853	104,853	260,747
- Small Plant	5,000	5,000	0	5,000
- Central Heating Renewal Fund	10,000	10,000	0	10,000
<b>Distributable Surplus</b>	<b>(306,250)</b>	<b>(306,250)</b>	<b>0</b>	<b>(306,250)</b>
<b>80% Durham County Council</b>	<b>245,000</b>	<b>245,000</b>	<b>0</b>	<b>245,000</b>
<b>20% Spennymoor Town Council</b>	<b>61,250</b>	<b>61,250</b>	<b>0</b>	<b>61,250</b>

<b>Central Durham Crematorium Earmarked Reserves</b>	<b>Balance @ 1 April 2009</b>	<b>Transfers to Reserve</b>	<b>Transfers From Reserve</b>	<b>Balance @ 31 March 2010</b>	<b>Balance @ 31 March 2010 Provisional Outturn [12/05/10]</b>
	£	£	£	£	£
General Reserve	(424,060)	(306,250)	(306,250)	(424,060)	-
Masterplan Memorial Garden	(13,875)	(5,000)	2,625	(16,250)	(18,875)
Major Capital Works	(421,111)	(234,853)	0	(655,964)	(681,858)
Small Plant	(13,001)	(5,000)	0	(18,001)	(18,002)
Central Heating Renewal Fund	(13,001)	(10,000)	0	(23,001)	(23,000)
<b>Total</b>	<b>(885,048)</b>	<b>(254,853)</b>	<b>303,625</b>	<b>(1,137,276)</b>	<b>(741,735)</b>

11. The following sections outline the reasons for significant variances by subjective analysis area, comparing the outturn position against the budget and highlighting reasons for variances between the actual and provisional outturn position:

#### *Employees*

The final outturn shows a £25,232 saving against the approved budget. The base budget assumed a 1.50% pay award, however, the outturn projections factor in the agreed 1% pay award. In addition, further savings were made from the removal of the honorarium payment to the Treasurer and reduced sickness and holiday cover during the year.

The provisional outturn showed an underspend of £31,445, the difference between the provisional and final position mainly being the inclusion of added years pensions cost provided at the year end.

#### *Premises*

This is mainly due to a predicted underspend on gas and electricity due to charges being lower than anticipated. Expected cremator repairs and general equipment, repairs and replacement were all significantly lower than anticipated.

#### *Supplies and Services*

This is mainly due to overspends totalling £58,965 on Medical Reference fees, Book of Remembrance and Masterplan expenditure. The budget in line with previous practice, has netted off such expenditure against income. The change in reporting also shows a corresponding increase within income. Offsetting this are underspends on conferences, vase, blocks and columbaria units, replacement computers and microchips for remains (which will be undertaken in future years)

The previous outturn showed an underspend of £19,599 on Supplies and Services. The change in position from that reported previously is as a result of the Medical Reference Fees, Book of Remembrance and Masterplan expenditure mentioned above.

### *Agency and Contracted*

This overspend is two fold. Unbudgeted Audit Commission fees incurred in the year totalled £25,000. These costs were as a result of the additional work carried out in 2008/2009 which has impacted on revised charges for 2009/2010. This is offset by an underspend of £12,000 due to the delay in the installation of the Deceased Online Reference System which will now be carried out in future years. Other underspends included reduced independent monitoring costs £2,000 and the non production of brochures £5,000.

The provisional outturn did not include the additional audit fees

### *Income*

The additional income of £84,626 is due to a number of factors.

As mentioned above within Supplies and Services, the outturn includes an additional £55,965 due to the reporting changes regarding Medical Reference fees, Book of Remembrance and Masterplan.

An increase in actual cremations (over the level assumed in the budget / previous probable outturn projections) also results in an additional income of £31,700

These additional income streams offset unachievable income in relation to interest on investments of approx £3,000 (due to a reduction in interest rates) over the level budgeted.

### *Earmarked Reserves*

In line with the previous report, it has been assumed that the additional surplus will be retained within the CDCJC. The previous probable outturn projection estimated that the additional net income (over the level budgeted) would be c.£131K. The actual outturn shows that the net income to transfer to earmarked reserves is £104,853. The difference being the inclusion of additional Audit Commission charges which were omitted/ not included when calculating the provisional outturn. The retained reserves of the CDCJC, as at 31 March 2010, are therefore £713,216 along with a General Reserve of £424,060.

## **Recommendations and reasons**

12. It is recommended that:

- a) The Joint Committee note the outturn position set out in the report;
- b) The Joint Committee approve the Statement of Accounts for the year ended 31 March 2010, attached at Appendix 2; and
- c) The Chair and Treasurer sign the Statement of Accounts.

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**Contact: Paul Darby, Head of Finance, HR & Business Support**  
**Tel: 0191 383 6594**

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## **Appendix 1: Implications**

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### **Finance**

The Statement of Accounts includes full details of the financial performance, assets and liabilities and reserves / balances held by the Joint Committee during 2009/10 and at 31 March 2010, together with full details of movements in the year. The Statement of Accounts has been prepared in accordance with statements of recommended practice and will be subject to an External Audit / Audit Opinion in due course. The report sets out full details of under and overspending in the year against the approved budget.

### **Staffing**

None

### **Equality and Diversity**

None

### **Accommodation**

None

### **Crime and disorder**

None

### **Sustainability**

None

### **Human rights**

None

### **Localities and Rurality**

None

### **Young people**

None

### **Consultation**

Officers of Spennymoor Town Council have been consulted on the content of this report.

### **Health**

None

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# Annual Report and Statement of Accounts for 2009/2010

Central Durham Crematorium Joint Committee



## Contents

<b>Explanatory Foreword</b>	<b>2</b>
1 Report of the Treasurer	5
2 Statement of Accounting Policies	8
3 Statement of Responsibilities & Certification	13
<b>Core Statements:</b>	
4 Income & Expenditure Account	15
5 Statement of Movement on the General Fund Balance	16
6 Statement of Total Recognised Gains & Losses	17
7 Balance Sheet	18
8 Cash Flow Statement	19
<b>Notes to the Core Statements</b>	<b>20</b>
9 Annual Governance Statement	31
10 Auditor's Report.	37
<b>Glossary of Terms</b>	<b>38</b>
<b>Certification by the Chair</b>	<b>40</b>

## Explanatory Foreword

The purpose of this foreword is to offer interested parties an easily understandable guide to the most significant matters reported in the accounts for the financial year 2009/2010. It provides an explanation, in overall terms, of the purpose and content of the Joint Committee's accounts and should assist in the interpretation of the accounting statements.

The Joint Committee's accounts and financial statements for 2009/10 are set out on pages 15 - 30 of this document, and is subject to an independent Audit opinion, as shown at page 37. (To follow)

In addition, this document includes a Report by the Treasurer, which is designed to help the reader understand in greater detail the financial standing of the Joint Committee as at 31<sup>st</sup> March 2010. It also contains a commentary on the major influences affecting the Joint Committee's income and expenditure and cash flow, and information on the financial needs and resources of the Joint Committee in 2009/10.

**The main purpose of the Financial Statements that make up the Statement of Accounts, are detailed below: -**

### 1. Report of the Treasurer – Overview of Financial Performance

This report outlines the main financial results for the year ended 31<sup>st</sup> March 2010. They summarise the income and expenditure incurred by the Joint Committee and highlight any change to the financial position that occurred during the year.

### 2. Statement of Accounting Policies

The purpose of the statement is to explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts. In certain circumstances, where more than one accounting basis or estimation technique is acceptable, the accounting policy and/or estimation techniques followed can significantly affect the Joint Committee's reported results and financial position. The view presented can only be appreciated properly if the policies, which have been followed for material items and estimation techniques that have been used in applying those policies, are explained.

The Statement of Accounts summarises the Joint Committee's transactions for the 2009/10 financial year and its position at the year-end of 31<sup>st</sup> March 2010. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2009 (SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

Pages 8-12 explain the policies adopted in preparing the Joint Committee's Accounts.

### 3. Statement of Responsibilities for the Statement of Accounts

This statement sets out the respective responsibilities of The Joint Committee and the Treasurer for the accounts.

The Statement of Accounts is intended to present fairly the financial transactions of the Joint Committee during the year ended 31<sup>st</sup> March 2010 (the 2009/10 financial year).

Page 13 summarises the responsibilities of the Joint Committee and the Treasurer, relating to the making of proper arrangements for the administration of the financial affairs of the Joint Committee and the keeping of accounting records.

The Statement of Accounts in respect of 2009/10 have been prepared using the professional guidance given in the Code of Practice on Local Authority Accounting 2009, together with other legal requirements as contained in various Acts of Parliament, including the Accounts and Audit Regulations 2006 (amended).

#### **4. Auditor's Report**

Page 37 gives an independent, professional opinion by the External Auditor on the Crematorium's Accounts for the year ended 31<sup>st</sup> March 2010.

### **The Core Financial Statements**

#### **5. Income and Expenditure Account**

This statement is fundamental to the understanding of the Joint Committees activities, in that it reports the net cost for the year of all the functions for which the Joint Committee is responsible, and demonstrates how that cost has been financed.

The Income and Expenditure Account has been compiled in accordance with the Best Value Accounting Code of Practice.

Page 15 shows the Income and Expenditure Account as at 31<sup>st</sup> March 2010.

#### **6. Statement on Movement on the General Fund Balance**

This statement contains the amounts in addition to the Income and Expenditure Account surplus or deficit for the year that are required by statute and non-statutory proper practices to be charged or credited to the General Fund in determining the movement on the General Fund Balance for the year.

#### **7. Statement of Total Recognised Gains and Losses**

Not all the gains and losses experienced by the Joint Committee are reflected in the Income and Expenditure Account. FRS 3 (Reporting Financial Performance) requires all gains and losses to be included in a Statement of Total Recognised Gains and Losses (STRGL). This statement addresses the requirement to consider all gains and losses recognised in a period when assessing the financial result for the period.

Page 17 shows the Statement of Total Recognised Gains and Losses as at 31<sup>st</sup> March 2010.

#### **8. Balance Sheet**

The balance sheet is fundamental to the understanding of the Joint Committee's financial position at the year-end. It shows its balances and reserves and its long-term indebtedness, and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held.

Page 18 summarises the financial position of the Joint Committee as at 31<sup>st</sup> March 2010

## **9. Cash Flow Statement**

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined for the purpose of this statement, as cash in hand and deposits repayable on demand less overdrafts repayable on demand.

Its objective is to ensure that significant elements of receipts and payments of cash are highlighted in a way that facilitates comparison of cash-flow performance of different businesses and to provide information that assists in assessing their liquidity, solvency and financial adaptability.

Page 19 summarises the inflows and outflows of cash arising from revenue and capital transactions (where applicable) with third parties.

## **10. Notes to the Core Financial Statements**

The notes to the core financial statements are required to be presented together after the core financial statements mentioned above, The notes are shown on page 20 to 30.

## **Supplementary Financial Statements**

### **11. Annual Governance Statement**

The preparation and publication of an Annual Governance Statement is necessary to meet the statutory requirement set out in the Accounts and Audit Regulations 2003 (as amended) which requires authorities to 'conduct a review at least once in a year of the effectiveness of its system of internal control' and to prepare a statement on internal control 'in accordance with proper practices

Pages 31 – 36 shows the Annual Governance Statement relating to the financial year 1<sup>st</sup> April 2009 to the 31<sup>st</sup> March 2010.

## **Glossary of Terms**

Pages 38 - 39 provides details of those accounting terms used within this document and give a basic definition in order to assist the reader to understand the Financial Statements.

## **Certification of the Accounts by the Chair**

## Report of the Treasurer

### Overview of Financial Performance in 2009/2010

Each year the Joint Committee approves a budget for the forthcoming year. This report outlines the main financial results for the year ended 31<sup>st</sup> March, 2010. It summarises the income and expenditure incurred by the Joint Committee and highlights any change to the financial position that occurred during the year.

The 2009/10 budgets anticipated that the Joint Committee would achieve a surplus of £306,250. This was based on an estimated 1,800 cremations for the year and was net of a budgeted contribution to reserves of £132,150. During 2009/10, the number of cremations carried out was 2,173, an increase of 373 on the estimated figure.

The table below summarises the budget and actual income and expenditure for 2009/10. Variations are shown alongside.

2008/09 Actual		2009/10 Budget	2009/10 Actual	2009/10 Variance
£		£	£	£
	<b>Expenditure</b>			
205,762	Employees	242,000	216,768	(25,232)
178,530	Premises	177,683	136,068	(41,615)
2,809	Transport	1,500	2,726	1,226
108,072	Supplies & Services	52,584	92,341	39,757
14,000	Agency & Contracted	33,733	39,370	5,637
32,175	Central Support Costs	32,000	32,000	0
	<b>Masterplan</b>			
	- Memorial Garden	0	2,625	2,625
	<b>Contribution to Reserves/Funds</b>			
5,000	- Memorial Garden	5,000	5,000	0
120,150	- Major Capital Works	130,000	234,853	104,853
4,500	- Small Plant	5,000	5,000	0
2,500	- Central Heating Renewal	10,000	10,000	0
<b>673,498</b>	<b>Gross Expenditure</b>	<b>689,500</b>	<b>776,751</b>	<b>87,251</b>
	<b>Income</b>			
1,103,343	Fees	944,088	1,020,546	76,458
22,981	Interest Received	7,750	4,324	(3,426)
56,122	Memorial Gardens Fees	43,912	55,506	11,594
0	Contribution from Reserves/Funds	0	0	0
0	Masterplan - Memorial Garden	0	2,625	2,625
<b>1,182,446</b>	<b>Gross Income</b>	<b>995,750</b>	<b>1,083,001</b>	<b>87,251</b>
<b>508,948</b>	<b>Available Surplus</b>	<b>306,250</b>	<b>306,250</b>	<b>0</b>
	Appportioned			
407,178	Durham County Council – 80%	245,000	245,000	0
101,790	Spennymoor Town Council – 20%	61,250	61,250	0
<b>508,948</b>	<b>Distributed Surplus</b>	<b>306,250</b>	<b>306,250</b>	<b>0</b>



In 2009/10, the Joint Committee has made a contribution of £254,853 to its reserves to facilitate the replacement of the cremators and re-development of its buildings.

### Central Durham Crematorium Joint Committee Reserves as at the 31<sup>st</sup> March 2010

#### Earmarked Reserves

Reserve	Balance at 01.04.09 £	Contribution to Reserves £	Funding of Capital Expenditure £	Balance at 31.03.10 £
Major Capital Works Reserve	421,111	234,853	0	655,964
Masterplan Reserve	13,875	5,000	(2,625)	16,250
Small Plant Reserve	13,001	5,000	0	18,001
Central Heating Reserve	13,001	10,000	0	23,001
<b>TOTAL</b>	<b>460,988</b>	<b>254,853</b>	<b>(2,625)</b>	<b>713,216</b>

#### Constituent Authorities Account – General Reserve

The following table shows the position for the Constituent Authorities General Reserve as at 31<sup>st</sup> March 2010:

	Durham County Council £	Spennymoor £	Total £
<b>Balances in General Reserve at 1 April 2009</b>	<b>339,248</b>	<b>84,812</b>	<b>424,060</b>
<b>Add:</b> Transfer from Reserves	0	0	0
<b>Add:</b> 2009/10 Surplus	245,000	61,250	306,250
	<b>584,248</b>	<b>146,063</b>	<b>730,310</b>
<b>Less:</b> Distributed to authorities	245,000	61,250	306,250
<b>Balance as at 31<sup>st</sup> March 2010</b>	<b>339,248</b>	<b>84,812</b>	<b>424,060</b>

**Total Earmarked Reserves of the Constituent Authorities**

The following table shows the position on all the Earmarked Reserves of the Constituent Authorities as at 31<sup>st</sup> March 2010:

	Durham County Council 80% £	Spennymoor 20% £	Total £
Major Capital Works Reserve	524,771	131,193	655,964
Masterplan Reserve	13,000	3,250	16,250
Small Plant Reserve	14,401	3,600	18,001
Central Heating Reserve	18,401	4,600	23,001
General Reserve – General Fund Balance	339,248	84,812	424,060
<b>Total Constituent Authorities Reserves as at 31<sup>st</sup> March 2010</b>	<b>909,821</b>	<b>227,455</b>	<b>1,137,276</b>

## Statement of Accounting Policies

### 1. General Principles

The Joint Committee's accounting policies (and indeed the financial Statements included in this document) have been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2009 (the SORP) and the Best Value Accounting Code of Practice (BVACOP), both issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The accounting policies and estimation techniques applied have been selected and exercised having regard to the accounting principles and concepts set out in FRS18.

The financial statements contained in the Statement of Accounts take into account the recommended accounting principles wherever possible and any departures from the recommended practice are identified in the following notes.

The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

These accounts have been prepared on a going concern basis since the Joint Committee is expected to remain in operational existence for the foreseeable future and there is no intention to significantly curtail the scale of operations.

### 2. Revenue Accounts

#### Accruals of Income and Expenditure

Revenue transactions are recorded on an income and expenditure basis. That is, sums due to or from the Joint Committee during the year are included whether or not the cash has actually been received or paid in the year. This is called accruals accounting and is in accordance with the Code of Accounting Practice and SSAPs. Income and Expenditure are accounted for in the year in which they arise by the creation of debtors and creditors, including estimates where appropriate. Debtors are included to represent the value of goods supplied or services rendered by the Council during the financial year and creditors are included to represent goods received or services provided to the Council during that period.

#### Value Added Tax

VAT is included in income and expenditure accounts, whether of a capital or revenue nature, only to the extent that it is irrecoverable.

#### Interest

All surplus capital and revenue monies are externally invested in accordance with Durham County Council's Local Code of Treasury Management. Interest payable on external borrowings and investment income is accounted for on an accruals basis.

#### Post Balance Sheet Events

Where a material post balance sheet event occurs which provides additional evidence relating to conditions existing at the balance sheet date; or indicates that application of the going concern concept to a material part of the authority is not appropriate; then changes are made in the amounts to be included in the Statement of Accounts.

Any occurrence of a material post balance sheet event which concerns conditions which did not exist at the balance sheet date, are fully disclosed. The disclosure states the nature of the event and, where possible, an estimate of the financial effect of the event.

## Foreign Currency Translation

Income and expenditure arising from a transaction denominated in a foreign currency is translated into £ sterling at the exchange rate in operation on the date on which the transaction occurred; if the rates do not fluctuate significantly, an average rate for a period will be used as an approximation. Where the transaction is to be settled at a contracted rate, that rate will be used.

At each balance sheet date, monetary assets and liabilities denominated in a foreign currency are translated by using the closing rate or, where appropriate, the rates of exchange fixed under the terms of the relevant transactions.

## 3. Current Assets

### Stocks and Work in Progress

Stocks where applicable are valued and included in the Balance Sheet at current market value. This is a departure from the requirements of the Code of SSAP 9, which requires stocks to be shown at actual costs or net realisable value, if lower. The effect of this different treatment has not been quantified, but the opinion is held that because of the low levels of stocks held, any difference in value would be immaterial.

### Investments

Short term Investments are shown in the Balance Sheet at their nominal value. However, in accordance with the requirements of SORP 2008, the notes to the Balance Sheet include a disclosure pertinent to the scope and significance and these financial instruments.

### Provision for Bad and Doubtful Debt

All outstanding debts are pursued in accordance with the Crematorium's Debt Management Strategy and are reviewed on an ongoing basis. Known uncollectable debts are written off.

## 4. Revenue Provisions

Provisions are required for any liabilities or losses that are likely to be incurred, or certain to be incurred, but where uncertainty exists as to the amounts or the dates on which they will arise. Provisions are required to be recognised when: -

- ◆ The crematorium has a present obligation (legal or constructive) as a result of a past event;
- ◆ It is probable that a transfer of economic benefits will be required to settle the obligation; and
- ◆ A reliable estimate can be made of the amount of the obligation.

A transfer of economic benefits or other event is regarded as probable if the event is more likely than not to occur. If these conditions are not met, no provision is recognised.

Provisions are required for any liabilities of uncertain timing or amounts that have been incurred.

Provisions are charged to the appropriate revenue account; when payments for expenditure are incurred to which the provision relates they should be charged direct to the provision. The amount recognised as a provision is the best estimate taking into account the risks and uncertainties surrounding the events.

## 5. Capital Accounts

### Tangible Fixed Assets

All expenditure on the acquisition, creation or enhancement of fixed assets, has been capitalised in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2008 (the SORP)

#### Recognition

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Expenditure on fixed assets is capitalised, provided that the fixed asset yields benefit to the authority and the services it provides, for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets that is charged direct to service revenue accounts.

Assets acquired under finance leases and hire agreements are capitalised in the Council's accounts on the basis of their notional capital value as notified by the Lessor or Hirer. Operational assets have been included in the Balance Sheet at the lower of net current replacement cost or net realisable value.

#### Measurement

All additions are included in the accounts at their cost of acquisition. The basis of the valuation of Fixed Assets is shown below:-

Asset Type	Basis of Valuation
Buildings	Depreciated Replacement Cost
Vehicles, Plant & Equipment	Historical Cost

Fixed Assets of Vehicles, Plant and Equipment were last re-valued by the District Valuer, Mr. D. Wyatt MRICS, as at 31st March, 2006, in accordance with RICS Appraisal and Valuation Manual as published by the Royal Institute of Chartered Surveyors (RICS).

Buildings were revalued by Mr K McGorie MRICS, as at 31 March 2008 in accordance with RICS Appraisal and Valuation Manual as published by the Royal Institute of Chartered Surveyors (RICS).

#### Impairment

The value at which each category of assets is included in the balance sheet is reviewed at the end of each reporting period and where there is reason to believe that its value has changed materially in the period, the valuation is adjusted accordingly. Examples of events and changes in circumstances that indicate a reduction in value may have incurred include:-

- ◆ a significant decline in a fixed asset's market value during the period;
- ◆ evidence of obsolescence or physical damage to the fixed asset;
- ◆ a significant adverse change in the statutory or other regulatory environment in which the crematorium operates; and
- ◆ a commitment by the crematorium to undertake a significant reorganisation.

## Depreciation

Assets, other than land, are being depreciated over their estimated useful economic lives, in accordance with FRS 15, which came into effect from the 1 April 2000.

Depreciation is provided for on all fixed assets with a finite useful life (which can be determined at the time of acquisition or at a revaluation) and is calculated using the straight-line method.

Where depreciation is provided for, assets are being depreciated using the straight-line method over the following periods: -

Asset Type	Number of Years
Buildings	30
Vehicles	5
Other Plant & Equipment	10 to 15

## 6. Reserves

Amounts set aside for purposes falling outside the definition of provision are considered as reserves and transfers to and from them are distinguished from service expenditure. Expenditure is not charged direct to any reserve.

Capital Reserves are not available for revenue purposes and certain of them, for example the Capital Adjustment Account, can only be used for specific statutory purposes.

### Capital Adjustment Account

The Capital Adjustment Account provides a balancing mechanism between the different rates at which assets are depreciated and financed through the capital controls system.

### Revaluation Reserve

The Revaluation Reserve includes cumulative unrealised revaluation gains and losses (since 1 April 2007) arising from holding fixed assets. The Crematorium's buildings have been subject to revaluation during 2009/2010, therefore a balance on this account appears in appears within the Statements.

### Major Capital Works Reserve

The Major Capital Works reserve has been established in order to contribute to the financing of the replacement of cremators and the redevelopment of buildings to facilitate changes to emission standards

### Masterplan Reserve

This reserve has been established to fund the continued development and construction of the second phase of the Memorial Garden.

### Small Plant Reserve

The Small Plant Fund was established in 2001/2002 to provide for future replacement of minor capital items.

## **Central Heating Reserve**

The Central Heating Fund was established in 2003/2004 to provide for future replacement of the Central Heating system, which is now 16 years old.

## **7. Changes in Accounting Practice**

### **Basis for valuation of Fixed Assets – Crematorium Building**

The Valuation basis for the crematorium building has changed during 2009/10 from Historical Cost to Depreciated Replacement Cost in line with SORP requirement regarding specialised operational properties (in the absence of sufficient market based EUV evidence).

# The Statement of Responsibilities for the Statement of Accounts

## 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 responsibility for the administration of those affairs. For this purpose that officer is the Treasurer to the Joint Committee.
- ◆ Approve the Statement of Accounts

The Members of the Central Durham Crematorium Joint Committee are:



Councillor Jean Chaplow  
 Councillor Neil Foster  
 Councillor Maria Plews  
 Councillor Ronnie Rodgers  
 Councillor David Stoker  
 Councillor Les Thomson  
 Councillor Mac Williams  
 Councillor Carol Woods



**Spennymoor Town  
 Council**

Councillor John Marr  
 Councillor Joan Wood  
 Councillor Fred Walker

## The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Joint Committee's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LAASAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code of Practice").

### In preparing this Statement of Accounts, the Treasurer has:

- ◆ Selected suitable accounting policies and then applied them consistently;
- ◆ Made judgements and estimates that were reasonable and prudent;
- ◆ Complied with the Code of Practice.

In respect of the points below, reliance has been placed on the Governance Statement certified by Durham County Council.

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



**Certificate of The Treasurer**

I certify that the Statement of Accounts presents fairly the financial position of the Central Durham Crematorium Joint Committee as at 31<sup>st</sup> March 2010 and its income and expenditure for the year ended 31<sup>st</sup> March 2010.

<b>Signed</b>	<b>Date</b>
<b>S. D. Crowe C.P.F.A. Corporate Director of Resources and Treasurer to the Joint Committee</b>	

## Income and Expenditure Account

This account summarises the resources that have been generated and consumed in providing and managing a Crematorium service during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed.

Year Ended 31 March 2009		Year Ended 31 March, 2010			
		Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Notes
(491)	Cremations and associated services	484	(1076)	(592)	
64	Other corporate costs	63	0	63	
<b>(427)</b>	<b>Net Cost of Services</b>	<b>547</b>	<b>(1076)</b>	<b>(529)</b>	
(23)	Interest receivable			(4)	<b>4.</b>
<b>(450)</b>	<b>Net Operating Expenditure</b>			<b>(533)</b>	
500	Distributions made to Constituent Authorities			306	<b>12.</b>
<b>50</b>	<b>Surplus (-)/Deficit for the year</b>			<b>(227)</b>	

## Statement of Movement on General Fund Balance

The purpose of this statement is to clarify how the surplus / deficit from the Income and Expenditure Account impacts the resources available to fund the activities of the Constituent Authorities.

The Income and Expenditure Account shows the Joint Committee's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Constituent Authorities are required to raise council tax on a different accounting basis, the main difference being:

- ◆ Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed;
- ◆ Retirement benefits are charged as amounts become payable to pensions funds and pensioners rather than as future benefits are earned

This reconciliation statement summarises the difference between the surplus / deficit on the Income and Expenditure Account and the amount available to be added in the future to the General Fund Balance of each Constituent Authority.

Year Ended 31 March 2009 Net £000		Year Ended 31 March 2010 Net £000
<b>50</b>	Deficit/(Surplus) for the year on the Income & Expenditure Account	<b>(227)</b>
(59)	Net Additional Amount Required By Statute and Non-Statutory Proper Accounting Practices to be Debited or (Credited) to the General Fund Balance for the Year	227
<b>(9)</b>	<b>Decrease/(Increase) in the General Fund Balance</b>	<b>0</b>
(415)	General Fund Balance brought forward	(424)
<b>(424)</b>	<b>General Fund Balance carried forward</b>	<b>(424)</b>

## Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses of the Joint Committee for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets.

Year Ended 31 March 2009 £000		Year Ended 31 March 2010 £000	Notes
50	(Surplus) / deficit for the year on the Income and Expenditure Account	(227)	
0	Surplus arising from the revaluation of Fixed assets	(192)	<b>7,11</b>
0	Surplus arising on the revaluation of available for sale financial assets	0	
0	Any other gains and losses required to be included in the STRGL	0	
<b>50</b>	<b>Total Recognised Gains(-)/ Losses for the year</b>	<b>(419)</b>	

## Balance Sheet as at 31 March 2010

Year Ended 31 March 2009 [Restated] £000		Year Ended 31 March 2010 £000	Notes
	<b>Fixed Assets:</b>		
	<b>Operational Assets:</b>		
324	- Other land and buildings	498	
45	- Vehicles, plant, furniture and equipment	38	
<b>369</b>	<b>Total Fixed Assets</b>	<b>536</b>	<b>7.</b>
	<b>Current Assets:</b>		
25	- Debtors	255	<b>9.</b>
363	- Investments	854	<b>17.</b>
781	- Cash and Bank	101	
<b>1,169</b>	<b>Total Current Assets</b>	<b>1,210</b>	
	<b>Current Liabilities:</b>		
(284)	- Creditors	(73)	<b>10.</b>
<b>(284)</b>	<b>Total Current Liabilities</b>	<b>(73)</b>	
<b>1,254</b>	<b>Total Assets less Liabilities</b>	<b>1,673</b>	

Year Ended 31 March 2009 [Restated] £000	Financed By:	Year Ended 31 March 2010 £000	Notes
369	Capital Adjustment Account	350	<b>11.</b>
424	General Reserve - General Fund Balance	424	<b>12.</b>
0	Revaluation Reserve	186	<b>11.</b>
461	Earmarked Reserves	713	<b>11.</b>
<b>1,254</b>	<b>Total Net Worth</b>	<b>1,673</b>	

## The Cash Flow Statement

Year Ended 31 March 2009 [Restated] £000		Year Ended 31 March 2010 £000	Notes
	<b>Revenue Activities</b>		
	Cash Outflows		
206	Cash paid to and on behalf of employees	213	
696	Other operating cash payments	826	
<b>902</b>		<b>1,039</b>	
	Cash Inflows		
	Cash received for goods and services		
(1,178)	Other operating cash receipts	(845)	
<b>(276)</b>	<b>Net cash inflow(-)/ outflow from revenue activities</b>	<b>194</b>	<b>20</b>
	<b>Dividends and Joint Ventures and Associates</b>		
	Cash Inflows		
0	Dividends received	0	
0	<b>Net cash inflow(-)/ outflow from Joint Ventures and Associates</b>	<b>0</b>	
	<b>Returns on Investments and Servicing of Finance</b>		
	Cash Outflows		
0	Interest paid	0	
0	Interest element of finance lease payments	0	
	Cash Inflows		
(10)	Interest received	(4)	
<b>(10)</b>	<b>Net cash inflow(-)/ outflow from returns on investments</b>	<b>(4)</b>	<b>20</b>
	<b>Capital Activities</b>		
	Cash Outflows		
0	Purchase of fixed assets	0	
0	Other capital cash payments	0	
	Cash Inflows		
	Sale of fixed assets	0	
	Other capital cash received	0	
<b>0</b>	<b>Net cash inflow(-)/ outflow from capital activities</b>	<b>0</b>	
	<b>Management of Liquid Resources</b>		
<b>0</b>	<b>Net (increase) / decrease in short term deposits</b>	<b>490</b>	<b>20</b>
	<b>Financing</b>		
0	Cash Outflows	0	
0	Cash Inflows	0	
<b>(286)</b>	<b>Net (increase) / decrease in cash</b>	<b>680</b>	<b>20</b>

## Notes to the Core Financial Statements

### 1. Officers' Emoluments

There were no employees whose remuneration, including any redundancy / lump sum payments but excluding any pension contributions, exceeded £50,000 in the current or previous year.

### 2. Related Party Transactions

In accordance with FRS8 issued by the Accounting Standards Board, the Joint Committee is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Joint Committee or to be controlled or influenced by the Joint Committee. Disclosure of these transactions allows readers to assess the extent to which the 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 the Joint Committee.

The Joint Committee's membership and responsibilities are set out in the Statement of Responsibilities on page 13. The powers delegated to the Joint Committee by the constitution deed are restricted to those relevant to the provision and maintenance of crematoria under the Cremation Acts of 1902 and 1952. Neither Constituent Authority is considered to be the ultimate controlling party.

In addition to the transactions with the Constituent Authorities as set out in note 12 below, £611,500 (2009/10: £668,670) was paid to Durham County Council in respect of expenses born on behalf of the Joint Committee and a further £50,440 (2008/09: £48,048) was paid to Durham County Council in respect of non-domestic rates. At the balance sheet date an amount of £214,896 was repayable by Durham County Council (2008/09: amount payable to Durham County Council of £209,707).

### 3. Audit Costs

In 2009/2010 Central Durham Crematorium Joint Committee incurred the following fees relating to external Audit.

Year Ended 31 March 2009 [Restated] £000		Year Ended 31 March 2010 £000
21	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	13
0	Fees payable in respect of other services provided by the appointed auditor	0
0	Fees payable in respect of statutory inspection	0
<b>21</b>	<b>Total Audit Costs</b>	<b>13</b>

### 4. Interest Receivable

Year Ended 31 March 2009 [Restated] £000		Year Ended 31 March 2010 £000
13	Investment interest	3
10	Bank Interest	1
<b>23</b>	<b>Total Interest Receivable</b>	<b>4</b>

## 5. Agency Income and Expenditure

There are no amounts identified in respect of agency income or expenditure

## 6. Explanation of the significance of the Statement of Movement on the General Fund Balance

The Income and Expenditure Account summarises all of the resources that the Joint Committee has generated, consumed or set aside in providing its service during the year. However, this accounting basis is currently out of line with the statutory provisions that specify the net expenditure that the Constituent Authorities need to take into account when setting local taxes. In order to give a full presentation of the financial performance of an authority during the year and the actual spending power carried forward to future years, the outturn on the Income and Expenditure Account needs to be reconciled to the balance established by the relevant statutory provisions.

The Statement of Movement on the General Fund Balance provides the necessary reconciliation. The full significance of the Statement for local taxation is described in the introduction to the statement itself.

## 7. Breakdown of reconciling items in the Statement of Movement on the General Fund Balance

Year Ended 31 March 2009 [Restated] £000 Net £000		Year Ended 31 March 2010 £000 Net £000
	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:	
(173)	Depreciation and impairment of fixed assets	(25)
(18)	Amounts treated as revenue expenditure in accordance with the SORP but which are classified as capital expenditure by statute	(3)
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the movement of the General Fund Balance for the year:	
132	Net Transfers (from)/to earmarked reserves	255
(59)	<b>Net Additional Amount Required by Statute and Non-Statutory Proper Accounting Practices to be Debited or (Credited) to the General Fund Balance for the Year</b>	<b>227</b>



## 7. Movement on Fixed Assets

	Operational Assets		
	Other Land & Buildings	Vehicles, plant, furniture and equipment	Total
	£000	£000	£000
Gross Book Value @ 01/04/09 [Restated]	614	75	689
Revaluations	(99)	0	0
Additions	0	0	0
Disposals	0	0	0
<b>Gross Book Value @ 31/03/10</b>	<b>515</b>	<b>75</b>	<b>590</b>
Less:			
Depreciation Accumulated	291	30	321
Accumulated Depreciation written off in year due to revaluation	(291)	0	(291)
Depreciation for Year	17	7	24
Impairments in the year	0	0	0
<b>Depreciation @ 31/03/10</b>	<b>17</b>	<b>37</b>	<b>54</b>
<b>Net Book Value @ 31/03/10</b>	<b>498</b>	<b>38</b>	<b>536</b>
<b>Net Book Value @ 31/03/09</b>	<b>324</b>	<b>45</b>	<b>369</b>

### Ownership of Assets

Included in Fixed Assets above are all of the buildings, vehicles, plant, furniture and Equipment, used by the Joint Committee in the provision of crematoria services at the Crematorium site. Legal title of the buildings is vested in Durham County Council. A view has been taken based on the principles set out in FRS 5: *The Substance of Transactions* that substantially all of the risk and rewards of ownership of these buildings has been passed to the Joint Committee. The rights and obligations conferred to the Joint Committee under its constitution agreement enable it to obtain the future economic benefits that will be derived from the use of the buildings and also to restrict the access of the Constituent Authorities to these benefits.

The land upon which the Crematorium is built is treated separately. It is not included in these accounts as an asset of the Joint Committee and instead appears in the accounts of Durham County Council as a Community Asset.

### Depreciation

Details of the depreciation methods used and the useful lives applicable to each type of asset can be found in the Statement of Accounting Policies on page 11.

*Changes in Depreciation Methods*

There were no changes in depreciation methods during 2009/2010.

*Impairment / Revaluation*

An Impairment Review of the Joint Committee's Asset Register has been undertaken by Kevin McGorie MRICS at 31 March 2009. No assets have been impaired during 2009/2010.

The Revaluation Review of the Crematorium Building has highlighted a change in valuation basis from Historical Cost to Depreciated Replacement Cost in line with the SORP requirement regarding specialised operational properties (in the absence of sufficient market based EUV evidence). This has resulted in a downward **Gross Book** Valuation of £98,778. **The Current Value before Depreciation** however shows an upward revaluation (shown in the STRGL and Revaluation Reserve) of £191,803.

*Valuation Information*

	Other Land and Buildings £000	Vehicles Plant and Equipment £000	Total £000
Valued at Depreciated Replacement Cost	498	0	498
Valued at Historic Cost in:			
2009/2010	0	0	0
2008/2009	0	0	0
2007/2008	0	0	0
2006/2007	0	0	0
2005/2006	0	38	38
<b>Total</b>	<b>498</b>	<b>38</b>	<b>536</b>

*Analysis of Net Assets Employed*

Year Ended 31 March 2009 [Restated] £000		Year Ended 31 March 2010 £000
1,254	General Fund	1,673
<b>1,254</b>	<b>Total Net Assets Employed</b>	<b>1,673</b>

## 8. Capital Expenditure and Sources of Finance

Year Ended 31 March 2009 [Restated] £000		Year Ended 31 March 2010 £000
	<b>Capital Expenditure</b>	
18	Revenue expenditure funded from capital under statute	3
0	Vehicles, plant, furniture and equipment	0
<b>18</b>	<b>Total Expenditure</b>	<b>3</b>
	<b>Sources of Finance</b>	
18	Masterplan Reserve	3
0	Cremator Reline Fund	0
<b>18</b>	<b>Total Financing</b>	<b>3</b>

## 9. Debtors

Year Ended 31 March 2009 [Restated] £000		Year Ended 31 March 2010 £000
25	Trade debtors	42
0	Durham County Council Account	214
0	Less provision for bad debts	(1)
<b>25</b>	<b>Total Debtors</b>	<b>255</b>

## 10. Creditors

Year Ended 31 March 2009 [Restated] £000		Year Ended 31 March 2010 £000
74	Sundry Creditors	73
210	Durham County Council Account	0
<b>284</b>	<b>Total Creditors</b>	<b>73</b>

During 2008/2009, Creditor provision was made for £210,000 to Durham County Council in relation to the reimbursement of invoices paid by the Former City of Durham Council on behalf of the Joint Committee (as per note 8 above)

During 2009/10 a duplicate payment was made in respect of the £210,000, therefore provision has been made for the repayment from the Joint Committee within the 2009/2010 accounts ( as per note 7 above)

## 11. Reserves

The Joint Committee keeps a number of reserves in the Balance Sheet. Some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

	Opening Balance	Gains or losses	Transfers	Closing Balance	Further details of movement
	£000	£000	£000	£000	
Capital Adjustment Account	369	0	(19)	350	below
Constituent Authorities General Reserve	424	0	0	424	Note 12
Revaluation Reserve	0	192	(6)	186	below
Constituent Authorities Earmarked Reserves	461	0	252	713	below
<b>Total</b>	<b>1,254</b>	<b>192</b>	<b>227</b>	<b>1,673</b>	

### *Movement on the Capital Adjustment Account*

The balance on the Capital Adjustment Account represents timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

	£000
<b>Balance at 1 April 2009</b>	<b>369</b>
Financing from Masterplan reserve	3
Depreciation	(19)
Revenue Expenditure funded from Capital under Statute	(3)
<b>Balance at 31 March 2010</b>	<b>350</b>

### *Movement on the Revaluation Reserve*

The Revaluation Reserve contains revaluation timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

	£000
<b>Balance at 1 April 2009</b>	<b>0</b>
Revaluation Gains	192
Adjustment re Historic Cost and Current Cost Depreciation	(6)
<b>Balance at 31 March 2010</b>	<b>186</b>

## 12. General Fund - Constituent Authorities Accounts

Year Ended 31 March 2009 [Restated]				Year Ended 31 March 2010		
Durham County Council £000	Spennymoor Town Council £000	Total £000		Durham County Council £000	Spennymoor Town Council £000	Total £000
332	83	415	<b>Balance Brought Forward</b>	339	85	424
407	102	509	Add: Share of Trading Surplus	245	61	306
0	0	0	Add: Transfers from Reserves	0	0	0
739	185	924		584	146	730
400	100	500	Less Payments	245	61	306
<b>339</b>	<b>85</b>	<b>424</b>	<b>Balance Carried Forward</b>	<b>339</b>	<b>85</b>	<b>424</b>

### 13. Contingent Assets

There are no contingent assets identified in respect of the financial year 2009/2010

### 14. Contingent Liabilities

There are no contingent liabilities identified in respect of the financial year 2009/2010

### 15. Accounts Authorised for Issue

The 2009/10 Statement of Accounts were authorised for issue on 30 June 2010 by the Members of the Central Durham Crematorium Joint Committee.

### 16. Retirement Benefits

The employees of the Joint Committee are participants in the Durham County Pension fund, a defined benefit scheme which is also a multi-employer scheme. The fund actuaries, Hewitt Associates Ltd have indicated that it is not possible to identify on a consistent basis the assets and liabilities relating to those smaller bodies within the Fund. The Committee is classified within the fund as a small body. In this circumstance FRS 17 requires that the disclosure in the financial statements is made as that for a defined contribution scheme basis.

The contributions to the Fund for the year ended 31<sup>st</sup> March, 2010 were:-

	£000
Employees	9
Employers	31
Employers in respect of added years	4
<b>Total</b>	<b>44</b>

There were no outstanding or prepaid contributions at 31 March, 2010

Accounting standard, Financial Reporting Standard 17: "Retirement Benefits" has been introduced for schemes such as the Durham County Council Pension Fund, paragraph 9(b) of FRS 17 requires the Joint Committee to account for pension costs on the basis of contributions actually payable to the scheme during the year.

The Joint Committee is classified within the fund as a small body and as such does not have individually assessed employer contribution rates. In this circumstance, the Joint Committee has to disclose the deficit on the pension scheme as a whole, and the impact of this deficit.

As stated in the Durham County Council Pension Fund Valuation Report dated 31st March, 2007 the deficit relative to the funding target is £382.1 million and the impact on the Councils' employer contributions is as follows 2008/2009 19.% 2009/2010 19.4% and 2010/2011 19.7%.

## 17. Financial Instruments – Assets and Liabilities

### *Borrowing*

Under its constitution deed the Crematorium Joint Committee is not permitted to borrow money from any source other than Durham County Council. During 2009/10 no loans were taken with Durham County Council.

### *Investments*

	31 March 2010	31 March 2010	31 March 2009	31 March 2009
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Investments</b>	<b>854</b>	<b>854</b>	<b>363</b>	<b>363</b>

The investments shown in the balance sheet represent surplus cash balances loaned to Durham County Council, which are repayable on demand, plus accrued interest. Due to the short term nature of the loan, interest due is calculated at the average current account rate. As this investment is pooled within Durham County Council's investment portfolio a higher rate is achievable than that available in the market. The interest income on Loans and Receivables included above is £3,584 (£13,434: 2008/2009).

There is no difference between the carrying value of this deposit and its fair value.

## 18. Nature and Extent of Risks arising from Financial Instruments

Whilst the Joint Committee's use of financial instruments is very limited, its activities may expose it to the following possible financial risks. However such exposure to risk is considered not material.

- *Credit Risk* - the possibility that other parties might fail to pay amounts due to the Joint Committee
- *Market Risk* – the possibility that Financial loss might arise as a result of changes in interest rates and stock market movements

Risk Management is carried out by Durham County Council's Treasury Management Team, under the policies approved the Council in the Annual Treasury Management Strategy.

### *Credit Risk*

Credit Risk arises from deposits with banks and financial institutions, as well as credit exposures to the Joint Committee's customers. The Joint Committee has all deposits with Durham County Council. The Joint Committee does not expect any losses from non – performance by its counter party Durham County Council in relation to such deposits.

The following analysis summarises the Joint Committees potential maximum exposure to credit risk, based on experience of default and uncollectability, adjusted to reflect current market conditions where appropriate

	31 March 2010	Historical Experience of default	Historical experience adjusted for Market conditions 31 March 2010	Estimated Maximum exposure to default and uncollectability
	£ 000 A	% B	% C	£000 (A*C)
Local Authority	854	0	0	0
Customers	42	0	0	0

The historical experience for default of customers has been derived from actual losses occurring from 31 March 2006 to 31 March 2010.

Although debts are due immediately, the Joint Committee generally allows customers up to 30 days for payment. There is no amount outstanding past its due date for payment.

### *Market Risk*

#### Interest Rate Risk

The Joint Committee is exposed to limited risk in terms of its exposure to interest rate movements on its investments. A rise in interest rates would have the following effect:

- Investments at variable rates – the income credited to the Income and Expenditure Account will rise.
- If interest had been 1% higher and all other variables held constant, the financial on the Income and Expenditure would be an additional £5,993. The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

At the balance sheet date the Joint Committee has total liabilities of £73k and total assets of £1,211k. The total liabilities represent Sundry Creditors (2007/08: £284k) of short-term trade payables whose carrying amount is not considered to differ from their fair value.

**19. Post Balance Sheet Events**

There were no events arising after the Balance Sheet date and up to the approval date that materially affected the amounts included or the fair presentation of the financial statements.

**20. Notes Relating to the Cash Flow Statement**

*Reconciliation of Net Surplus/ Deficit on the Income and Expenditure Account to the Revenue Activities Net Cash Flow in the Cash Flow Statement:*

Year Ended 31 March 2009 [Restated]		Year Ended 31 March 2010
(182)	<b>Surplus/(Deficit) from Income and Expenditure Statement</b>	(227)
	<b>Non-cash transactions:</b>	
305	Depreciation and impairment of Fixed Assets	(25)
	<b>Debtors and Creditors</b>	
173	Net movement in revenue debtors and creditors	442
	Stock and provisions	0
	<b>Items classified in another category in cash flow statement</b>	
(10)	Interest received	4
<b>286</b>	<b>Net Cash flow from Revenue Activities</b>	<b>194</b>

*Movement in Cash reconciled to the Movement in Net Debt:*

	2009/10 £000
<b>Increase (-)/ Decrease in cash during the year</b>	680
Cash inflow (-)/ outflow from short term investments	(490)
Cash inflow (-)/ outflow from long term investments	0
<b>Change in net debt</b>	190
Net funds at 1 April 2009	1,144
<b>Net Funds at 31 March 2010</b>	<b>954</b>

*Movement in Cash and Cash Equivalents:*

Year Ended 31 March 2009 [Restated]		2009/10	
		Balance 31.3.10 £000s	Movement in Year £000
781	Cash and Bank Balances	101	680
<b>781</b>	<b>Net Movement</b>	<b>101</b>	<b>680</b>



*Reconciliation of Management of Liquid Resources and Financing items:*

Balance 1.4.09 £000s		2009/10	
		Balance 31.3.10 £000s	Movement in Year £000
350	Short Term Investments	850	500
13	Interest	4	(9)
<b>363</b>	<b>Net Movement</b>	<b>854</b>	<b>490</b>

# Annual Governance Statement

## 1. Scope of Responsibility

The Central Durham Crematorium Joint Committee is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. It also has a responsibility 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. This Committee was jointly established by the City of Durham Council and Spennymoor Town Council. Following Local Government Reorganisation, as successor to the City of Durham Council, Durham County Council acts as the lead authority.

In discharging this overall responsibility, the Central Durham Crematorium Joint Committee is also responsible for putting in place proper arrangements for the governance of its affairs and for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

The Central Durham Crematorium Joint Committee has adopted and operates under the Code of Corporate Governance (the Local Code), policies and strategies including Contract Procedure rules, Financial procedure rules, financial regulations, developed, agreed and adopted by the Durham County Council, its lead authority.

This statement explains how the Central Durham Crematorium Joint Committee has complied with the code and also meets the requirements of Regulation 4(2) of the Accounts and Audit regulations 2003 as amended by the Accounts and Audit (Amendment) (England) regulations 2006 including circular 03/2006 which replaces the publication of a statement of internal control with an annual governance statement.

## 2. The Purpose of the Governance Framework

The Governance framework comprises the systems, processes, culture and values by which the Central Durham Crematorium Joint Committee directs and controls its activities through which it accounts to, engages with and leads the community. It enables the Committee to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and 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. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Central Durham Crematorium Joint Committee's aims and objectives, its policies and procedures, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Central Durham Crematorium Joint Committee for the year ended 31<sup>st</sup> March 2010 and up to the date of approval of the annual report and statement of accounts.

### 3. The Governance Framework

The governance framework supports the Central Durham Joint Crematorium in establishing, implementing and monitoring policies and objectives. The system of internal control refers to the system by which the Central Durham Crematorium Joint Committee directs and controls its operational functions and relates this to the community it serves. It is therefore the totality of the strategies and objectives of the joint committee and the management systems, procedures, and structures it has adopted, that together determine and control the way in which the Central Durham Joint Crematorium manages its business, and sets about delivering its services to meet those objectives.

The system of internal control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers appointed by the joint committee to facilitate its effective and efficient operation by enabling it to respond appropriately to significant business, operational, financial, compliance and other risks to achieve its objectives. The Central Durham Joint Crematorium's system of internal control reflects its control environment which encompasses its organisational structure.

In particular, the system includes control activities, information and communication processes and processes instigated by the Joint Committee and its lead authority for monitoring the continuing effectiveness of the system of internal control.

The key elements of the systems and processes that comprise the Joint Committee's governance arrangements include:

**Defining and documenting the roles and responsibilities of the Central Durham Crematorium Joint Committee member and officer functions, with clear delegation arrangements and protocols for effective communication**

The Joint Committee ensures that the necessary roles and responsibilities for the Governance of the crematorium are identified and allocated so that it is clear who is accountable for decisions that are made. The Joint Committee does this by:

- ◆ Electing a Chair, Vice Chair with defined executive responsibilities.
- ◆ The Central Durham Crematorium Joint Committee's Constitution which clearly describes the roles of the Chair and Vice Chair.
- ◆ Adopting Durham County Councils constitution, undertaking regular reviews of the operation of both the Joint Committee and Council Constitutions.
- ◆ Ensuring that all policy and decision making is facilitated through the Central Durham Crematorium Committee with all party membership being drawn from the constituent authorities.
- ◆ Making Durham County Council's nominated Senior Officer responsible for the proper administration of its financial affairs (Treasurer)
- ◆ Developing protocols that ensure effective communications between Members and Officers.
- ◆ Regularly reviewing the Corporate Governance arrangements in place.

**Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and officers**

The Joint Committee fosters a culture of behaviour based on shared values, high ethical principles and good conduct. The Joint Committee does this by:

- ◆ Adopting the Human Resource policies, plans and procedures of the lead authority, Durham County Council.
- ◆ Establishing and keeping under review, systems for reporting and dealing with any incidents of fraud and corruption.
- ◆ The Crematorium's values on leadership as set out in the business plan.
- ◆ Appropriate and timely advice, guidance and training for both Members and Officers.

**Reviewing and updating financial instructions and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required in managing risks.**

The Council and Joint Committee Constitutions set out how they operate, how decisions are made and the procedures which are followed to ensure that these are effective, transparent and accountable to service users

A risk management approach is in operation that aids the achievement of strategic objectives, supports decision making processes, protects the reputation and other assets of the Crematorium and is compliant with statutory and regulatory obligations. The Joint Committee ensures that the risk management approach:

- ◆ Is conducted in accordance with the risk management policy and strategy of Durham County Council. The Crematorium Superintendent is advised by the corporate risk management working group where strategic and operational risks are considered.
- ◆ Involves regular reports by internal audit, to standards defined in the CIPFA code of practice, and in accordance with the Accounts and Audit Regulations 2003. These include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the system of internal control, at the crematorium, together with recommendations for improvement
- ◆ Involves independent annual audits carried out by the Audit Commission with the recommended outcome of these reviews actioned and undertaken.
- ◆ Ensures financial management is undertaken by the Neighbourhood Services Head of Finance, HR and Business Support under the scheme of delegated responsibilities by the Treasurer of the Joint Committee in accordance with the standing orders, contract procedure and procurement rules, financial regulations and financial procedure rules of Durham County Council.
- ◆ Ensures comprehensive monthly budgetary control systems including the preparation of regular financial reports which indicate actual expenditure against budget and forecast year end positions are undertaken and reported quarterly to the Joint Committee.
- ◆ Ensures SMART targets are set to measure financial and other performance
- ◆ Ensures clearly defined capital expenditure guidelines are adhered to

#### 4. Review of Effectiveness

Central Durham Crematorium Joint Committee has responsibility for conducting, at least annually, a review of the effectiveness of its 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 executive managers within the authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

The Crematorium Joint Committee has established the following processes to achieve this aim:

- ◆ Formalised arrangements with Durham County Council for the provision of internal audit through the development of a formal service level agreement.
- ◆ Strengthened existing internal audit arrangements through an agreed annual plan of work covering all key financial systems for the year and the production of an annual report to inform the annual governance statement
- ◆ Risk based assessments of key financial systems (as agreed in the annual plan of work) carried out in the final quarter of the financial year to ensure maximum coverage of the Crematorium's financial transactions and provide an informed opinion on the robustness, adequacy and effectiveness of the system of internal control, at the crematorium, together with recommendations for improvement
- ◆ The production of a Risk Register with regular reviews undertaken by the Crematorium Superintendent Registrar and action plan reports produced and approved where necessary.
- ◆ Strengthened year end procedures for producing financial statements with the production of a full closedown timetable including risk assessment and control and ensuring those involved in the closedown process are fully aware of the SORP requirements for 2009/2010
- ◆ Annual reviews of corporate governance arrangements and the annual review undertaken by the lead authority, Durham County Council, of its corporate governance arrangements, together with the arrangements that the lead authority, Durham County Council has in place to detect and deter fraud and corruption.
- ◆ Performance monitoring undertaken through the use of comparative statistics with other crematoria.
- ◆ The Internal audit section is subject to review by the Council's external auditors who report annually to the Council. The external auditors seek to place reliance on the work carried out by the Internal Audit Section.
- ◆ The Internal audit section is also subject to an annual review of its activities and performance by key senior officers of the Council in order to meet the requirements of the Accounts and Audit Regulations 2003 (amended). A formal report on the performance of the Internal Audit section is considered by the County Council's Audit Committee in this respect and this provides assurance to the Joint Committee that the Internal Audit Section is reputable and follows the required standards.
- ◆ Internal Audit Reports presented to, and reviewed by the Joint Committee
- ◆ Attendance at Regional and National Seminars in a `speaker` capacity by the Superintendent Registrar and provision of advice and mentoring to Durham university PHD students

- ◆ Commissioning of an options appraisal for procurement of replacement cremators and mercury abatement equipment to ensure the installation of such equipment by the regulatory deadline

In summary the governance framework and the system of internal control in place at the Central Durham Crematorium for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts and except for the details of internal control issues at section 5 accords with proper practice.

## 5. Significant Governance Issues

The Joint Committee is fully committed to the principles of corporate governance, and has made further progress in recent months in developing its arrangements. Following the production of the External Auditors Annual Governance Report for 2008/09 an action plan of the recommendations was produced and undertaken.

In addition to the issues contained within the action plan, Internal Audit sought assurance, via its annual plan of work and review of key systems.

The internal audit inspection resulted in a moderate assurance provision. The following governance and internal control issues have been identified:

### *Recording of Transactions*

All transactions including income should be recorded within a single general ledger to reduce the risk of error caused by manual processes. An action plan has been produced and discussions made around the system setup within the Oracle FMS and bank account arrangements. Further work will continue to ensure the recording of all transactions within Oracle

### *Stock Control*

Stock records should be held and maintained for all stocks held in emergency stores to ensure all purchases/ sales are properly accounted for. Records for emergency stocks are being compiled by the Superintendent Registrar, further work will continue to ensure that full records are established and maintained in 2010/11.

### *Treasury Management Arrangements*

Arrangements with Durham County Council regarding Treasury Management should be formally documented including the terms of agreement for all funds held on behalf of the Joint Committee. Meetings have taken place and the updated Treasury Management Strategy has been requested along with regular update reports which will be presented to the Joint Committee on a quarterly basis

**Declaration of Those Charged with Governance**

We have been advised on the implications of the result of the review of the effectiveness of the governance framework and the system of internal control by the Crematorium Joint Committee and are satisfied that plans to address weaknesses and ensure continuous improvement of the system is in place

<b>Signed</b>	<b>Date</b>
<b>Councillor Maria Plews</b> <b>Chair to the Joint Committee</b>	

<b>Signed</b>	<b>Date</b>
<b>S.D. Crowe, CPFA</b> <b>Corporate Director of Resources and</b> <b>Treasurer to the Joint Committee</b>	

## **Auditors Report**

To follow upon completion of the Audit



## Glossary of Terms

### Accounting Policies

The specific accounting bases selected and consistently followed by an organisation as being, in the opinion of management, appropriate to its circumstances and best suited to present fairly its results and financial position.

### Audit Commission

A statutory body which oversees the conduct of local authority statutory audits.

### Balance Sheet

A balance sheet is an accounting statement that shows the financial position (that is assets, liabilities and funds) of an organisation at a particular date (the balance sheet date).

### Capital Expenditure

Expenditure on the acquisition of fixed assets, or expenditure that adds to the value of fixed assets or increases the useful life of the asset.

### Capital Adjustment Account

The Capital Adjustment Account provides a balancing mechanism between the different rates at which assets are depreciated and financed through the capital controls system.

### Cashflow Statement

This financial statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

### CIPFA

The Chartered Institute of Public Finance and Accountancy.

### Income and Expenditure Account

This statement reports the net cost for the year of the function for which the Joint Committee is responsible, and demonstrates how that cost has been financed through fees and charges.

### Creditors

Amounts owed by the Joint Committee for work done, goods received or services rendered to the Council during the accounting period, but for which payment has not been made as at the balance sheet date.

### Current Asset

An asset which is expected to be disposed of, utilised or realised within twelve months of the balance sheet date.

### Current Liability

A liability which is expected to be met, within twelve months of the balance sheet date.

### Debtors

Amounts due to the Joint Committee that relate to the accounting period, and have not been received by the balance sheet date.

### Depreciation

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset whether arising from use, effluxion of time or obsolescence through technological or market changes.

### Earmarked Reserves

These reserves represent the monies set aside that can only be used for a specific usage or purpose.

### Fixed Assets

Tangible assets that yield benefits to the authority and the services it provides for a period of more than one year.

### Revenue Expenditure

General revenue expenditure incurred in the running of the crematorium service, mainly on pay and other costs.

### Revenue Reserves (or Balances)

This is the Joint Committees accumulated surplus income (in excess of expenditure) which can be used to finance future spending.

## Certification by the Chair

I certify that the Statement of Accounts presents fairly the financial position of the Central Durham Crematorium Joint Committee as at 31 March 2010 and its income and expenditure for the year ended 31 March 2010.

<b>Signed</b>	<b>Date</b>
<b>Councillor Maria Plews</b> <b>Chair to the Joint Committee</b>	

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**Central Durham Crematorium  
Joint Committee**

**30 June 2010**

**Update Report**




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**Report of Alan José, Superintendent and Registrar to the Joint Committee**

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**1. Purpose of the Report**

To give Members of the Central Durham Crematorium Joint Committee the usual information contained within the Quarterly Update.

**2. 50 Year Anniversary**

Arrangements for the Anniversary Celebrations are progressing smoothly with the Marquee and Chairs arranged with a local company that satisfies Health & Safety requirements, together with a Portable Luxury Toilet Trailer.

The Clerk to the Central Durham Crematorium Joint Committee has liaised with regard to invitations and these will be despatched shortly. The Chairman of the County Council, Councillor Mac Williams has confirmed that he will be attending the Dinner on Friday 6 August 2010, and one of the Memorial Services.

The Archdeacon of Durham, Reverend Robert Jagger, has advised on the selection of Church of England Clergy and representatives of the Methodist and Roman Catholic Churches together with a Humanist celebrant have been approached. It is expected that the line up of Clergy will be confirmed very soon.

The Commemorative Booklet is at an advanced stage and a final proof will be ready in the next week.

**3. Memorial Plaques – Garden of Remembrance**

In liaison with the Durham County Council Procurement Team, the specification for supply and fixing of United Kingdom sourced Memorial Plaques has been agreed and the appropriate advertisements placed.

The closing date for receipt of samples and quotation is Wednesday 30 June 2010.

The successful company will supply all Memorial Plaques and Vase Block Tablets with effect from 1 August 2010, for an initial period of 12 months with the opportunity for this to be extended to 24 months.

#### **4. Metal Implants Recycling Scheme**

The metal recycling scheme has been successfully in operation for almost 3 months. On 15 June 2010, the first visit was made by OrthoMetals and 121kg of material was weighed and collected for recycling.

#### **5. Recommendation**

That the Report be noted.

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**Contact: Alan José**

**Tel: 0191 384 8677**

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## **Appendix 1: Implications**

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### **Finance**

As outlined in the Report

### **Staffing**

None

### **Equality and diversity**

None

### **Accommodation**

None

### **Crime and disorder**

None

### **Environment**

None

### **Human rights**

None

### **Localities and rurality**

None

### **Young people**

None

### **Consultation**

None

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**Central Durham Crematorium  
Joint Committee**

**30 June 2010**

**2010/11 Revenue Budget –  
Amendment**



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**Joint Report of Terry Collins – Corporate Director: Neighbourhood  
Services; Stuart Crowe – Treasurer to the Joint Committee**

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**Purpose of the Report**

1. The purpose of this report is to set out for Members' amendment proposals with regards to the 2010/11 revenue budget for the Central Durham Crematorium.

**Background Information**

2. The 2010/11 budget was developed in January 2010 with the Superintendent & Registrar, taking into account proposed Fees and Charges, the 2009/10 estimated outturn position and known expenditure pressures in the coming year, together with the requirements set out in the financial business case for the cremator replacement, considered by members in November 2009. The budget was approved by Members at the 27 January 2010 meeting.

**Budget Proposals 2010/11**

3. The 2010/2011 budget was developed in line with previous years' practice which netted off elements of expenditure against the income received. This practice was undertaken on the following elements of income :
  - Medical Referees
  - Book of Remembrance
  - Masterplan
4. In line with the 2009/2010 Statement of Accounts and as per Code of Practice on Local Authority Accounting in Great Britain' as updated and published by the Chartered Institute of Public Finance and Accountancy (CIPFA), it is proposed to amend the both the income and expenditure budgets in respect of the above mentioned elements. This will be achieved by the 'grossing up' the Supplies and services and Income budgets by £65,200.

5. As a result, within the Supplies and Services and Income elements of the budget, the following changes will apply:

#### Supplies and Services

	£
<b>Original Supplies and Services Budget</b>	<b>67,790</b>
Items previously offset with Income	
Medical Referee Fees	38,300
Book of Remembrance	10,640
Masterplan	16,260
<b>Revised Supplies and Service budget</b>	<b>132,990</b>

:

#### Income

	£
<b>Original Income Budget</b>	<b>(1,029,330)</b>
Items previously offset with Supplies and Services	
Medical Referee Fees	(38,300)
Book of Remembrance	(10,640)
Masterplan	(16,260)
<b>Revised Income budget</b>	<b>(1,094,530)</b>

6. The proposed amendments will have no effect on the previously budgeted distributable surplus and earmarked reserves. The full amended budget is attached at Appendix 2

#### Recommendations and reasons

7. It is recommended that:

- Members of the Joint Committee note and approve the amended budget proposals contained within the report (as set out at Appendix 2).

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**Contact:** Paul Darby, Head of Finance, HR & Business Support  
**Tel:** 0191 383 6594

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## **Appendix 1: Implications**

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### **Finance**

A detailed schedule of the proposed budget for the Central Durham Crematorium is included at Appendix 2, with an explanation of proposed changes set out in the body of the report.

### **Staffing**

There are no staffing implications associated with this report.

### **Equality and Diversity**

The proposals set out in this report in terms of fees and charges policy are based on harmonisation with the Mountsett Crematorium and provide equity of treatment / access across County Durham.

### **Accommodation**

There are no Accommodation implications associated with this report.

### **Crime and Disorder**

There are no Crime and Disorder implications associated with this report.

### **Sustainability**

The proposals set out in the report are in line with the financial business case developed for the planned cremator replacement, providing sufficient funding to sustain both the operating costs and asset management investment needs of the Central Durham Crematorium.

### **Human Rights**

There are no Human Rights implications associated with this report.

### **Localities and Rurality**

There are no Localities and Rurality implications associated with this report.

### **Young People**

There are no Young People implications associated with this report.

### **Consultation**

Officers of Spennymoor Town Council were consulted on the contents of this report.

### **Health**

There are no Health implications associated with this report.

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**Appendix 2**

**Central Durham Crematorium Joint Committee**

<b>2009/2010</b>	<b>2009/2010</b>		<b>2010/2011</b>
<b>Base Budget</b>	<b>Final Outturn</b>		<b>Revised</b>
<b>Budget</b>			<b>Budget</b>
<b>£</b>		<b>EXPENDITURE</b>	<b>£</b>
242,000	216,768	Employees	220,000
177,683	136,068	Premises	189,700
1,500	2,726	Transport	1,500
52,584	92,341	Supplies and Services	132,990
33,733	39,370	Agency & Contracted	50,230
0	0	Transfer Payments	0
0	0	Capital Charges	0
32,000	32,000	Central Support Costs	32,000
<b>539,500</b>	<b>519,273</b>	<b>Gross Expenditure</b>	<b>626,420</b>
<b>-995,750</b>	<b>-1,080,376</b>	<b>INCOME</b>	<b>-1,094,530</b>
<b>-456,250</b>	<b>-561,103</b>	<b>Net Income</b>	<b>-468,110</b>
		<b>Transfer to Reserves</b>	
5,000	5,000	- Masterplan Memorial Garden	5,000
130,000	234,853	- Major Capital Works	141,860
5,000	5,000	- Small Plant	5,000
10,000	10,000	- Central Heating Renewal Fund	10,000
<b>-306,250</b>	<b>-306,250</b>	<b>Distributable Surplus</b>	<b>-306,250</b>
<b>245,000</b>	<b>245,000</b>	<b>80% Durham County</b>	<b>245,000</b>
<b>61,250</b>	<b>61,250</b>	<b>20% Spennymoor Town Council</b>	<b>61,250</b>

<b>Balance @</b>	<b>Transfer to /</b>		<b>Earmarked</b>
<b>01 Apr 09</b>	<b>from</b>	<b>Earmarked Reserves</b>	<b>Reserves Budget</b>
	<b>reserves</b>		<b>10/11</b>
	<b>2009/2010</b>		<b>£</b>
-13,875	-16,250	Masterplan Memorial Garden	-23,875
-421,111	-655,964	Major Capital Works	-724,653
-13,002	-18,001	Small Plant	-23,002
-13,000	-23,001	Central Heating Renewal Fund	-33,000
<b>-460,988</b>	<b>-713,216</b>	<b>TOTAL</b>	<b>-804,530</b>

-424,060	General Reserve	-424,060
<b>-1,137,276</b>	<b>Total Earmarked Reserves</b>	<b>-1,228,590</b>

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**Central Durham Crematorium  
Joint Committee**

**30 June 2010**



**Financial Monitoring Report –  
Position at 31/05/10, with Projected  
Outturn at 31/03/11**

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**Joint Report of Terry Collins – Corporate Director: Neighbourhood  
Services; Stuart Crowe – Corporate Director: Resources and Treasurer  
to the Joint Committee**

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**Purpose of the Report**

1. The purpose of this report is to set out details of income and expenditure in the period 1 April 2010 to 31 May 2010, representing the provisional outturn position for 2010/11, and highlighting areas of over / underspend against the revenue budgets at a service expenditure analysis level.
2. The report also sets out details of the funds and reserves of the Joint Committee at 1 April 2010 and initial outturn position at 31 March 2011, taking into account the provisional financial outturn.

**Background**

3. Scrutinising the financial performance of the Central Durham Crematorium is a key role of the Joint Committee. Regular (quarterly) budgetary control reports are prepared by the Treasurer and aim to present, in a user friendly format, the financial performance in the year to date together with a forward projection to the year end. Routine reporting and consideration of financial performance is a key component of the Governance Arrangements of the Central Durham Crematorium.

**Financial Performance**

4. Budgetary control reports, incorporating outturn projections, are considered by Neighbourhood Services' Management Team on a monthly basis. The County Council's Corporate Management Team also considers monthly budgetary control reports, with quarterly reports being considered by Cabinet / Overview and Scrutiny Committee. The outturn projections for the Central Durham Crematorium are included within this report.
5. The figures contained within this report have been extracted from the General Ledger, and are provisional at this stage, given that the finance team are mid closure in terms of the production of the Statement of Accounts. The figures have been scrutinised and supplemented with information supplied by the Superintendent Registrar. The following table highlights the provisional outturn financial performance of the Central Durham Crematorium:

<b>Subjective Analysis</b>	<b>Base Budget 2009/10 £</b>	<b>Year to Date Actual – April – May £</b>	<b>Probable Outturn 2010/2011 £</b>	<b>Variance Over/ (Under) £</b>
Employees	220,000	36,667	217,800	(2,200)
Premises	189,700	31,617	189,700	0
Transport	1,500	250	1,500	0
Supplies & Services	132,990	22,165	132,990	0
Agency & Contracted	50,230	8,372	50,230	0
Transfer Payments	0	0	0	0
Capital Charges	0	0	0	0
Central Support Costs	32,000	0	0	0
<b>Gross Expenditure</b>	<b>626,420</b>	<b>104,403</b>	<b>624,220</b>	<b>(2,200)</b>
<b>Income</b>	<b>(1,094,530)</b>	<b>(182,422)</b>	<b>(1094,530)</b>	<b>0</b>
<b>Net Income</b>	<b>(468,110)</b>	<b>(78,018)</b>	<b>(470,310)</b>	<b>(2,200)</b>
<b>Transfer to Reserves</b>				
- Masterplan Memorial Garden	5,000	0	5,000	0
- Major Capital Works	141,860	0	144,060	2,200
- Small Plant	5,000	0	5,000	0
- Central Heating Renewal Fund	10,000	0	10,000	0
<b>Distributable Surplus</b>	<b>(306,250)</b>	<b>0</b>	<b>(306,250)</b>	<b>0</b>
<b>80% Durham County Council</b>	<b>245,000</b>	<b>0</b>	<b>245,000</b>	<b>0</b>
<b>20% Spennymoor Town Council</b>	<b>61,250</b>	<b>0</b>	<b>61,250</b>	<b>0</b>
<b>Central Durham Crematorium Earmarked Reserves</b>	<b>Balance @ 1 April 2010 £</b>	<b>Transfers to Reserve £</b>	<b>Transfers From Reserve £</b>	<b>Balance @ 31 March 2011 £</b>
General Reserve	(424,060)	(306,250)	306,250	(424,060)
Masterplan Memorial Garden	(16,250)	(5,000)	0	(21,250)
Major Capital Works	(655,964)	(144,060)	0	(800,024)
Small Plant	(18,001)	(5,000)	0	(23,001)
Central Heating Renewal Fund	(23,001)	(10,000)	0	(33,001)
<b>Total</b>	<b>(1,137,276)</b>	<b>(470,310)</b>	<b>306,250</b>	<b>(1,301,336)</b>



## Explanation of Significant Variances between Original Budget and Forecast Outturn

9. The probable outturn reported for the period 1 April 2010 to 31 May 2010 gives a very prudent approach to the anticipated position with regards to expenditure and income.

### 9.1 *Employees*

The probable outturn is projecting a £2,200 saving based on current staffing levels. The base budget assumed a 1.0 % pay award, however, it is anticipated that this will not materialise.

### 9.2 *Premises*

No variance to budget.

### 9.3 *Supplies and Services*

No variance to budget.

### 9.4 *Agency and Contracted*

No Variance to budget.

### 9.5 *Income*

No variance to budget.

### 9.6 *Earmarked Reserves*

Contributions from the revenue surplus towards earmarked reserves are forecast as £2,200 additional to budget. This is due to the saving on Employees.

The retained reserves of the CDCJC at 31 March 2011 are forecast to be £877,276 along with a General Reserve of £424,060.

## Recommendations and reasons

10 It is recommended that:-

- Members note the April to May 2010 Revenue spend financial monitoring report and associated provisional outturn position 2010/11.

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**Contact:** Paul Darby, Head of Finance, HR & Business Support  
**Tel:** 0191 383 6594

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## **Appendix 1: Implications**

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### **Finance**

Full details of the year to date and projected outturn financial performance of the Durham Crematorium are included within the body of the report.

### **Staffing**

There are no staffing implications associated with this report.

### **Equality and Diversity**

There are no Equality and Diversity implications associated with this report.

### **Accommodation**

There are no Accommodation implications associated with this report.

### **Crime and Disorder**

There are no Crime and Disorder implications associated with this report.

### **Sustainability**

There are no Sustainability implications associated with this report.

### **Human Rights**

There are no Human Rights implications associated with this report.

### **Localities and Rurality**

There are no Localities and Rurality implications associated with this report.

### **Young People**

There are no Young People implications associated with this report.

### **Consultation**

Officers of Spennymoor Town Council were consulted on the contents of this report.

### **Health**

There are no Health implications associated with this report.