



Statement of Accounts 2013/14

Mountsett Crematorium Joint Committee



Explanatory Foreword

Introduction and Accounting Requirement

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 2013/14. 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 2013/14 are set out on pages 11 - 37 of this document and provide further evidence to the Statutory Small Bodies Annual Return which is subject to independent Audit opinion.

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 31st March 2014. 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 2013/14.

The Statement of Accounts summarises the Joint Committee's transactions for the 2013/14 financial year and its position at the year-end of 31st March 2014. It has been prepared in consideration of the Code of Practice on Local Authority Accounting in the United Kingdom – (the CODE).

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

1. 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 31st March 2014 (the 2013/14 financial year).

Page 5 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 2013/14 have been prepared considering the professional guidance given in the Code of Practice on Local Authority Accounting 2013/14, together with other legal requirements as contained in various Acts of Parliament, including the Accounts and Audit Regulations 2011.

The Certification of the Accounts by the Treasurer is shown on Page 6.

2. Report of the Treasurer – Overview of Financial Performance

This report outlines the main financial results for the year ended 31st March 2014. They summarise the income and expenditure incurred by the Joint Committee and highlight any change to the financial position that occurred during the year.

The Report of the Treasurer is shown on Pages 7-10.

3. Statement of Accounting Policies, Changes in Accounting Estimates and Errors

Accounting Policies are the specific principles, bases, rules and practices applied by the Joint Committee in preparing and presenting its financial statements.

A change in accounting estimate is an adjustment of the carrying amount of an asset (or liability), or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected benefits and obligations associated with assets and liabilities. Changes in accounting estimates result from a change in the circumstances on which the estimate was based or as a result of new information.

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.

Note 1 to the Statement of Accounts explains the Accounting Policies adopted in preparing the Joint Committee's Statement of Accounts.

The Core Financial Statements

4. Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Joint Committee, analysed into 'usable reserves' and 'unusable reserves'.

The Movement in Reserves Statement is shown on Page 11.

5. Comprehensive 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 all the functions for which the Joint Committee is responsible, and demonstrates how that cost has been financed.

The Comprehensive Income and Expenditure Account has been compiled in accordance with the Service Reporting Accounting Code of Practice.

The Comprehensive Income and Expenditure Account is shown on Page 12.

6. 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 any applicable long-term indebtedness, the assets employed in its operations, together with summarised information on any long term assets held.

There are no Items of Long Term Assets held by the Joint Committee.

The Balance Sheet is shown on Page 13

7. Cash Flow Statement

This consolidated statement summarises the changes in cash and cash equivalents arising from transactions with third parties for operating, investing and financing purposes. Cash is defined for the purpose of this statement, as cash in hand and deposits repayable without penalty on notice of not more than 24 hours less overdrafts repayable on demand. Cash equivalents are investments that mature within 3 months or less from the date of acquisition and are held for the purposes of liquidity rather than investments.

Page 14 summarises the inflows and outflows of cash arising from operating, investing and financing activities (where applicable) with third parties.

8. 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 pages 15 - 27.

Supplementary Financial Statements

9. 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 2011 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 28 – 37 show the Annual Governance Statement relating to the financial year 1st April 2013 to the 31st March 2014.

Declaration of those charged with Governance

This is shown on Page 37.

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
- ◆ Manage its affairs to secure economic, efficiency and effective use of resources and safeguards its assets
- ◆ Approve the Statement of Accounts.

The Members of the Mountsett Crematorium Joint Committee are:-



Councillor A Batey
Councillor K Dearden
Councillor C Hampson
Councillor I Jewell
Councillor O Milburn
Councillor T Nearney
Councillor W Stelling
Councillor O Temple
Councillor B Stephens



Councillor K Dodds
Councillor M Charlton
Councillor B Davidson
Councillor J Lee
Councillor P Mole
Councillor M Ord
Councillor P Ronan

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).

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 elements of Code of Practice on LA Accounting in the UK.

The Treasurer has also:

- ◆ Kept proper accounting records which were up to date
- ◆ Taken 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 Mountsett Crematorium Joint Committee as at 31st March 2014 and its income and expenditure for the year ended 31st March 2014.

Signed	Date
	13 June 2014
Don McLure C.P.F.A. Corporate Director: Resources and Treasurer to the Joint Committee	

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, that are fully explained to all visitors.

Overview of Financial Performance in 2013/2014

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 31st March, 2014. 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 2013/14 budget anticipated that the Joint Committee would achieve a surplus prior to the distribution of surpluses to the Constituent partner authorities of £254,526. This was based on an estimated 1,250 cremations during the year resulting in a net budgeted contribution to reserves of £89,636 along with a £164,890 distribution of surplus to the constituent partner authorities.

During 2013/14 the number of cremations carried out was 1,191, a decrease of 59 from the estimated figure.

Surplus Distribution

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

Durham CC	65%
Gateshead MBC	35%

The table overleaf summarises the budget and actual income and expenditure for 2013/14. Variations are shown alongside.

Subjective Analysis	Original Base Budget 2013/14	Outturn 2013/14	Variance Over/ (Under)
	£	£	£
Employees	108,051	112,886	4,835
Premises	233,480	190,031	(43,449)
Transport	400	512	112
Supplies & Services	83,828	131,703	47,875
Agency & Contracted	10,915	6,419	(4,496)
Central Support Costs	25,300	25,300	0
Gross Expenditure	461,974	466,851	4,877
Income	(716,500)	(683,044)	33,456
Net Income	(254,526)	(216,193)	38,333
Transfer to Reserves			
- Repairs Reserve	15,000	15,158	158
- Cremator Reserve	74,636	36,145	(38,491)
Distributable Surplus	(164,890)	(164,890)	0
35% Gateshead Council	57,712	57,712	0
65% Durham County Council	107,178	107,178	0

The table above shows an increase in gross expenditure of **£4,877** and a decrease in income of **£33,456**. The main reasons for these variances are as follows:

	£
Gross Expenditure	
Employee related costs overspend	4,835
Crematorium Non Domestic Rates overspend	1,176
SAMP works not required in 2013/14	(7,212)
SAMP works carried forward to 2014/15	(29,700)
Utility Costs under budget	(2,012)
BACAS booking system purchased in previous year	(4,000)
Medical Referees Fees under budget	(1,106)
Mercury Abatement payment to CAMEO in excess of provision	48,836
Grounds Maintenance contract under budget	(3,796)
Audit Fees under budget	(700)
Masterplan costs (plaques, vases etc) over budget	3,172
Equipment, stationery, postages under budget	(4,616)
	<u>4,877</u>
Income	
Reduced number of Cremations undertaken during the year	35,621
Increased Book of Remembrance entries	(2,258)
Reduced Plaque sales	1,800
Increase in Miscellaneous income	(997)
Interest on investments	(710)
	<u>33,456</u>

Capital Expenditure and financing by Mountsett Crematorium Joint Committee

The Mountsett Crematorium has a de minimus level for the capitalisation of assets. This level is set at £10,000.

No Capital Expenditure was incurred during 2013/14.

Long Term Asset Acquisitions and Disposals

Long Term Property, Plant and Equipment (Land, Buildings and fixtures and fittings) are owned by the Constituent Authorities in accordance with Mountsett Crematorium Joint Committee Constitution (dated 25 April 2013) in the following percentages:

Durham CC	60%
Gateshead MBC	40%

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

Mountsett Crematorium Joint Committee Reserves as at 31st March 2014

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 Comprehensive Income and Expenditure Account. The reserve is then appropriated back into the Movement in Reserves Statement so that there is no net charge.

During the year the Mountsett Crematorium Committee adopted a revised Policy on Reserves. The Policy of the Committee is as follows:-

- 1 To set aside sufficient sums in Earmarked reserves (Cremator and Repairs reserves) as is considered prudent for the anticipated known areas of future expenditure. As a minimum, the strategy of the Joint Committee should be to increase the value of the Cremator earmarked reserve to circa £1m in the medium term to cover future liabilities.
- 2 Create and maintain a General Reserve of at least 30% of the Joint Committee's Income budget. (This is based on a risk assessment identifying Income as the highest financial risk element to the Joint Committee).

The 2013/14 revenue budget approved by members at the January meeting incorporated an Income budget of £716,500. In line with the reserve policy this would represent a General Reserve requirement of balance of £214,950 at 31/03/14.

In addition to the General Reserve the Joint Committee holds the following Reserves:

- Cremator Reserve
- Repairs Reserve

These reserves are held by the Joint Committee to fund major works to the Crematorium buildings, grounds and equipment.

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

Reserve	Balance at 1.4.13 £	Contribution to Reserves £	Use of reserve / Transfer between reserves £	Balance at 31.3.14 £
General Reserve	214,950	0	0	214,950
Repairs Reserve	44,400	15,158	0	59,558
Cremator Reserve	327,252	36,145	0	363,397
TOTAL	586,602	51,303	0	637,905

Significant Changes in Accounting Policies

There have been no significant changes to existing Accounting Policies however additional Accounting Policies have been included during 2013/14.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Joint Committee, analysed into 'usable reserves' and other reserves. The surplus or deficit on the Provision of Service line shows the true economic cost of providing the Crematorium Service, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the amounts required to be charged to the General Reserve.

The net increase/decrease before transfers to the earmarked reserves line shows the statutory general reserve balance before any discretionary transfers to or from earmarked reserves undertaken by the Joint Committee.

For the Year ended 31st March 2014

	General Reserve Balance £000	Earmarked Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31st March 2013 carried forward	215	372	587	0	587
<i>Movement in reserves during 2013-14</i>					
Surplus or Deficit on provision of service	216	0	216	0	216
Other Comprehensive Income & Expenditure	(165)	0	(165)	0	(165)
Total Comprehensive Income & Expenditure	51	0	51	0	51
Adjustments between accounting basis & funding basis under regulations (Note 7)	0	0	0	0	0
Net Increase / Decrease before Transfers to Earmarked Reserves	51	0	51	0	51
Transfers to/from Earmarked Reserves (Note 9)	(51)	51	0	0	0
Increase/ Decrease in Year					
Balance at 31st March 2014 Carried Forward	215	423	638	0	638

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing Crematorium services in accordance with generally accepted accounting practice.

It 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 non-current assets actually consumed.

2012 - 2013				2013 – 2014		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
432	(737)	(305)	Crematorium and Associated Services	467	(682)	(215)
0	0	0	Other Corporate Costs			
432	(737)	(305)	Cost of Services	467	(682)	(215)
0	0	0	Other Operating Income/ Expenditure			
0	0	0	Crematorium revaluation			
0	(1)	(1)	Financing and Investment Income and Expenditure		(1)	(1)
432	(738)	(306)	Surplus / Deficit on the Provision of Service	467	(683)	(216)
		165	Distribution to Constituent Authorities			165
		165	Other Comprehensive Income and expenditure			165
		(141)	Total Comprehensive Income & Expenditure			(51)

Balance Sheet as at 31st March 2014

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Joint Committee. The net assets of the Joint Committee (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories. The first are usable reserves, i.e. those reserves that the Joint Committee may use in the provision of the crematorium services (subject to the need to maintain a prudent level of reserves and any statutory limitations to their use). The second are those which the Joint Committee are not able to use to provide Crematorium services.

The Joint Committee does not hold any Unusable Reserves.

31 st March 2013 £000		Notes	31 st March 2014 £000
0	Property, Plant & Equipment		0
0	Intangible Assets		0
0	Long Term Investments		0
0	Long Term Debtors		0
0	Long Term Assets		0
200	Short Term Investments		200
0	Inventories		0
5	Short Term Debtors		6
405	Cash & Cash Equivalents		517
610	Current Assets		723
0	Short Term Borrowing		0
(23)	Short Term Creditors		(85)
0	Provisions		0
(23)	Current Liabilities		(85)
0	Long Term Creditors		0
0	Provisions		0
0	Long Term Borrowing		0
0	Other Long Term Liabilities		0
0	Long Term Liabilities		0
587	Net Assets		638
587	Usable Reserves		638
0	Unusable Reserves		0
587	Total Reserves		638

The Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Joint Committee during 2013/14. The statement shows how the Joint Committee generates and uses its cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of the net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Joint Committee are funded by way of income from the recipients of the Crematorium service. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Joint Committees future service delivery. Cash flows arising from financing activities, (where applicable) are useful in predicting claims on future cash flows.

Year Ended 31 st March 2013 £000		Year Ended 31 st March 2014 £000	Notes
	Operating Activities		
(782)	Sale of goods and rendering of services	(681)	
0	Interest Received	0	
0	Other operating cash receipts	0	
(782)	Cash Inflows generated from Operating Activities	(681)	
131	Cash paid to and on behalf of employees	113	
323	Cash paid to suppliers of goods and services	292	
165	Other payments for operating activities	165	
619	Cash Outflows from Operating Activities	570	
(163)	Net Cash flow from Operating Activities	(111)	
	Investing Activities		
0	Purchase of property, plant and equipment, investment property and intangible fixed assets	0	
(1)	Purchase of short term (not considered to be cash equivalents) and long term investments	(1)	
	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		
(1)	Net Cash flow from Investing Activities	(1)	
	Financing Activities		
0	Cash receipts	0	
0	Other receipts from financing	0	
0	Other payments for financing	0	
(164)	Net cash flow from Financing Activities	(112)	
	Net (increase) / decrease in cash		

Notes to the Core Financial Statements

1. Accounting Principles

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 2013-2014 have also been considered in preparing the 2013-2014 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.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions (in accordance with Durham County Council's Local Code of Treasury Management) repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in 3 months or less from the date of acquisition and are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Joint Committee's cash management.

Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Joint Committee's financial performance.

Prior Period Adjustments / Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions,

other events and conditions on the Joint Committee's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Employee Benefits

Benefits payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for service in the year in which employees render service to the Joint Committee. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Service provision, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Events after the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when an entity becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

Under its constitution deed, the Crematorium Joint Committee is not permitted to borrow money from any source other than Durham County Council

Gains and losses on the re-purchase or early settlement of borrowing are credited or debited to the Financing and Investment Income and expenditure in the Comprehensive Income and Expenditure Statement in the year of repurchase/ resettlement

Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

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 recognised on the Balance Sheet when an entity becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost.

Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. The loan made to Durham County Council by the Crematorium Joint Committee means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement 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 Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Inventories and Long term Contracts

Inventories 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 IAS2, 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

Overhead and Support Services

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 Service Reporting Code of Practice 2013/14 (2013). 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 individual Support Service

and Audit SLAs, details of which is shown within the Report of the Treasurer under Central Support costs.

Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Crematorium Joint Committee and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

During 2009/10, investigations highlighted that Property, Plant and Equipment are owned by the Constituent Authorities in accordance with Mountsett Crematorium Joint Committee Constitution (dated 7 September 1976, revised January 2013) in the following percentages:

Durham CC	60%
Gateshead Council	40%

As a result there are no items of Property, Plant and Equipment recorded within the Mountsett Crematorium Joint Committee's Balance Sheet.

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 Comprehensive Income and Expenditure Account in the year.

Provisions

Provisions are made where an event has taken place that gives the Crematorium Joint Committee a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate line in the Comprehensive Income and Expenditure Statement in the year that the Crematorium Joint Committee becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income if it is virtually certain that reimbursement will be received if the Crematorium Joint Committee settles the obligation.

Contingent Liability

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

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

Contingent Asset

A contingent asset arises where an event has taken place that gives the Crematorium Joint Committee a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Crematorium Joint Committee.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

Reserves

During the year the Mountsett Crematorium Committee adopted a revised Policy on Reserves. The Policy of the Committee is as follows:-

- To set aside sufficient sums in Earmarked reserves (Cremator and Repairs reserves) as is considered prudent for the anticipated known areas of future expenditure. As a minimum, the strategy of the Joint Committee should be to increase the value of the Cremator earmarked reserve to circa £1m in the medium term to cover future liabilities.
- Create and maintain a General Reserve of at least 30% of the Joint Committee's Income budget. (This is based on a risk assessment identifying Income as the highest financial risk element to the Joint Committee).

The 2013/14 revenue budget approved by members at the January meeting incorporated an Income budget of £716,500. In line with the reserve policy this would represent a General Reserve requirement of balance of £214,950 at 31/03/14.

In addition to the General Reserve, the following earmarked reserves are held by the committee:

Cremator Reserve

The Cremator Reserve was established in order to fund Cremator replacement requirements at the Crematorium.

The annual crematorium budget includes a fixed transfer to the reserve however the policy of the Crematorium Joint Committee is to transfer any additional surplus (over and above the fixed distributable amount to the Constituent Authorities) to the Cremator Reserve at the end of the financial year.

Additional surplus transfers will continue into the Cremator Reserve, until its balance totals circa £1.0m, following which the Joint Committee will undertake a further review of its policy.

Repairs Reserve

The Repairs Reserve was established in order to fund major works on the Crematorium Building and grounds.

The annual Crematorium budget includes a fixed transfer to the reserve.

2. Accounting Standards that have been issued but not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the CODE) has introduced several changes in accounting policies which will be required in future year. There are no changes that are deemed relevant to the Joint Committee or considered to have any significant impact on the Statement of Accounts.

3 Critical Judgement in Applying Accounting Policies

In applying the Accounting Policies set out in Note 1, the Crematorium Joint Committee has had to make certain judgements about complex transactions or those involving uncertainty about future events.

Due to the nature of the Crematorium business and its robust risk management processes, there are no judgements deemed to be critical within the 2013/14 Statement of Accounts.

4 Assumptions made about the future and other major sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Joint Committee about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

There are no items within the Mountsett Crematorium Joint Committee's Balance Sheet at 31st March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year.

5 Material Items of Income and Expenses

There are no material items of Income and expense not disclosed on the face of the Comprehensive Income and expenditure Account.

6 Events after the Balance Sheet Date

The Statement of Accounts were authorised for issue by the Treasurer on **13 June 2014**.

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.

7. Financial Instruments

Categories of Financial Instruments

The following category of financial instrument is carried in the Balance Sheet:

Year Ended 31 st March 2013 £000			Year Ended 31 st March 2014 £000	
Long Term £000	Current £000		Long Term £000	Current £000
0	201	Investments: Loans and Receivables	0	201
0	201	Total Investments	0	201

4. Fair Values of Assets and Liabilities

Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Valuations use the Net Present Value approach, which provides an estimate of the value of payments in the future in today's terms. This is a widely accepted valuation technique commonly used by the private sector.

Under the constitution deed, the Crematorium Joint Committee is not permitted to borrow money from any source other than Durham County Council.

No borrowing has been undertaken by the Crematorium Joint Committee during the 2013/14 year.

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 £710 (£794: 2012/13).

The fair values calculated are as follows:-

Year Ended 31 st March 2013 £000			Year Ended 31 st March 2014 £000	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
201	201	Loans and Receivables	201	201

There is no difference between the carrying value of this loan and receivable and its fair value.-

5. Inventories

The Joint Committee holds a small inventory of urns. The value however is negligible and is therefore not classified on the balance sheet.

6. Debtors

Year Ended 31 st March 2013 £000		Year Ended 31 st March 2014 £000
5	Other entities and individuals	6
5	Total	6

7. Cash and Cash Equivalents

Year Ended 31 st March 2013 £000		Year Ended 31 st March 2014 £000
405	Cash at Bank	517
0	Bank overdraft	0
405	Total	517

8. Creditors

Year Ended 31 st March 2013 £000		Year Ended 31 st March 2014 £000
(23)	Other entities and individuals	(85)
(23)	Total	(85)

9. Usable Reserves

The movement in the Joint Committee's usable reserves are as follows:

Year Ended 31 st March 2013 £000		Year Ended 31 st March 2014 £000
215	General Reserve	215
45	Repairs Reserve	60
327	Cremator Reserve	363
587	Total Usable Reserves	638

10. Unusable Reserves

Revaluation Reserve and Capital Adjustment Account

Property, Plant and Equipment utilised by the Joint Committee are owned by the Constituent Authorities, therefore unusable reserves such as the Revaluation Reserve and the Capital Adjustment Account are not held by the Joint Committee.

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account. There have been no material accumulated absences during the reporting periods.

The Joint Committee holds no unusable reserves.

11. Cash Flow Statement – Operating Activities

The surplus on the Provision of Services has been adjusted for the following non cash movements:-

Year Ended 31 st March 2013 £000		Year Ended 31 st March 2014 £000
0	Interest received	0
0	Interest paid	0
0	Dividends Received	0
0	Depreciation	0
0	Impairment and downward valuations	0
0	Amortisation	0
0	Increase/(decrease) in impairment for bad debts	0
22	Increase in creditors	(62)
(45)	Increase in debtors	1
0	Increase/decrease in inventories	0
0	Movement in pension liability	0
0	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	0
0	Other non-cash items charged to the net surplus or deficit on the provision of services	0
(23)		(61)

The surplus on the Provision of Services has been adjusted for the following items that are investing and financing activities:

Year Ended 31 st March 2013 £000		Year Ended 31 st March 2014 £000
0	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	0
0	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	0
1	Any other items for which the cash effects are investing or financing cash flows	1
1		1

12. Cash Flow Statement – Investing Activities

Year Ended 31 st March 2013 £000		Year Ended 31 st March 2014 £000
0	Purchase of property, plant and equipment, investment property and intangible assets	0
0	Purchase of short-term and long-term investments	0
0	Other payments for investing activities	0
0	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	0
1	Proceeds from short-term and long-term activities	1
1	Net Cash flows from investing activities	1

13. Agency Services

The Joint Committee does not provide any agency services and has therefore not incurred any expenditure in relation to such services during 2013/2014.

14. Members' Allowances

Members' allowances are paid through the two Constituent Authorities Durham County Council and Gateshead Council. There has been no members' allowances payable directly via the Joint Committee during 2013/2014.

15. Officers' Remuneration

Senior employees

The CODE defines senior employees as those employees whose annual salary is £150,000 or more or whose annual salary is £50,000 or more and who is a:

- Statutory Chief Officer
- Head of Paid Service
- Non statutory Chief Officer (subject to certain criteria).

The post of Bereavement Services Manager does not fall into the Senior Employee classification.

Employee remuneration banding

There were no employees of the Joint Committees paid more than £50,000 remuneration for the 2013/2014 financial year (excluding employer's pension contributions).

Exit Packages

There were no terminations of contract or exit packages in 2013/2014.

16. External Audit Costs

The Joint Committee has incurred the following costs in relation to the audit of the Statement of Accounts, statutory inspections and to non-audit services provided (where applicable) by the Joint Committee's external auditors:

Year Ended 31 st March 2013 £000		Year Ended 31 st March 2014 £000
2	Fees payable to the appointed external auditors with regard to external audit services carried out	1
0	Fees payable to the appointed external auditors in respect of Statutory Inspections	0
0	Fees payable in respect of other services provided by the appointed external auditors during the year	0
2	Total	1

The 2013/14 figure above is made up of a £1,300 charge from the External Auditors BDO LLP in relation to the statutory Small Bodies Annual Return.

17. Related Parties

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 5. 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.

Central Government

Central government has no direct control over the general operations of the Joint Committee. Although it is responsible for providing the statutory framework within which the Crematorium operates, it does not provide any direct funding.

Members

During 2013/14 no members had interests to declare in relation to Joint Committee business.

Officers

During 2013/14, the Treasurer or other officers had no interests to declare in relation to Joint Committee business.

18. Termination Benefits

No contracts were terminated by the Joint Committee during 2013/14.

19. Contingent Liabilities

There are no contingent liabilities identified in respect of the financial year 2013/2014.

20. Contingent Assets

There are no contingent assets identified in respect of the financial year 2013/2014.

21. 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. (Any such exposure to risk however, is not considered material).

Credit Risk – the possibility that other parties might fail to pay amounts due to the Joint Committee.

Liquidity Risk – the possibility that the Joint Committee might not have the funds available to make payments and meet its commitments

Market Risk – the possibility that financial loss might arise for the Joint Committee as a result of changes in such measures as interest rates and stock market movement

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.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by Durham County Council.

The analysis overleaf summarises the Joint Committees potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability adjusted to reflect current market conditions.

31 st March 2013		31 st March 2014			
Estimated Maximum Exposure to Default & Uncollectability £000		Amount (A) £000	Historical Experience of Default (B) %	Historical Experience Adjusted for Market Conditions (C) %	Estimated Maximum Exposure to Default & Uncollectability (AXC) £000
201	Local Authority				201
5	Customers				4
206					205

The historical experience for default customers has been derived from actual losses occurring from 31st March 2006 to 31st March 2014.

No credit limits were exceeded during the reporting period.

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

Risk Management is carried out by Durham County Council's Treasury Management Team under policies approved by the Council in its Annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash. The Risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services.

Liquidity Risk

The Joint Committee has a comprehensive cash flow system that seeks to ensure that cash is available as needed. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

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 effects:-

Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise.

Investments at fixed rates – the fair value of the assets will fall.

Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

At the balance sheet date, the Joint Committee has total liabilities of (£85k) and total current assets of £723k. The total liabilities consist of Sundry Creditors £85k (2012/13 £23k) of short term trade payables whose carrying amount is not considered to differ from their fair value.

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 March 2014 and up to the date of approval of the Statement of Accounts and Small Bodies Annual Return.

3 The Governance Framework

The Governance Framework consistent with the principles of the CIPFA /SOLACE framework – Delivering Good Governance in Local Government 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 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 composition of the Committee and how appointments are made. The roles of the Chair and Vice Chair are also clearly documented. Arrangements are 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 (including the Scheme of Delegation for Senior Officers), 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
- ◆ Adopting the Register of Gifts and Hospitality in line with the lead Authority Durham County Council's policy
- ◆ 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 and Officer Codes of Conduct of the Lead Authority ensuring that expected standards of behaviour are communicated and embedded throughout the Joint Committee
- ◆ Formal/written declarations of Member Personal Interest
- ◆ Considering the requirement of the Localism Act to promote and maintain high standards of conduct, and adopting the ethical framework introduced via Durham County Council
- ◆ Adopting (via the Lead Authority), the revised Single Equality Scheme including the strengthened Equality Impact Assessment process to ensure that the impact on equality is fully considered in Joint Committees decision making processes.

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 Treasurer's 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 are fully explained to all visitors.

During 2013/14, the Joint Committee has engaged with Stakeholders to identify and communicate improvements to service provision and crematorium building requirements.

The Mountsett Crematorium Joint Committee revised its Service Asset Management Plan (SAMP) in October 2013 and commissioned further works as a result. The delivery of the Joint Committee's vision will be further demonstrated by:-

- ◆ Continuing to identify the property needs of the service to enable it to deliver its vision
- ◆ Continuing to assess the condition, sufficiency, suitability, accessibility and energy performance of the crematorium 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 to 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 its 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
- ◆ Reviewing the SAMP on an annual basis.

Measuring the quality of service for users, ensuring they are delivered in accordance with the Mountsett Crematorium Joint Committee's objectives and 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:-

- ◆ Aligning the annual budget to the Joint Committee's performance management arrangements and continuing to report under its framework of quarterly budgetary control reporting and high level objective of 'Effective use of Resources'
- ◆ Financial Awareness Training undertaken by the Bereavement Services Manager and other officers whom service the Crematorium
- ◆ Undertaking Performance Management Reviews through comparative statistics with other crematoria. National comparisons via CIPFA Cemeteries and Crematoria Statistics Returns are undertaken on an annual basis

- ◆ Consideration and acknowledgement of Letters of Appreciation by the Joint Committee and also via the Direct Services Management Team within Durham County Council
- ◆ Logging and recording complaints in line with the lead authority's policy, 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.
- ◆ Adopting the lead authority's employee performance appraisal arrangements, designed around a number of key competencies. This is a key method of assessing the individual performance of officers, highlighting and addressing any areas for improvement
- ◆ The Joint Committee's overall 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
- ◆ The Service Asset Management Plan which ensures the Joint Committee make the best use of the assets available and prioritises investment in the facilities to maintain and improve the service offered to users ensuring value for money
- ◆ The application and award of the Green Flag, which recognises service quality and environmental cleanliness at Mountsett.

Developing the capacity and capability of Members and Officers to provide effective service provision and undertake robust decision making.

Mountsett Crematorium Joint Committee is committed to continually reviewing the development needs of members and officers. This is achieved by:-

- ◆ Adopting the Member Learning and Development Strategy; People and Organisational Development Strategy; and the Recruitment and Selection Policy of Durham County Council

During 2013/14 the following improvements (via DCC policies) have been undertaken:-

- ◆ Review of the Corporate Induction Programme
- ◆ Review and implementation of the Recruitment and Selection Policy
- ◆ Implementation of a staff records system, directly accessible by the Bereavement Services Manager through the DCC Intranet, leading to improved efficiency and shortened processing timescales
- ◆ Implementation of the revised Grievance Policy
- ◆ Implementation of the "The Durham Manager" Development Programme, which was rolled out to managers from September 2013
- ◆ Appointment of a Business Administration Apprentice to the Crematorium staffing Establishment
- ◆ Successful completion of the ICCM qualification by a member of staff with another

employee enrolled to undertake the qualification during 2014/15

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 the 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 Bereavement Services Manager 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.
- ◆ Has strategically aligned, during 2013/14 (via Durham County Council's newly formed Corporate Fraud Team), the Internal Audit and Fraud service provision to enable access to trained investigators and allow greater coverage of counter fraud work when required
- ◆ Includes a Fraud Awareness training programme undertaken by Senior Officers
- ◆ Involves regular reports by internal audit to those charged with governance, to standards defined in the CIPFA Code of Practice, and in accordance with the Accounts and Audit Regulations 2006. These include the Chief Internal Auditor and Corporate Fraud Manager'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 Standing Orders, Contract Procedure and Procurement Rules, Financial Regulations and Financial Procedure Rules of Durham County Council
- ◆ Has 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
- ◆ Includes SMART targets which are set to measure financial and other performance
- ◆ Ensures clearly defined capital expenditure guidelines are adhered to (where applicable) in line with Durham County Councils performance and governance framework to improve the financial control of the capital portfolio.

- ◆ Enables employees, contractors and suppliers providing services to the Crematorium to raise concerns regarding any potential breaches of conduct in decision making via Durham County Council's Confidential Reporting Code (Whistle Blowing Policy)
- ◆ Allows non statutory complaints to be considered in line with Durham County Council's Complaints Policy.

Ensure the Joint Committee's financial management arrangements conform to 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 qualified and 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
- ◆ Having a clearly articulated Medium Term Financial Plan/Reserves Strategy and Policy
- ◆ 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
- ◆ Maintaining the Service Asset Management Plan.

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 Managers within the authority who have responsibility for the development and maintenance of the internal control environment. The review is also informed by comments made by the external auditors and other review agencies and inspectorates.

Mountsett Crematorium Joint Committee has the following processes in place to achieve this aim:-

- ◆ Formalised arrangements with Durham County Council for the provision of Internal Audit and Risk Management Services are established and embedded following the consideration and approval of the Mountsett Crematorium Joint Committee Internal Audit Charter
- ◆ Internal Audit arrangements are clearly defined and articulated through a formally approved Service Level Agreement (SLA) covering the following areas:-
 - Management and Assurance
 - Advice and Guidance
 - Risk Management
 - Financial and Non - financial key systems of Internal Control.
- ◆ Support Services provision are clearly defined and articulated through a formally approved Service level agreement (SLA) with Durham County Council covering the following areas:-
 - Management Services
 - Financial Services
 - Administration Services (including legal, monitoring and Clerk to the committee roles)
 - Payroll Services
 - Human Resources Services.
- ◆ Internal Audit arrangements produce 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 Bereavement Services Manager along with action plan reports produced and approved where necessary. Full details are reported to the Joint Committee on a six monthly basis
- ◆ Robust year end procedures for producing financial statements and the Small Bodies Annual Return with the production of a closedown timetable including risk assessment and control, ensuring those involved in the closedown process are fully aware of the closedown requirements for 2013/14
- ◆ Robust 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. Whilst there is no legal requirement for the Joint Committee (as a small body) to meet the requirements of the Accounts and Audit Regulations 2011, evidence of the effectiveness of the Audit Service is presented to, and reviewed by the Audit Committee of the lead authority, Durham County Council. The assurance provided by the review is presented to, considered by and minuted by the Mountsett Crematorium Joint Committee
- ◆ Robust Service Asset Management Plan to drive investment and resource requirements to ensure crematorium facilities continue to maintain and improve service provision
- ◆ 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 an annual written agreement between the Joint Committee and the lead authority Durham County Council
- ◆ Use of Green Flag Awards to measure and recognise service/environmental excellence at the site
- ◆ Financial Awareness Training with Crematorium Management staff.

In summary, the governance framework and the system of internal control in place at Mountsett Crematorium for the year ended 31 March 2014 and up to the date of approval of the Small Bodies Annual Return and Statement of 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 Committee's System of Internal Control, highlighting only 2 very minor governance and internal control issues (categorised as low), with none of these issues warranting comment within the Annual Governance Statement.

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

13 June 2014

Don McLure, CPFA

Corporate Director of Resources and Treasurer to the Joint Committee

13 June 2014