



# Statement of Accounts 2011/12

Mountsett Crematorium Joint Committee



# Explanatory Foreword

The purpose of this foreword is to provide a guide to the Statement of Accounts for Mountsett Crematorium Joint Committee for the financial year 2011/12 and assist in the interpretation of the accounting statements.

The Statement of Accounts comprises:

## 1. Report of the Treasurer

This outlines the main financial results for the year ended 31<sup>st</sup> March 2012. It summarises the income and expenditure incurred by the Joint Committee and highlights any change against the original budget that occurred during the year and the reasons for this.

## 2. Statement of Accounting Policies

This explains 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 an authority'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 which have been used in applying those policies are explained.

The accounting policies that were followed in preparing these accounts are explained on pages 7-8

## 3. Crematorium Core Financial Statements

### Income and Expenditure Account

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

The Crematorium's Income and Expenditure Account is shown on page 9.

### Statement of Movement on the Constituent Authorities Account 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 Constituent Authorities Account in determining the movement on the constituent Authorities Account Balance for the year.

The Statement of Movement on the Constituent Authorities Account Balance is shown on page 10.

## Balance Sheet

The Balance Sheet is fundamental to the understanding of the Joint Committee's financial position at the year-end. It shows the balances and reserves of the Joint Committee and the fixed (where applicable) and net current assets employed in the operation, together with summarised information on the fixed assets held and disposed of in the year of the Mountsett Crematorium,

The Balance Sheet is shown on page 11.

## Cash Flow Statement

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

The Cash Flow Statement is shown on page 12.

## Notes to the Core Financial Statements

The notes to the core financial statements are required to be shown together, after the core financial statements. They are shown on pages 13 -18.

## 4. Annual Governance Statement

The preparation and publication of an Annual Governance Statement in accordance with the CIPFA/ SOLACE Framework is necessary to meet the statutory requirement set out in the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (amendment) (England) regulations 2011 in 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'

In addition, The Delivering Good Governance in Local Government framework urges relevant bodies to prepare a governance statement in order to report publicly on the extent to which they comply with their own code of governance on an annual basis including how they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The process of preparing the governance statement should itself add value to the corporate governance and internal control framework of an organisation.

## Report of the Treasurer

The Mountsett Crematorium Joint Committee aims:

- To provide a sensitive, respectful and valued service fitting for the bereaved and their families.
- To ensure sympathetic, supportive and confidential advice is given to the recently bereaved on funeral service arrangements and give assistance in co-ordinating the funeral process if required.
- To provide consistent high quality standards of maintenance in Mountsett Crematorium, working to maximise value for money.
- To fully comply with all environmental and regulatory standards and requirements
- To ensure the proper respect of Mountsett Crematorium with fair Rules and Regulations, fully explained to all visitors.

### Overview of Financial Performance in 2011/2012

Each year the Joint Committee approves a budget and schedule of Fees and Charges for the forthcoming year. This report outlines the main financial results for the year ended 31<sup>st</sup> March, 2012. 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 2011/12 Budget anticipated that the Joint Committee would achieve a surplus of £244,890. This was based on a forecast contribution to reserves of £80,000 and a distribution of surplus of £164,890 to the constituent partner authorities.

The table below summarises the budget and actual income and expenditure for 2011/12. Variations are shown alongside.	<b>Budget 2011/2012</b>	<b>Actual 2011/2012</b>	<b>Variance 2011/2012</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Gross Expenditure on Services	316,650	305,433	(11,217)
Income	(561,540)	(622,652)	(61,112)
<b>(Surplus) / Deficit for the year</b>	<b>(244,890)</b>	<b>(317,219)</b>	<b>(72,329)</b>
Contribution to Reserves	80,000	152,329	72,329
Transfer from Reserves	0	0	0
To Constituent Authorities A/c	164,890	164,890	0
	<b>0</b>	<b>0</b>	<b>0</b>
<b>Memo; Payments to Constituent Authorities</b>			
Durham County Council	(107,178)	(107,178)	0
Gateshead Metropolitan Borough	(57,712)	(57,712)	0
<b>Balance</b>	<b>(164,890)</b>	<b>(164,890)</b>	<b>0</b>

The table above shows a reduction in gross expenditure of **£11,217** and an increase in income of **£61,112**. The main reasons for these variances are as follows:

	£
<b>Gross Expenditure</b>	
Staffing	11,914
Water Seepage Repairs	(6,000)
Non Domestic rates	2,887
General Grounds Maintenance	(8,700)
Wesley Music Centre	1,422
Medical Referees Fees	1,147
Grounds Maintenance	(8,415)
Independent Testing	495
Equipment, stationery, postages	(5,967)
	<u>(11,217)</u>
<b>Gross Income</b>	
Increased number of Cremations	(54,886)
Book of Remembrance	(3,082)
Miscellaneous sales	(2,181)
Interest	(963)
	<u>(61,112)</u>

### Surplus Distribution

The surplus is distributed to the constituent authorities in the following percentages;

Durham CC	65%
Gateshead MBC	35%

### Capital Expenditure

As a result of Local Government Re-organisation, Mountsett Crematorium has adopted Durham County Council's deminimus level for the capitalisation of assets. This level is £10,000. There was no Capital Expenditure during 2011/12.

### Major Fixed Asset Acquisitions and disposals

Fixed assets of Land, Buildings and fixtures and fittings are owned by the Constituent Authorities in accordance with Mountsett Crematorium Joint Committee Constitution (dated 7 September 1976) in the following percentages:

Durham CC (as successor to Derwentside District Council)	60%
Gateshead MBC	40%

As such, fixed assets are not recorded within the Mountsett Crematorium Joint Committee's Balance Sheet.

### Reserves

The Crematorium Committee holds various reserves and balances earmarked for future spending plans. Reserves are created by appropriating amounts in the Statement of Movement on Constituent Authorities Account Balance. When expenditure to be financed from a reserve is incurred, it is charged to the Crematorium Revenue Account in that year to score against the Net Cost of Service in the Income and Expenditure Account. The reserve is then appropriated back into the Constituent Authorities Account Statement so that there is no net charge.

In 2011/2012 there was no expenditure financed via the Repairs Reserve:

The table below highlights the movement between the Earmarked Reserves and Balances of the Mountsett Crematorium Joint Committee:

Reserve	Balance at 1.4.11 £	Contribution to Reserves £	Use of reserve £	Balance at 31.3.12 £
Repairs Reserve	14,215	15,069	0	29,284
Cremator Reserve	279,239	137,260	0	416,499
<b>TOTAL</b>	<b>293,454</b>	<b>152,329</b>	<b>0</b>	<b>445,783</b>

#### Material and unusual charges and credits

There are no unusual charges or credits within the 2011/2012 Statement of Accounts.

#### Significant Changes in Accounting Policies

There were no changes in accounting policies during 2011/2012.

#### Significant Changes to Statutory Functions

There were no changes in statutory function of the Mountsett Crematorium Joint Committee in 2011/2012 that had a significant impact on the Statement of Accounts.

SIGNED:

Don McLure CPFA  
Treasurer to the Joint Committee

Date: 15 June 2012

## Statement of Accounting Policies

## General Principles

The form and general principles adopted in compiling these accounts are those recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) in documents such as the Best Value Code of Practice on Local Authority Accounting (BVACOP) and the accompanying Guidance Notes for Practitioners. Elements of the CIPFA Guidance Notes on the Code of Practice on Local Authority Accounting in the United Kingdom 2011-2012 have also been considered in preparing the 2011-2012 Statement of Accounts

## Accruals of Income and Expenditure

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

Fees and charges due from customers are accounted for as income at the date the Joint Committee provides the service.

Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as stocks on the balance sheet.

Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that may not be collected.

## Support Services Allocations

The costs of Durham County Councils Support Services are allocated to the service areas that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2008 (BVACOP). The total absorption costing principle is used – the full costs of support services are shared between users in proportion to the benefits. Mountsett Crematorium Joint Committee is subject to an element of the Support Service Allocation, and has been considered and approved via a Support Service and Audit SLA, which is shown within the Income and Expenditure Account under Management and Support Services Recharges.

## Interest

Surplus monies are invested externally by Durham County Council on behalf of the Mountsett Crematorium Joint Committee, which receives the interest earned on a quarterly basis at the average 7 day LIBID rate.

Interest receivable on investment income is accounted for on an accruals basis and is credited to the Income and expenditure account.

## Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Joint Committee and the service it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of asset (e.g. repairs and maintenance) is classified as Revenue Expenditure Funded from Capital under Statute and is charged to revenue as it is incurred.

During 2009/10, investigations highlighted that fixed assets of Land, Buildings and fixtures and fittings are owned by the Constituent Authorities in accordance with Mountsett Crematorium Joint Committee Constitution (dated 7 September 1976, revised 2012) in the following percentages:

Durham CC	60%
Gateshead Council	40%

As a result, any such fixed assets recorded within the Mountsett Crematorium Joint Committee's Balance Sheet prior to 2009/2010 are now shown within the Balance Sheets of the Constituent Authorities.

## Current Assets - Stock

Stocks held at the Crematorium are included in the Balance Sheet at Average cost.

This practice conflicts with IAS 2 which recommends that stocks should be shown at the lesser of cost or realisable value. The rate of movement of stock, however, is such that valuation in the latter bases would not significantly affect the stock balance.

## Revenue Expenditure funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non current asset has been charged as expenditure in the Income and expenditure Account in the year. Where the Crematorium Joint Committee has determined to meet the cost of this expenditure from existing capital resources, a transfer from the Statement of Movement on Constituent Authorities Account Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the constituent Authorities.



## 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 31st March 2011		Year ended 31st March 2012
£	Expenditure	£
110,461	Employees	126,529
139,349	Premises	99,209
45	Transport	142
53,057	Supplies and Services	47,408
4,945	Agency & Contract Services	9,445
8,330	Establishment Expenses	22,700
0	Capital charges	0
<u>316,187</u>		<u>305,433</u>
575,707	<b>Income</b>	621,689
865	Interest and Investment income	963
<u>(260,385)</u>	Net Cost of Services	<u>(317,219)</u>
<u><u>(260,385)</u></u>	<b>(Surplus) /Deficit for the year</b>	<u><u>(317,219)</u></u>

## Statement of Movement on Constituent Authorities Account 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 <sup>st</sup> March 2011 £	Notes	Year ended 31 <sup>st</sup> March 2012 £
(260,385)	(Surplus)/Deficit for the year on the Income and Expenditure Account	(317,219)
318,098	Net additional amount required by statute and non-statutory proper accounting practices to be debited or credited to the Constituent Authorities A/c Balance for the year	317,219
<hr/> 57,713	(Increase)/Decrease in the Constituent Authorities A/c Balance for the year	<hr/> 0
(57,713)	Constituent Authorities A/c Balance Brought Forward	0
<hr/> <u>0</u>	<b>Constituent Authorities A/c Balance Carried Forward</b>	<hr/> <u>0</u>

## Balance Sheet as at 31 March 2012

Year ended 31 <sup>st</sup> March 2011 £		Note	Year ended 31 <sup>st</sup> March 2012 £
	<b>Fixed Assets</b>		
	Operational Assets		
0	Operational Land & Buildings		0
0	Other operational assets		0
<u>0</u>	<b>Total Fixed Assets</b>		<u>0</u>
	<b>Current Assets</b>		
256,925	Cash in Hand		440,596
30	Petty Cash		0
700	Stock		359
52,380	Debtors	6	<u>50,186</u>
<u>310,035</u>	<b>Total Current Asset</b>		<u>491,141</u>
	<b>Current Liabilities</b>		
16,581	Creditor	6	<u>45,358</u>
<u>16,581</u>	<b>Total Current liabilities</b>		<u>45,358</u>
<u>293,454</u>	<b>Total assets less Current Liabilities</b>		<u>445,783</u>
	<b>Financed By</b>		
0	Constituent Authorities A/c	1	0
14,215	Repairs Reserve	5	29,284
279,239	Cremator Reserve	5	416,499
0	Revaluation Reserve	5	0
0	Capital Adjustment A/c	5	<u>0</u>
<u>293,454</u>	<b>Total Net Worth</b>		<u>445,783</u>

## The Cash Flow Statement

Year ended 31 <sup>st</sup> March 2011 £		Year ended 31 <sup>st</sup> March 2012 £
	<b>Revenue Activities</b>	
	<i>Cash Outflows</i>	
222,603	Cash paid to Constituent Authorities	164,890
110,461	Cash paid to and on behalf of employees	126,529
196,527	Other operating cash payments	149,756
	<i>Cash Inflows</i>	
(559,297)	Cash received for goods and services	(623,883)
	Other operating cash receipts	
<u>(29,706)</u>	<b>Net cash (inflow)/outflow from revenue activities</b>	<u>(182,708)</u>
	<b>Dividends from Joint Ventures and Associates</b>	
	<i>Cash Inflows</i>	
<u>0</u>	Dividends received	<u>0</u>
<u>0</u>	<b>Net cash (inflow) from Joint Ventures and Associates</b>	<u>0</u>
	<b>Returns on Investments and Servicing of Finance</b>	
	<i>Cash Outflows</i>	
0	Interest paid	0
0	Interest element of finance lease rental payments	0
	<i>Cash Inflows</i>	
(865)	Interest received	(963)
<u>(865)</u>	<b>Net cash (inflow)/outflow from returns on investments</b>	<u>(963)</u>
	<b>Capital Activities</b>	
	<i>Cash Outflows</i>	
0	Purchase of fixed assets	0
0	Purchase of long-term investments	0
0	Other capital cash payments	0
	<i>Cash Inflows</i>	
0	Sale of fixed assets	0
0	Other capital cash receipts	0
<u>0</u>	<b>Net cash (inflow)/outflow from capital activities</b>	<u>0</u>
	<b>Management of Liquid Resources</b>	
0	Net (increase)/decrease in short-term deposits	0
0	Net (increase)/decrease in other liquid resources	0
	<b>Financing</b>	
0	<i>Cash Outflows</i>	0
0	<i>Cash Inflows</i>	0
<u>(30,571)</u>	<b>Net (increase)/decrease in cash</b>	<u>(183,671)</u>

## Notes to the Core Financial Statements

### 1. Constituent Authorities Surplus Account

This account contains any deficit or surplus generated in the Revenue Account, and shows the extent to which these are attributable to each of the Mountsett Crematorium Joint Committee's Constituent Authorities.

A summary of the movements during the year is shown below

Year ended 31 <sup>st</sup> March 2011 £		Durham County Council £	Year ended 31 <sup>st</sup> March 2012 £	Gateshead Council £	Total £
57,713	Balance 1 April	0	0	0	0
(222,603)	Payments during year	(107,178)	(57,712)	(164,890)	
260,385	Surplus for Year	206,192	111,027	317,219	
0	Capital Accounting Adjustment				
(15,163)	Transfers to Repairs Reserve	(9,795)	(5,274)	(15,069)	
38,495	Transfers from Repairs Reserve	0	0	0	
(118,827)	Transfers to Cremator Reserve	(89,219)	(48,041)	(137,260)	
<u>0</u>	Balance 31 March	<u>0</u>	<u>0</u>	<u>0</u>	
<u>0</u>	Repaid to Authority	<u>0</u>	<u>0</u>	<u>0</u>	
<u><u>0</u></u>	Balance c/fwd	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	

### 2. Explanation of the significance of the Statement of Movement on the Constituent Authorities Account 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 Constituent Authorities Account Balance provides this necessary reconciliation. The full significance of the Statement for the Constituent Authorities local taxation purposes is described in the introduction to the statement itself.

### 3. Breakdown of reconciling items in the Statement of Movement on the Constituent Authorities Account Balance

Year ended 31 <sup>st</sup> March 2011 £		Year ended 31 <sup>st</sup> March 2012 £
	Amounts to be included in the Income and expenditure Account but required by statute to be excluded when determining the movement on the general fund/ constituent Authorities Account Balance for the year	
0	Depreciation and Impairment of Fixed assets	0
0	Amounts treated as revenue expenditure but which are classified as Capital expenditure under Statute	0
	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:	
	Net Transfers to ( from) Earmarked Reserves	
15,163	Transfers to Repairs Reserve	15,069
(38,495)	Transfers from Repairs Reserve	0
118,827	Transfers to Cremator Reserve	137,260
107,178	Transfers to/ Durham County Council	107,178
115,425	Transfers to Gateshead Council	57,712
<u>318,098</u>	<b>Net additional amount required by statute and non-statutory proper accounting practices to be debited (or credited) to the Constituent Authorities A/c Balance for the year</b>	<u>317,219</u>

### 4. Movement on Fixed Assets

#### Ownership of Assets

The Mountsett Crematorium Joint Committee does exert any direct ownership over the assets that are held for use in the provision of the Crematorium business

In accordance with Constitution for the Mountsett Crematorium Joint Committee, Legal title of Fixed Assets of Land, Building, Plant, Furniture and Equipment is vested in the Constituent Authorities in the following percentages:

Durham County Council	60%
Gateshead Council	40%

### 5. Reserves

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

## Usable Reserves

### Repairs Reserve

A Repairs Reserve has been established to finance major works on the Crematorium Buildings and Grounds.

A summary of the movements during the year is shown below:

Year ended 31 <sup>st</sup> March 2011 £		Year ended 31 <sup>st</sup> March 2012 £
37,547	Balance Brought Forward	14,215
15,163	Contribution from Constituent Authorities Account	15,069
(38,495)	Use of Fund	0
<u>14,215</u>	<b>Balance Carried Forward</b>	<u>29,284</u>

### Cremator Reserve

A Cremator Reserve has been established to finance major capital works on the Cremators

A summary of the movements during the year is shown below:

Year ended 31 <sup>st</sup> March 2011 £		Year ended 31 <sup>st</sup> March 2012 £
160,412	Balance b/fwd	279,239
118,827	Contribution from Constituent Authorities Account	137,260
0	Use of Fund	0
<u>279,239</u>	<b>Balance c/fwd</b>	<u>416,499</u>

## Unusable Reserves

### 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.

Due to the ownership change in assets during 2009/2010, there has been no movement on the Revaluation Reserve during the year

### 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.

Year ended 31 <sup>st</sup> March 2011 £		Year ended 31 <sup>st</sup> March 2012 £
0	Balance b/fwd	0
23,940	Revenue Expenditure Funded from capital under statute (REFCUS)	0
0	Depreciation	0
(23,940)	Funding from Repairs Reserve re REFCUS	0
0	Removal of Assets	0
<u>0</u>	<b>Balance c/fwd</b>	<u>0</u>



## 6. Debtors & Creditors

### Debtors and Payments in Advance

A summary of amounts receivable (not received) as at 31<sup>st</sup> March 2012 is shown below:

Year ended 31 <sup>st</sup> March 2011 £		Year ended 31 <sup>st</sup> March 2012 £
	<b>Debtors</b>	
50,390	Funeral Directors - Cremations	49,135
1,620	Book of Remembrance	633
0	Masterplan	328
300	Ashes	90
70	Urns	0
<u>52,380</u>	<b>Total</b>	<u>50,186</u>

Historically the amounts receivable have been paid during the initial months of the following year. Risk assessments undertaken on the probability of 'bad debt' have identified no requirement for a provision for bad debts to be made and thus reporting via the Financial Statement.

### Creditors and Receipts in Advance

A summary of amounts payable (not paid) as at 31<sup>st</sup> March 2012 is shown below:

Year ended 31 <sup>st</sup> March 2011 £		Year ended 31 <sup>st</sup> March 2012 £
	<b>Creditors</b>	
0	Rates	39,187
10,705	General Repairs	24
450	Materials	0
1,766	Medical Referees fees	2,054
1,220	Book of Remembrance	552
0	Telephone	106
2,440	Electricity & Gas	3,435
<u>16,581</u>	<b>Total</b>	<u>45,358</u>

## 7. Notes relating to the Cash Flow Statement

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

Year ended 31 <sup>st</sup> March 2011 £000s		Year ended 31 <sup>st</sup> March 2012 £000s
(260,385)	Surplus/(Deficit) from Income and Expenditure Statement	(317,219)
	<b>Non-cash transactions:</b>	
0	Depreciation and Impairment of Fixed Assets	0
	<b>Debtors and Creditors</b>	
8,031	Net movement in Revenue Debtors and Creditors	(30,971)
0	Movement on Petty Cash	(30)
(820)	Movement on Stocks	(341)
222,603	Movement on Provisions and Reserves	164,890
	<b>Items classified in another category in cash flow statement</b>	
865	Interest received	963
<u>(29,706)</u>	<b>Net Cash flow from Revenue Activities</b>	<u>(182,708)</u>

Movement in Cash and Cash Equivalents:

Year Ended 31 <sup>st</sup> March 2011 £000s		Year ended 31 <sup>st</sup> March 2012 £000s	
		Balance 31.3.12 £000s	Movement in Year £000
256,925	Cash and Bank Balances	440,596	183,671
<u>256,925</u>	<b>Net Movement</b>	<u>440,596</u>	<u>183,671</u>

# Annual Governance Statement

## 1. Scope of Responsibility

The Mountsett 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 established in 1964 by the Urban District Councils of Stanley and Consett (transferred to Derwentside District Council, 1976) and the Urban District Councils of Blaydon and Whickham (transferred to Gateshead Metropolitan Borough Council, 1976).

Following Local Government Reorganisation in 2009, as successor to Derwentside District Council, Durham County Council acts as the lead authority.

The Mountsett 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 Mountsett Crematorium Joint Committee has adopted a code of corporate governance consistent with the principles of the CIPFA / SOLACE Framework `Delivering Good Governance in Local Government` and operates under the 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 Mountsett Crematorium Joint Committee has complied with the code and also meets the requirements of Regulation 4(2) of the Accounts and Audit regulations 2011.

## 2. The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values by which the Mountsett 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 Mountsett 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 Mountsett Crematorium Joint Committee for the year ended 31<sup>st</sup> March 2012 and up to the date of approval of the Statement of Accounts and Small Bodies Annual Return

### 3. The Governance Framework

The Governance Framework supports the Mountsett Crematorium Joint Committee in establishing, implementing and monitoring policies and objectives. The system of internal control refers to the system by which the Mountsett 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 Mountsett Crematorium Joint Committee 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 Mountsett Crematorium Joint Committee 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 Mountsett Crematorium 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 Mountsett Crematorium Joint Committee member and officer functions, with clear delegation arrangements and protocols for effective communication**

Mountsett Crematorium 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. This is achieved by:

- ◆ Electing a Chair and Vice Chair with defined executive responsibilities.
- ◆ The Mountsett Crematorium Joint Committee Constitution which clearly describes the roles of the Chair and Vice Chair. The constitution has been revised during the year and arrangements have been put in place for a review to be undertaken at the Annual General Meeting of the Joint Committee in June of each year.
- ◆ Adopting Durham County Councils constitution, undertaking regular reviews of the operation of both the Mountsett Crematorium Joint Committee and Durham County Council Constitutions.

- ◆ Ensuring that all policy and decision making is facilitated through the Mountsett Crematorium Joint Committee with all party membership being drawn from nomination by the constituent authorities.
- ◆ Making Durham County Council's nominated Responsible Financial Officer (under S151 of the Local Government Act 1972) 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**

Mountsett Crematorium Joint Committee fosters a culture of behaviour based on shared values, high ethical principles and good conduct. This is achieved 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.
- ◆ Appropriate and timely advice, guidance and training for both Members and Officers.
- ◆ Formally adopting the Member Code of Conduct of the Lead Authority
- ◆ Formal/ written declarations of member personal interest

**Identifying and communicating Mountsett Crematorium Joint Committee's vision of its purpose and intended outcomes for citizens and service users.**

The vision for Mountsett Crematorium is set out within the Treasurers Report to the Statement of Accounts. The vision encompasses the lead Authority's `Altogether Better Durham` focus reflecting the aim to improve service provision and make a real difference to service users.

The vision for the Mountsett Crematorium Joint Committee takes the following format:

- ◆ To provide a sensitive, respectful and valued service fitting for the bereaved and their families.
- ◆ To ensure sympathetic, supportive and confidential advice is given to the recently bereaved on funeral service arrangements and give assistance in co-ordinating the funeral process if required.
- ◆ To provide consistent high quality standards of maintenance in Mountsett Crematorium, working to maximise value for money.
- ◆ To fully comply with all environmental and regulatory standards and requirements

- ◆ To ensure the proper respect of Mountsett Crematorium with fair Rules and Regulations, fully explained to all visitors.

During the year, the Mountsett Crematorium Joint Committee Service considered the requirements of a Service Asset Management Plan, with surveys undertaken and priority work progressed. The Service Asset Management Plan will be considered fully by the Joint Committee in September 2012 and will further demonstrate the delivery of the Joint Committee's vision by:

- ◆ Identifying the property needs of the service to enable it to deliver its vision
- ◆ Assessing the condition, sufficiency, suitability, accessibility and energy performance of our crematoria and looking at their appropriateness to deliver the future service.
- ◆ Identifying the portfolio gaps and appraising the options and priorities to close the gaps between future needs and current provision
- ◆ Mapping a way forward to deliver the changes needed which takes in consideration available funding streams and opportunities.

#### **Reviewing Mountsett Crematorium Joint Committee's vision and its implication for its governance arrangements**

Mountsett Crematorium Joint Committee reviews its vision and implication for its governance arrangements on an annual basis. This is achieved by:

- ◆ Reviewing its Code of Corporate Governance, ensuring that it remains consistent with the principles of the CIPFA/ SOLACE Framework – Delivering Good Governance in Local Government
- ◆ Reviewing the Mountsett Crematorium Joint Committee Constitution on an annual basis.

#### **Measuring the quality of service for users, for ensuring they are delivered in accordance with Mountsett Crematorium Joint Committee's objectives and for ensuring they represent best use of resources**

Mountsett Crematorium Joint Committee measures the quality of service for users, ensures that they are delivered in line with service objectives and that they represent the best use of resources. This is achieved by:

- ◆ The annual budget contributes to the Joint Committee's performance management arrangements and has a framework of quarterly budgetary control reporting
- ◆ Performance management undertaken through comparative statistics with other crematoria is produced monthly and incorporated into the Superintendent & registrars report considered by the Joint Committee on a quarterly basis.

- ◆ Letters of appreciation are considered and acknowledged by the Joint Committee and also via the Direct Services management team within Durham County Council
- ◆ In line with the lead authority's policy, any complaints are logged and recorded indicating the type of complaint, response time and outcomes. The process also identifies how the crematorium has changed practices, procedures and policies as a result of any such complaint.
- ◆ The lead authority's employee performance appraisal arrangements, designed around a number of competencies are a key method of assessing the individual performance of officers and addressing any areas for improvement.
- ◆ The Joint Committee's approach to the management of the Crematorium assets enabling the best possible service delivery. The Joint Committee considers its assets in the widest sense, driving forward continual service improvement and investments.

**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.**

Durham County Council and Mountsett Crematorium 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 Mountsett Crematorium Joint Committee ensures that the risk management approach:

- ◆ Is conducted in accordance with the risk management policy and strategy of Durham County Council. The Superintendent and Registrar is advised by the corporate risk management working group where strategic and operational risks are considered.
- ◆ Involves Risk Register reviews reported on a six monthly basis for consideration by the Joint Committee.
- ◆ Involves regular reports by internal audit, to standards defined in the CIPFA code of practice, and in accordance with the Accounts and Audit Regulations 2006. 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 BDO LLP with the recommended outcome of these reviews actioned and undertaken.
- ◆ Ensures Financial Management is undertaken by the Head of Finance (Financial Services) 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 income and expenditure reconciliations and the preparation of regular financial reports which

indicate actual expenditure against budget and forecast year end positions are undertaken and reported quarterly to Mountsett Crematorium Joint Committee.

- ◆ Ensures SMART targets are set to measure financial and other performance
- ◆ Ensures clearly defined capital expenditure guidelines are adhered to

### **Ensure the Joint Committee's financial management arrangements conform with the governance requirements of the CIPFA statement on the Role of the Chief Finance Officer**

Mountsett Crematorium Joint Committee ensures that its financial management arrangements conform to the CIPFA statement by:

- ◆ Appointing as its Treasurer, the Corporate Director: Resources and Chief Finance Officer (CFO) from the lead authority along with the Head of Finance (Financial Services) under the scheme of delegated responsibilities by the Treasurer. The Corporate Director and Head of Finance are professionally qualified and possess the necessary skills, knowledge and experience to perform effectively in both a financial and non financial role.
- ◆ Ensuring the finance function in support to the Treasurer is adequately resourced to fulfil its duties and a structure is in place that provides a line of professional accountability for the finance staff.
- ◆ Ensuring that Key CIPFA Codes such as the Prudential Framework for Local Authority Capital Finance and the Treasury Management code are complied with where required.
- ◆ Producing Monthly Budgetary Control Reports which are considered on a quarterly basis by the Joint Committee.
- ◆ Ensuring proper Internal Audit, Risk and Governance arrangements are in place.

#### **4. Review of Effectiveness**

Mountsett 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.

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

- ◆ A process to formalise arrangements with Durham County Council for the provision of internal audit has been established and embedded following the consideration and approval of the Mountsett Crematorium Joint Committee Internal Audit Charter
- ◆ Strengthened existing internal audit arrangements through a formally approved Service Level Agreement (SLA) covering the following areas for the year :



- Management and Assurance
  - Fundamental Accounting Systems
  - Crematorium Review
  - Advice and Assistance
- ◆ Strengthened and formalised support services provided by Durham County Council to the Joint Committee through the approval of a Service Level Agreement covering:
- Management Services
  - Financial Services
  - Administration Services
  - Payroll Services
  - Creditor Services
  - Human Resources Services
- ◆ Strengthened existing internal audit arrangements through the production of an Annual Audit Report and Audit Opinion to inform the Annual Governance Statement
- ◆ Risk based assessments of key financial systems (as approved in the SLA) 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 Superintendent & Registrar and action plan reports produced and approved where necessary. Full details are reported to the Joint Committee on a six monthly basis.
- ◆ Strengthened year end procedures for producing financial statements with the production of a closedown timetable including risk assessment and control and ensuring those involved in the closedown process are fully aware of the closedown requirements for 2011/12.
- ◆ Strengthened budget setting processes to support its decision making process. Comprehensive monthly budgetary control systems including income and expenditure reconciliations and the preparation of regular financial reports which indicate actual expenditure against budget and forecast year end positions are also undertaken and reported quarterly to the Mountsett Crematorium Joint Committee.
- ◆ 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.
- ◆ Membership to the Federation of Burial and Cremation Authorities, which requires that each year a signed declaration is made so that the Codes of Practice have been strictly adhered to. The Crematorium is also subject to bi annual inspection by the regulator (DCC) who has to be satisfied that all Environmental Legislation is being implemented.

- ◆ Performance monitoring undertaken through the use of comparative statistics with other crematoria and across years.
- ◆ The Internal Audit Section is also subject to an annual review of its activities and performance by the Head of Finance (Financial Services) under the scheme of delegated responsibilities by the Treasurer to the Joint Committee in order to meet the requirements of the Accounts and Audit Regulations 2011. This review is undertaken drawing on the CIPFA Self Assessment Checklist based on the Code of Practice which sets out the minimum standards required to maintain an effective Internal Audit Service. A formal report and completed checklist regarding the Review of the Effectiveness of Internal Audit is presented to, considered by and minuted by the Joint Committee on an annual basis.
- ◆ Completion of an Internal Audit Satisfaction Survey following the completion of each Audit Assignment to measure further the effectiveness of the Internal Audit service
- ◆ Formal Adoption of the FOI Act Publication Scheme approved and minuted by the Joint Committee.
- ◆ Formalised Treasury Management Arrangements through the production of a written agreement between the Joint Committee and the lead authority Durham County Council.

In summary, the governance framework and the system of internal control in place at the Mountsett Crematorium for the year ended 31<sup>st</sup> March 2012 and up to the date of approval of the annual report and accounts accords with proper practice.

## 5. Significant Governance Issues

Mountsett Crematorium Joint Committee is fully committed to the principles of Corporate Governance, and has made further progress in recent months in developing its arrangements.

The Internal Audit Section sought further assurance, via its annual plan of work and review of key systems.

As a result, Internal Audit has provided **Substantial** Assurance on the Joint Committees system of internal control, highlighting only very minor governance and internal control issues (categorised as low/advisory), with none of these issues warranting comment within the Annual Governance Statement.

Whilst Internal Audit has provided such assurance, the following governance and internal control issue has been identified by The Joint Committee

### Service Asset Management Plan

Whilst progress has been made regarding the Service Asset Management Plan with surveys undertaken and priority work progressed. A complete Service Asset Management Plan should be produced and considered by the Joint Committee at the September 2012 meeting.

6. 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 Mountsett Crematorium Joint Committee and are satisfied that plans to address weaknesses and ensure continuous improvement of the system is in place.

SIGNED:

Chair to the Joint Committee

Don McLure, CPFA

Corporate Director of Resources and Treasurer to the Joint Committee

15 June 2012