



# 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	14
<b>Core Statements:</b>	
4 Income & Expenditure Account	16
5 Statement of Movement on the General Fund Balance	17
6 Statement of Total Recognised Gains & Losses	18
7 Balance Sheet	19
8 Cash Flow Statement	20
<b>Notes to the Core Statements</b>	<b>21</b>
9 Annual Governance Statement	32
10 Auditor's Report.	38
<b>Glossary of Terms</b>	<b>39</b>
<b>Certification by the Chair</b>	<b>41</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

## De-minimis for Capitalisation

In adopting the lead authority Durham County Council's policies, the Crematorium Joint Committee has accepted a de-minimis for Capitalisation of £10,000.

## 6. Financial Instruments

### Financial Liabilities

Under its constitution deed, the Crematorium Joint Committee is not permitted to borrow money from any source other than Durham County Council. The Crematorium Joint Committee has not undertaken any such borrowing.

### Financial Assets

The Financial Assets shown in the balance sheet represent surplus cash balances loaned to Durham County Council and fall under the Financial Instruments classification of loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market

### Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the loan made to Durham County Council by the Crematorium Joint Committee, this means that the amount presented in the Balance Sheet is the outstanding principal receivable, and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired, because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on de-recognition of the asset are credited/debited to the Income and Expenditure Account.

## **7. 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.

## **8. 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 £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	258	<b>9.</b>
363	- Investments	851	<b>17.</b>
781	- Cash and Bank	86	
<b>1,169</b>	<b>Total Current Assets</b>	<b>1,195</b>	
	<b>Current Liabilities:</b>		
(284)	- Creditors	(58)	<b>10.</b>
<b>(284)</b>	<b>Total Current Liabilities</b>	<b>(58)</b>	
<b>1,254</b>	<b>Total Assets less Liabilities</b>	<b>1,673</b>	

Year Ended 31 March 2009 £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 £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	841	
<b>902</b>		<b>1,054</b>	
	Cash Inflows		
	Cash received for goods and services		
(1,178)	Other operating cash receipts	(842)	
<b>(276)</b>	<b>Net cash inflow(-)/ outflow from revenue activities</b>	<b>212</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	(17)	
<b>(10)</b>	<b>Net cash inflow(-)/ outflow from returns on investments</b>	<b>(20)</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>500</b>	<b>20</b>
	<b>Financing</b>		
	Cash Outflows		
0		0	
0	Cash Inflows	0	
<b>(286)</b>	<b>Net (increase) / decrease in cash</b>	<b>695</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, £668,670 (2008/09 £611,500) 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 £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 £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 £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	(99)
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	290	30	320
Accumulated Depreciation written off in year due to revaluation	(290)	0	(290)
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 2010. 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 £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 £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 £000		Year Ended 31 March 2010 £000
25	Trade debtors	42
0	Less provision for bad debts	(1)
0	Durham County Council Account	217
<b>25</b>	<b>Total Debtors</b>	<b>258</b>

## 10. Creditors

Year Ended 31 March 2009 £000		Year Ended 31 March 2010 £000
74	Sundry Creditors	58
210	Durham County Council Account	0
<b>284</b>	<b>Total Creditors</b>	<b>58</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				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 were:

	31 March 2009 £000	31 March 2010 £000
Employees	9	9
Employers	28	31
Employers in respect of added years	5	4
<b>Total</b>	<b>42</b>	<b>44</b>

A contribution of £4,268 regarding added years was outstanding as 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>851</b>	<b>851</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 £619 (£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	851	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 effect 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 £58k and total assets of £1,195k. 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		Year Ended 31 March 2010
50	<b>(Surplus)/Deficit from Income and Expenditure Statement</b>	(227)
	<b>Non-cash transactions:</b>	
(173)	Depreciation and impairment of Fixed Assets	(25)
	<b>Debtors and Creditors</b>	
(163)	Net movement in debtors and creditors	447
	Stock and provisions	0
	<b>Items classified in another category in cash flow statement</b>	
10	Interest received	17
<b>(276)</b>	<b>Net Cash flow from Revenue Activities</b>	<b>212</b>

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

	2009/10 £000
<b>Increase (-)/ Decrease in cash during the year</b>	695
Cash inflow (-)/ outflow from short term investments	(487)
Cash inflow (-)/ outflow from long term investments	0
<b>Change in net debt</b>	208
Net funds at 1 April 2009	1,144
<b>Net Funds at 31 March 2010</b>	<b>936</b>

*Movement in Cash and Cash Equivalents:*

Year Ended 31 March 2009		2009/10	
		Balance 31.3.10 £000s	Movement in Year £000
781	Cash and Bank Balances	86	695
<b>781</b>	<b>Net Movement</b>	<b>86</b>	<b>695</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	1	12
<b>363</b>	<b>Net Movement</b>	<b>851</b>	<b>487</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>	