

LLWYDCOED CREMATORIUM JOINT COMMITTEE

25<sup>th</sup> September 2015

REPORT OF THE TREASURER

**1.0 PURPOSE OF THE REPORT**

- 1.1** This report is intended to ensure that the Joint Committee complies with its legal requirements relating to the production of a Statement of Accounts for the financial year ended 31<sup>st</sup> March 2015.

The draft Statement of Accounts was presented to the Joint Committee on 26<sup>th</sup> June 2015 prior to the independent audit by the Wales Audit Office. No material amendments were required as part of the audit process. The level of closing General Reserves held by the Joint Committee increased to £1,479,506, as reported in the draft Statement of Accounts.

- 1.2** It is normal practice for the Wales Audit Office to request that the Responsible Finance Officer provides a “Letter of Representation”, which highlights material issues relating to the completeness and accuracy of the information included in their financial statements and could, therefore influence his audit opinion. This is to ensure that the Accounts properly reflect the Joint Committee’s financial standing and is consistent with the approach taken by the Wales Audit Office in prior years.

The Letter of Representation for the Joint Committee has been prepared after full consultation with all officers and will now need to be signed by the Chair.

**1.3 2015/16 Budget Monitoring Report**

- 1.3.1** This report provides a comparison of actual spend against approved budget for the first five months of 2015/16. This is shown in the attached Appendix 3.
- 1.3.2** The Joint Committee on 12<sup>th</sup> March 2015 approved a revenue budget for 2015/16, which projected a net contribution to reserves of £333,510.
- 1.3.3** Projected expenditure for 2015/16 totals £490,932 against a budget of £488,710 – an overspend of £2,222.

The main expenditure variance is as follows: -

- **Supplies & Services £2,365 overspend.** This is mainly due to additional expenditure resulting from the projected number of cremations being higher than budgeted.

**1.3.4** Projected income for 2015/16 totals £858,040 against a budget of £818,720 showing a surplus of income of £39,320.

This is based on the best estimates of the number of cremations to the year-end and will continue to be monitored closely.

### **1.3.5 Capital Expenditure**

Capital expenditure of £58,564 has been incurred to the end of August in relation the replacement of the cremators.

### **1.3.6 Summary position for 2015-16**

	£
General reserves brought forward 1 <sup>st</sup> April 2014	1,383,023
Net revenue contributions to reserves in 2014-15	<u>96,483</u>
General reserves carried forward 31 <sup>st</sup> March 2015	<b><u>1,479,506</u></b>

Appendix 3 shows that during 2015-16 the balance brought forward of **£1,479,506** is anticipated to increase by **£370,608** from a surplus on revenue, offset by Capital expenditure incurred to date of **£58,564**, taking the estimated reserves available as at 31<sup>st</sup> March 2015 to **£1,791,550** to fund the replacement of the cremators.

It should be noted that further Capital expenditure is anticipated during 2015-16 which will impact upon the level of the reserves.

This position will also be dependent upon the 2015-16 final position which will be monitored closely as part of the budget monitoring process and reported to the Joint Committee at appropriate intervals.

## **1.4 Internal Audit Final Report**

**1.4.1** The Internal Audit Final Report Llwydcoed Crematorium was issued 2<sup>nd</sup> September 2015. The Audit Opinion states that “The overall control environment at Llwydcoed Crematorium is considered to be effective with opportunity for improvement.”

Management have reviewed and responded to the findings of the Report and are in the process of implementing procedures to ensure the recommendations are met.

## **2.0 RECOMMENDATIONS**

It is recommended that members approve and note:

- (a) the Statement of Accounts for the financial year 2014/15 (Appendix 1) and associated Letter of Representation of the Joint Committee (Appendix 2)

- (b) the 2015/16 budget monitoring update (Appendix 3)
- (c) the Internal Audit Final Report (Appendix 4)

**LOCAL GOVERNMENT ACT 1972**

**As amended by**

**LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**LLWYDCOED CREMATORIUM JOINT COMMITTEE**

**25<sup>th</sup> September 2015**

**Report of the Treasurer to Llwydcoed Crematorium**

**LIST OF BACKGROUND PAPERS**

<b>Ref:</b>	<b>Contact Officer</b>
Item 1 - Audited Statement of Accounts 2014/15	Steve Preddy / Gareth Gates (01443 680518)
Item 2 – Budget Monitoring Report 2015/16	Steve Preddy / Gareth Gates (01443 680518)
Item 3 – Internal Audit Final Report	Steve Preddy / Gareth Gates (01443 680518)

**LLWYDCOED CREMATORIUM  
JOINT COMMITTEE**

**STATEMENT OF ACCOUNTS**

**2014/15**

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## Explanatory Foreword

### 1. Introduction

Llwydcoed Crematorium is situated just outside Aberdare, at the head of the Cynon Valley. Set in a rural landscape, Llwydcoed Crematorium serves the residents of the Cynon Valley, Merthyr Tydfil and other surrounding valleys.

Llwydcoed Crematorium is managed and administered by the Llwydcoed Crematorium Joint Committee, under powers conferred by the Local Government (Wales) Act 1994. The Joint Committee is made up of nine members, five from Rhondda Cynon Taf CBC and four from Merthyr Tydfil CBC. Rhondda Cynon Taf CBC became the Host Authority for the Joint Committee in 1996, taking over from the Urban District of Aberdare and the County Borough of Merthyr Tydfil.

The information contained in these accounts allows the user to see the nature of the transactions for the year to 31<sup>st</sup> March 2015 and its financial composition as at that date.

These accounts will present;

- the financial statements legally required and their supporting notes;
- the accounting policies that have been applied when preparing the accounts;
- a summary of the Crematorium's financial performance over recent years;

### 2. Summary of Financial Performance

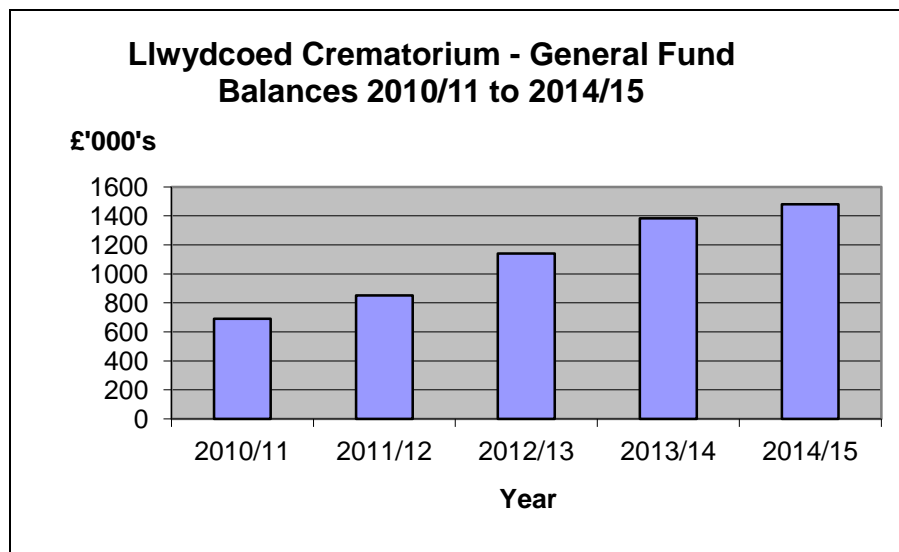
The table below shows the budgeted controllable income and expenditure against the actual controllable income and expenditure for 2014/15:

	<b>Budget</b> £	<b>Actual</b> £	<b>Variance</b> £
<b>Expenditure</b>			
Employees	222,080	216,200	(5,880)
Premises	134,400	115,564	(18,836)
Transport	3,000	1,106	(1,894)
Supplies & Services	147,340	156,851	9,511
	<b>506,820</b>	<b>489,721</b>	<b>(17,099)</b>
<b>Income</b>			
Receipts/Fees	(776,810)	(860,368)	(83,558)
<b>Total</b>	<b>(269,990)</b>	<b>(370,647)</b>	<b>(100,657)</b>

The reasons for the variances between budgeted and actual expenditure were;

- employees' costs were underspent due to a vacancy following the departure of the Superintendent & Registrar, offset by voluntary early retirement costs;
- premises costs were lower than budgeted mainly due to the underspend on maintenance;
- supplies & services overspent mainly due to audit fees and ongoing IT costs being higher than expected;
- income received was higher than anticipated, mainly due to an increase in the number of cremations.

The table below shows Llwydcoed Crematorium's level of General Fund Balances for the last five years. It can be seen that the level of the Crematorium's reserves has grown steadily since 2010/11 and these will continue to be used to fund the replacement of the cremators.



### **3. Capital Expenditure 2014/15**

During the year Llwydcoed Crematorium spent £277,756 in relation to the replacement of the cremators, which included an initial payment of £196,732 towards the supply of cremators, mercury abatement and ancillary equipment. This was financed from the General Fund Balances.



#### 4. **Pensions Assets and Liabilities**

As a result of International Accounting Standard (IAS) 19 “Employee Benefits”, local authorities are required to account for pensions liabilities in respect of the cost of decisions made up to the balance sheet date. Please refer to notes 1.8 and 15.0 to the Core Financial Statements for further details.

The effect of IAS 19 upon the reserves of the Joint Committee is as follows:

	£
Net Assets excluding Pensions Reserve	2,528,943
Net Assets as per Balance Sheet	2,108,943

#### 5. **Introduction to Accounting Statements**

##### **Statement of Accounting Policies**

The purpose of this statement is to explain the basis of the figures in the accounts. It outlines the accounting policies adopted.

##### **Statement of Responsibilities for the Statement of Accounts**

This sets out the responsibilities of the Council as the administering Authority and the Group Director – Corporate & Frontline Services for the preparation of the Statement of Accounts. The Statement has to be signed and dated by the presiding member at the Joint Committee meeting at which the Accounts are approved.

##### **Certificate of the Group Director – Corporate & Frontline Services**

This is the certificate of the true and fair presentation of the accounts by the Group Director – Corporate & Frontline Services.

##### **Movement in Reserves Statement (MiRS)**

This statement shows the movement in the year on the different reserves held by the Joint Committee, analysed into ‘usable reserves’ (i.e. those reserves that the Joint Committee may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Joint Committee’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

## **Comprehensive Income and Expenditure Statement (CI&ES)**

This statement is prepared to record income and expenditure on an accruals basis. It includes items such as salaries and wages, running costs of the service and income received. The statement is based upon International Financial Reporting Standards (IFRS).

## **Balance Sheet**

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 by the Joint Committee. Reserves are reported in two categories. The first category of reserves, are usable reserves. The second category of reserves are those that the Joint Committee are not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve).

## **Cash Flow Statement**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Joint Committee during the reporting period. The statement shows how the Joint Committee generates and uses cash and cash equivalents by classifying cash flows into operating and investing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Joint Committee are funded from the recipients of services provided there. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Joint Committee's future service delivery.

## **Annual Governance Statement**

This statement sets out the framework within which Rhondda Cynon Taf CBC, as administering authority, manages and reviews internal control. It outlines the main components of the framework, including the arrangements for Internal Audit.

## **Statement of Responsibilities for the Statement of Accounts Llwydcoed Crematorium**

### **The Council's Responsibilities**

The Council is required;

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Group Director – Corporate & Frontline Services;
- to manage its affairs to ensure economic, efficient and effective use of resources and safeguard its assets.

### **The Joint Committee's Responsibilities**

The Joint Committee is required;

- To approve the accounts.

**Signature:** \_\_\_\_\_

**Date:** \_\_\_\_\_

### **Chair of Llwydcoed Crematorium Joint Committee**

The Pavilions  
Cambrian Park  
Clydach Vale  
CF40 2XX

## **The Group Director – Corporate & Frontline Services’ Responsibilities**

The Group Director is responsible for the preparation of the Statement of Accounts. In terms of the CIPFA Code of Practice on Local Authority Accounting in Great Britain, the Statement of Accounts is required to give a true and fair view of the financial position of the organisation at the accounting date and its income and expenditure for the year ended 31<sup>st</sup> March 2015.

### **In preparing the Statement of Accounts, the Group Director has;**

- selected suitable accounting policies, and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code.

### **The Group Director has also throughout the financial year;**

- maintained proper accounting records that were kept up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

## **Certificate of the Group Director – Corporate & Frontline Services as Treasurer of the Joint Committee**

I certify that the statement of accounts give a true and fair view of the financial position of the Joint Committee at 31<sup>st</sup> March 2015 and its income and expenditure for the year then ended.

**Signed:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**Christopher D. Lee**

**Group Director – Corporate & Frontline Services**

The Pavilions  
Cambrian Park  
Clydach Vale  
CF40 2XX

### Movement in Reserves Statement for the year ended 31<sup>st</sup> March 2015

	General Fund Balance	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Pensions Reserve	Total Unusable Reserves	Total Reserves of the Joint Committee
	£	£	£	£	£	£	£
<i>Note</i>	14.1		14.3	14.4	14.2		
<b>Balance at 31<sup>st</sup> March 2014</b>	1,383,023	<b>1,383,023</b>	79,865	718,084	(347,000)	<b>450,949</b>	<b>1,833,972</b>
<b>Movement In Reserves During 2014/15</b>							
(Surplus) or deficit on the provision of services (accounting basis)	322,971	<b>322,971</b>	0	0	0	<b>0</b>	<b>322,971</b>
Other comprehensive income and expenditure	0	<b>0</b>	0	0	(48,000)	<b>(48,000)</b>	<b>(48,000)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>322,971</b>	<b>322,971</b>	<b>0</b>	<b>0</b>	<b>(48,000)</b>	<b>(48,000)</b>	<b>274,971</b>
<b>Adjustments between accounting basis and funding under regulations:</b>							
<b>Adjustments primarily involving the Capital Adjustment Account:</b>							
<b>Reversal of items debited / credited to CI&amp;ES:</b>							
Charges for depreciation and impairment of non-current assets	26,268	<b>26,268</b>	0	(26,268)	0	<b>(26,268)</b>	<b>0</b>
<b>Insertion of items not debited / credited to CI&amp;ES:</b>							
Capital expenditure charged against the General Fund Balances	(277,756)	<b>(277,756)</b>	0	277,756	0	<b>277,756</b>	<b>0</b>
<b>Adjustments involving the Pensions Reserve:</b>							
Reversal of items relating to retirement benefits (debited) or credited to the Comprehensive Income and Expenditure Statement	52,000	<b>52,000</b>	0	0	(52,000)	<b>(52,000)</b>	<b>0</b>
Employer's pensions contributions and direct payments to pensioners payable in the year	(27,000)	<b>(27,000)</b>	0	0	27,000	<b>27,000</b>	<b>0</b>
<b>Other adjustments include:</b>							
Adjustments between the Capital Adjustment Account and the Revaluation Reserve	0	<b>0</b>	(3,072)	3,072	0	<b>0</b>	<b>0</b>
<b>Increase or decrease in the year</b>	<b>96,483</b>	<b>96,483</b>	<b>(3,072)</b>	<b>254,560</b>	<b>(73,000)</b>	<b>178,488</b>	<b>274,971</b>
<b>Balance at 31<sup>st</sup> March 2015</b>	<b>1,479,506</b>	<b>1,479,506</b>	<b>76,793</b>	<b>972,644</b>	<b>(420,000)</b>	<b>629,437</b>	<b>2,108,943</b>

## Comprehensive Income and Expenditure Statement for the year ended 31<sup>st</sup> March 2015

2013/14 £		2014/15 £	Note
	<b>Expenditure</b>		
231,554	Employees	227,200	2.0
131,522	Premises	115,564	3.0
3,634	Transport	1,106	4.0
168,926	Supplies and Services	156,851	5.0
28,187	Depreciation and Impairment	26,268	10.0
<b>563,823</b>		<b>526,989</b>	
	<b>Income</b>		
(774,955)	Fees and Charges	(860,368)	6.0
<b>(211,132)</b>	<b>Net Cost of Services</b>	<b>(333,379)</b>	
	<b>Financing and Investment Income and Expenditure</b>		
(3,559)	Interest Receivable and Similar Income	(3,592)	
21,000	Net Interest on Net Defined Liability	14,000	15.2
<b>17,441</b>		<b>10,408</b>	
<b>(193,691)</b>	<b>(Surplus)/Deficit on the Provision of Services</b>	<b>(322,971)</b>	
0	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment Assets	0	
(196,000)	Actuarial (Gains) or Losses on Pension Assets & Liabilities	48,000	15.2
<b>(196,000)</b>	<b>Other Comprehensive Income and Expenditure</b>	<b>48,000</b>	
<b>(389,691)</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>(274,971)</b>	

### Balance Sheet at 31<sup>st</sup> March 2015

31/03/14 £		31/03/15 £	Note
	<b>Long-Term Assets</b>		
766,136	Property, Plant & Equipment:	742,554	10.0
7,346	Other Land & Buildings	4,660	10.0
	Vehicles, Plant, Furniture & Equipment		
24,467	Assets Under Construction	302,223	10.0
797,949		1,049,437	
	<b>Current Assets</b>		
7,427	Inventories	5,786	11.0
0	Investments	0	
1,429,741	Debtors	1,506,515	12.0
1,437,168	<b>Total Current Assets</b>	1,512,301	
(54,145)	<b>Current Liabilities</b>		
	Creditors	(32,795)	13.0
1,383,023	<b>Net Current Assets</b>	1,479,506	
2,180,972	<b>Total Assets Less Current Liabilities</b>	2,528,943	
(347,000)	<b>Long-Term Liabilities</b>		
	Defined Benefit Pension Scheme Liability	(420,000)	15.5
1,833,972	<b>Net Assets</b>	2,108,943	
	<b>Represented by:</b>		
	<b>Usable Reserves</b>		
1,383,023	General Fund Balances	1,479,506	14.1
	<b>Unusable Reserves</b>		
79,865	Revaluation Reserve	76,793	14.3
718,084	Capital Adjustment Account	972,644	14.4
(347,000)	Pensions Reserve	(420,000)	14.2
1,833,972		2,108,943	

## Cash Flow Statement for the year ended 31<sup>st</sup> March 2015

2013/14 £		2014/15 £
	<b>Operating Activities</b>	
	Cash Outflows	
(217,554)	Cash Paid to and on Behalf of Employees	(216,200)
(275,602)	Other Operating Cash Payments	(293,231)
(493,156)	Cash Outflows generated from Operating Activities	(509,431)
	Cash Inflows	
839,908	Cash Received for Goods & Services	838,754
3,559	Interest Received	3,592
843,467	Cash Inflows generated from Operating Activities	842,346
<b>350,311</b>	<b>Net Cash Flow from Operating Activities</b>	<b>332,915</b>
	<b>Investing Activities</b>	
	Cash Outflows	
(13,848)	Purchase of Fixed Assets	(277,756)
	Cash Inflows	
0	Other Capital Cash Receipts	
<b>(13,848)</b>	<b>Net Cash Flow from Investing Activities</b>	<b>(277,756)</b>
<b>336,463</b>	<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>55,159</b>
	<b>Analysis of Changes in Cash and Cash Equivalents</b>	
342,223	Balance as at 1 <sup>st</sup> April 2014	1,383,063
704,377	Allocation of RCT Debtor as cash equivalent	
336,463	Net Cash Inflows/(Outflows)	55,159
<b>1,383,063</b>	<b>Balance as at 31<sup>st</sup> March 2015</b>	<b>1,438,222</b>

*All cash transactions are administered by Rhondda Cynon Taf CBC as Llwydcoed Crematorium does not operate its own bank account.*



## Notes to the Core Financial Statements

### 1.0 Accounting Policies

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 based on International Financial Reporting Standards (IFRS) and the Service Reporting Code of Practice for Local Authorities 2014/15.

#### 1.1 Accruals of Expenditure and Income

The accounts of the Joint Committee have been prepared on an accrual of income and expenditure basis in accordance with the Code of Practice on Local Authority Accounting. This ensures activity is accounted for in the year that it takes place not when cash payments are made or received.

Revenue from the sale of goods or services is recognised when the Joint Committee transfers the significant risks and rewards of goods or provides the services to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Joint Committee.

Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date material supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure in the Comprehensive Income and Expenditure Statement on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows determined by the contract.

#### 1.2 Cash and Cash Equivalents

Cash and Cash Equivalents are sums of money available for immediate use by the Joint Committee. Such items are deemed to be cash balances held in the Joint Committee's bank accounts, any overdrawn bank balance, petty cash balances and balances held by the host authority in lieu of cash.

Short term investments are not deemed to be cash and cash equivalents as these are not readily available without incurring penalties.

### **1.3 Inventories**

Inventories of stock are measured at the lower of cost and net realisable value. When such inventories are sold, exchanged or distributed, the carrying amount shall be recognised as an expense when the income (if any) is recognised.

### **1.4 Value Added Tax**

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to Her Majesty's Revenue and Customs and all VAT paid is recoverable from them.

### **1.5 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.

#### **Recognition**

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 Joint Committee and the cost of the item can be measured reliably.

#### **Measurement**

Assets are initially measured at cost, comprising;

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Joint Committee). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Joint Committee.

Tangible Long Term assets are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institute of Chartered Surveyors (RICS). Property, Plant and Equipment assets are generally valued on the basis of existing use value (EUV), (fair value).

Land and buildings (excluding the cremators) are revalued at five-yearly intervals, with the latest valuation being March 2013. The method used for land and buildings revaluations is “discounted replacement cost”.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1<sup>st</sup> April 2007 only, the date of its formal implementation to comply with the Code of Practice on Local Authority Accounting requirements introduced in 2007. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### **Impairment**

Assets are assessed throughout the year as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

## **Depreciation**

Depreciation is charged on a straight-line basis on most property, plant and equipment. All asset lives have been identified on an individual basis.

Exceptions are made for;

- heritage assets;
- assets without a determinable finite useful life such as freehold land;
- assets that are not yet available for use (i.e. assets under construction, and assets held for sale).

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Depreciation is calculated in the year of acquisition and not in the year of disposal.

## **1.6 Reserves**

The Joint Committee sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year. To ensure this isn't a charge against General Fund Balance, the expenditure is funded via an adjustment in the Movement in Reserves Statement.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Joint Committee.

## **1.7 Income**

Income is credited to the year of account to which it relates, regardless of when that income was actually received.

## **1.8 Retirement Benefits**

IAS19 requires the Joint Committee to recognise the annual increase in employees' entitlements to retirement benefits within the revenue cost of services, rather than the employer's contributions paid during the year, based on the calculations of an actuary.

This change had the following effect in 2014/15:

- Employer contributions of £27,000 (£33,000 in 2013/14) have been removed from the 'Net Cost of Services' and been replaced with £37,000 (£47,000 in 2013/14) annual service costs and £1,000 (£0 in 2013/14) past service costs.
- In addition, the net effect of interest due on Pension Fund future liabilities and return on assets results in additional costs of £14,000 (£21,000 in 2013/14).
- The overall effect is a £52,000 charge (£68,000 charge in 2013/14) in the Comprehensive Income and Expenditure Statement, which is matched by a contribution from the Pension Fund Reserve.

Please refer to note 15.0 for further details.

## **1.9 Cost of Support Services**

The cost of overheads and support services have been allocated to service areas (in accordance with SERCOP) based on a projected out-turn basis.

## **1.10 Employee Benefits**

All costs relating to employee benefits are accounted for on an accruals basis.

## **1.11 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty**

This 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 assets and liabilities cannot always be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Joint Committee's Balance Sheet at 31<sup>st</sup> March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

## Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. AON Hewitt is engaged to provide the Joint Committee with advice about the assumptions to be applied.

### 1.12 Property, Plant and Equipment

External valuers undertake formal valuations within a maximum of a 5 year rolling programme to ensure that assets in the Balance Sheet are represented at "fair value". Valuations are undertaken in accordance with guidance issued by the Royal Institute of Chartered Surveyors (RICS). Within the computation of the fair value valuation, assumptions are made upon the useful lives of assets which could be subject to change in future years.

## 2.0 Officers' Emoluments and Severance Costs

### 2.1 Officers' Emoluments

	2013/14 £	2014/15 £
Salaries & Wages	217,554	205,389
Severance Costs	0	10,811
IAS 19 adjustments	14,000	11,000
<b>Total</b>	<b>231,554</b>	<b>227,200</b>

The average weekly number of management and operational staff employed during the year was as follows:

Management and Secretarial	4
Cremator Operators/Gardeners	5

In addition to the above, services have also been provided by RCT CBC and the remuneration of the senior staff involved is shown in RCT CBC's Statement of Accounts.

Under the Accounts and Audit (Wales) Regulations 2014, the Joint Committee must disclose in their accounts the number of employees whose remuneration in the year fell in each bracket of a scale in multiples of £5,000 commencing at £60,000 (excluding pension contributions). The disclosure includes redundancy payments.

No Llwydcoed Crematorium employee's remuneration for the financial year to the 31<sup>st</sup> March 2015 exceeded £60,000.

## 2.2 Severance Costs

This note provides details of the cost of severance to Llwydcoed Crematorium in respect of employees who have left the employment of Llwydcoed Crematorium during the financial year (costs do not reflect payments made to individuals). All costs incurred are in line with Llwydcoed Crematorium's relevant and applicable schemes of termination and as required under relevant Pension Fund Regulations where applicable, with each decision being based upon and supported by a business case.

During 2014/15, the cost to Llwydcoed Crematorium of terminating employee contracts amounted to £11k with a reduction in annual payroll costs of £23k. There were no redundancies in 2013/14.

## 3.0 Premises Costs

	2013/14 £	2014/15 £
Repair and Maintenance	61,404	45,382
Electricity and Gas	43,388	44,238
Cleaning Materials	935	1,388
Fixtures and Fittings	2,117	658
Rates and Water Charges	18,214	18,270
Premises Insurance	5,464	5,628
<b>Total</b>	<b>131,522</b>	<b>115,564</b>

## 4.0 Transport

	2013/14 £	2014/15 £
Plant and Vehicles	2,151	572
Car Allowances	1,483	534
<b>Total</b>	<b>3,634</b>	<b>1,106</b>

**5.0 Supplies and Services**

	<b>2013/14</b>	<b>2014/15</b>
	<b>£</b>	<b>£</b>
Urns and Caskets	6,227	3,970
Book of Remembrance	1,551	1,635
Memorial Plaques	11,308	11,891
Establishment Expenses	22,187	25,654
Analyst Fees	6,107	2,331
Audit Fees	6,924	7,000
Consultants Fees	1,432	1,193
Subscriptions	796	210
Clothing	1,472	883
Training General	375	0
Employer's Liability & Public Liability Insurance	915	359
Maintenance of Equipment	6,485	7,420
Medical Expenses	21,395	24,403
Other Hired Services	20,040	21,390
CAMEO Environmental Surcharge	31,546	32,919
IT Costs	24,556	9,135
Miscellaneous	5,610	6,458
<b>Total</b>	<b>168,926</b>	<b>156,851</b>

**6.0 Receipts/Fees**

	<b>2013/14</b>	<b>2014/15</b>
	<b>£</b>	<b>£</b>
Caskets and Urns	7,628	7,814
Memorial Plaques	29,128	25,959
Cremation Fees	735,485	823,160
Inscriptions in Book of Remembrance	2,037	2,624
Miscellaneous	677	811
<b>Total</b>	<b>774,955</b>	<b>860,368</b>

**7.0 Related Party Transactions**

In accordance with IAS 24, the Joint Committee has a duty to disclose any material transactions with a "related party". This is to ensure that financial statements contain disclosures necessary to draw attention to the possibility that the reported financial position and results may have been affected by the existence of related parties and by material transactions with them.

Llwydcoed Crematorium is subject to the control of a Joint Committee of Members from Rhondda Cynon Taf CBC and Merthyr Tydfil CBC. The Host Authority holds cash balances of £1,438,222 relating to the Crematorium as at 31<sup>st</sup> March 2015. The Council paid interest of £3,592 on these balances during the year. During 2014/15, the Council charged Llwydcoed Crematorium £25,654 (£22,187 in 2013/14) in respect of central establishment charges. Please refer to note 1.9.



Details of Officers' emoluments are provided in the Core Financial Statements note 2.0. There are no Chief Officer related party transactions in 2014/15.

## 8.0 Audit Fees

	2013/14 £	2014/15 £
Wales Audit Office Fees Relating to External Audit and Inspection	6,924	7,000

## 9.0 Leases

There are no rentals payable in respect of operating leases in 2014/15.

## 10.0 Movements in Long Term Assets

	Other Land & Buildings £	Vehicles, Plant, & Equipment £	Assets Under Construction £	Total £
<b>Cost or Valuation</b>				
As at 1 <sup>st</sup> April 2014	813,300	308,037	24,467	1,145,804
Additions	0	0	277,756	277,756
Revaluation Increases / (Decreases) Recognised in the Revaluation Reserve	0	0	0	0
Revaluation Increases / (Decreases) Recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0
Impairments	0	0	0	0
<b>As at 31<sup>st</sup> March 2015</b>	<b>813,300</b>	<b>308,037</b>	<b>302,223</b>	<b>1,423,560</b>
<b>Accumulated Depreciation &amp; Impairment</b>				
As at 1 <sup>st</sup> April 2014	(47,164)	(300,691)	0	(347,855)
Charge for 2014/15	(23,582)	(2,686)	0	(26,268)
Revaluation	0	0	0	0
Depreciation/Impairment				
<b>As at 31<sup>st</sup> March 2015</b>	<b>(70,746)</b>	<b>(303,377)</b>	<b>0</b>	<b>(374,123)</b>
<b>Net Book Value at 31<sup>st</sup> March 2015</b>	<b>742,554</b>	<b>4,660</b>	<b>302,223</b>	<b>1,049,437</b>
<b>Net Book Value at 31<sup>st</sup> March 2014</b>	<b>766,136</b>	<b>7,346</b>	<b>24,467</b>	<b>797,949</b>

Expenditure of a capital nature is charged to the Comprehensive Income and Expenditure Account if cost is less than £3,000. The value of all buildings, plant, machinery and equipment is based on a written down value after taking account of the assets remaining life and estimated cost of replacement.

At 31<sup>st</sup> March 2015 Llwydcoed Crematorium has entered into a contract for the acquisition of two new cremators, budgeted to cost £1.3m with commitments of £1.1m.

### 11.0 Inventories

Inventories consist of urns, caskets, scatter tubes, flower containers and concrete blocks.

### 12.0 Debtors

31/03/14 £		31/03/15 £
1,383,063	Cash held at RCT bank account	1,438,222
46,678	Other Entities and Individuals	68,293
<b>1,429,741</b>	<b>Total</b>	<b>1,506,515</b>

### 13.0 Creditors

31/03/14 £		31/03/15 £
54,145	Other Entities and Individuals	32,795
<b>54,145</b>	<b>Total</b>	<b>32,795</b>

### 14.0 Movement on Reserves

	Balance B/Fwd £	(Gains)/ Losses for the Year £	Balance C/Fwd £
General Fund Balance	1,383,023	96,483	1,479,506
Revaluation Reserve	79,865	(3,072)	76,793
Capital Adjustment Account	718,084	254,560	972,644
Pensions Reserve	(347,000)	(73,000)	(420,000)
<b>Total</b>	<b>1,833,972</b>	<b>274,971</b>	<b>2,108,943</b>

### 14.1 General Fund

The General Fund is a distributable revenue reserve, which consists of the accumulated surpluses of the Crematorium's operations.

This can be apportioned between Cynon Valley and Merthyr Tydfil CBC in the ratio of respective populations (2011 Census Data) as follows:

	<b>Merthyr Tydfil</b>	<b>Cynon Valley</b>	<b>Total</b>
Relevant Population	58,802	63,238	122,040
Balance at 1 <sup>st</sup> April 2014	658,702	724,321	1,383,023
(Surplus)/Loss for the Year	46,488	49,995	96,483
<b>Balance at 31<sup>st</sup> March 2015</b>	<b>705,190</b>	<b>774,316</b>	<b>1,479,506</b>

### 14.2 Pension Reserve

The Pension Reserve is the balancing account to offset the inclusion of Pension Liability in the Balance Sheet as required by IAS 19 "Employee Benefits". See note 15.0 for further information.

### 14.3 Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are;

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation;
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1<sup>st</sup> April 2007, the date of its formal implementation to comply with the Code of Practice on Local Authority Accounting requirements introduced in 2007. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2013/14			2014/15	
£	£		£	£
	<b>82,937</b>	<b>Balance at 1<sup>st</sup> April</b>		<b>79,865</b>
0		Upward revaluation of assets	0	
	<b>0</b>	<b>Surplus or Deficit on revaluation of Non-Current Assets not posted to the Surplus or Deficit on the Provision of Services</b>		<b>0</b>
(3,072)		Difference between Fair Value Depreciation and Historical Cost Depreciation	(3,072)	
	<b>(3,072)</b>	<b>Amount written off to the Capital Adjustment Account</b>		<b>(3,072)</b>
	<b>79,865</b>	<b>Balance at 31<sup>st</sup> March</b>		<b>76,793</b>

#### **14.4 Capital Adjustment Account**

The Capital Adjustment Account represents the difference between the cost of fixed assets used by the Joint Committee and the capital financing set-aside to pay for them.

<b>2013/14</b> <b>£</b>		<b>2014/15</b> <b>£</b>
729,351	Balance at 1 <sup>st</sup> April	718,084
(28,187)	Depreciation & Impairment	(26,268)
3,072	Adjusted items written out of the Revaluation Reserve	3,072
13,848	Capital Expenditure financed from General Fund Balances	277,756
<b>718,084</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>972,644</b>

#### **15.0 Retirement Benefits – Defined Benefit Schemes**

##### **15.1 Participation**

As part of their terms and conditions, the employees of Llwydcoed Crematorium are offered retirement benefits by the Joint Committee. Although these benefits will not be payable until retirement, the Joint Committee has a commitment to make these payments. The liability for these payments needs to be accounted for at the time future entitlement is earned.

The employees contribute towards the Local Government Pension Scheme (LGPS) administered by Rhondda Cynon Taf CBC. The LGPS is a funded defined benefit final salary scheme, meaning that the Joint Committee and participants pay contributions into the fund calculated at a level intended to balance the pensions liabilities with investment assets. The pension costs that are charged to the Joint Committees' accounts are defined by IAS 19 "Employee Benefits".

##### **15.2 Transactions Relating to Post-Employment Benefits**

The cost of retirement benefits is recognised in the Comprehensive Income and Expenditure Statement when earned by employees, rather than when benefits are actually paid as pensions. However, the charge required to be made to the Comprehensive Income and Expenditure Account is based on the cash payable in the year. The cost of retirement benefits is reversed out in the Movement in Reserves Statement. The following transactions have been posted in the year:

<b>Comprehensive Income and Expenditure Statement</b>	<b>2013/14 £</b>	<b>2014/15 £</b>
Cost of Services:		
Current Service Cost	47,000	37,000
Past Service Cost	0	1,000
Financing and Investment Income and Expenditure:		
Net Interest Expense	21,000	14,000
<b>Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>68,000</b>	<b>52,000</b>
Remeasurement of the Net Defined Liability comprising:		
Return on Plan Assets (excluding the amount included in the Net Interest Expense)	11,000	(104,000)
Actuarial (Gains) and Losses Arising on Liabilities - Demographic Assumptions	(25,000)	0
Actuarial (Gains) and Losses Arising on Liabilities - Financial Assumptions	(133,000)	157,000
Actuarial (Gains) and Losses Arising on Liabilities - Experience	(49,000)	(5,000)
<b>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>(128,000)</b>	<b>100,000</b>
<b>Movement in Reserves Statement</b>		
Reversal of Net charges made to the Surplus or Deficit for the Provision of Services for Post Employment Benefits in accordance with the code	(68,000)	(52,000)
<b>Actual amount charged against the General Fund Balance for Pensions in the year:</b>		
Employers' Contributions Payable to Scheme	33,000	27,000

### **15.3 Reconciliation of Present Value of the Scheme Liabilities**

	<b>2013/14 £</b>	<b>2014/15 £</b>
Brought Forward as at 1 <sup>st</sup> April	1,501,000	1,387,000
Current Service Cost	47,000	37,000
Past Service Cost		1,000
Interest Cost on Defined Obligation	64,000	57,000
Contributions by Scheme Participants	11,000	9,000
Remeasurement (Gains) and Losses:		
Actuarial (Gains) and Losses Arising on Liabilities - Demographic Assumptions	(25,000)	0
Actuarial (Gains) and Losses Arising on Liabilities - Financial Assumptions	(133,000)	157,000
Actuarial (Gains) and Losses Arising on Liabilities - Experience	(49,000)	(5,000)
Benefits Paid	(29,000)	(127,000)
Past Service Costs	0	
<b>Carried Forward as at 31<sup>st</sup> March</b>	<b>1,387,000</b>	<b>1,516,000</b>

**15.4 Reconciliation of Fair Value of the Scheme Assets**

	<b>2013/14</b> £	<b>2014/15</b> £
Brought Forward as at 1 <sup>st</sup> April	993,000	1,040,000
Interest Income	43,000	43,000
Remeasurement (Gains) and Losses:		
The Return on Plan Assets, Excluding the Amount Included in the Net Interest Expense	(11,000)	104,000
Employer Contributions	33,000	27,000
Contributions by Scheme Participants	11,000	9,000
Benefits Paid	(29,000)	(127,000)
<b>Carried Forward as at 31<sup>st</sup> March</b>	<b>1,040,000</b>	<b>1,096,000</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was a gain of £147,000 (2013/14: £32,000 gain).

**15.5 Scheme History**

	<b>2010/11</b> £'000	<b>2011/12</b> £'000	<b>2012/13</b> £'000	<b>2013/14</b> £'000	<b>2014/15</b> £'000
Present Value of the Defined Obligation	(1,116)	(1,308)	(1,501)	(1,387)	(1,516)
Fair Value of Plan Assets	810	842	993	1,040	1,096
<b>Surplus/(Deficit)</b>	<b>(306)</b>	<b>(466)</b>	<b>(508)</b>	<b>(347)</b>	<b>(420)</b>

The liabilities show the underlying commitments that the Joint Committee has in the long run to pay retirement benefits. The total liability of £420,000 has a substantial impact on the net worth of the Joint Committee as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the Joint Committee remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Joint Committee in the year to 31<sup>st</sup> March 2016 is £32,000.

## 15.6 Local Government Pension Scheme Assets

Local Government Pension Scheme Assets (full scheme not Llwydcoed Crematoriums' element) are comprised as follows:

	Fair Value of Scheme Assets	
	2013/14	2014/15
	£'000	£'000
UK Equities	462,816	500,938
Overseas Equities	1,112,695	1,147,728
UK Fixed Interest Gilts	176,791	208,144
UK Index Linked Gilts	13,111	0
UK Corporate Bonds	240,655	242,101
Overseas Government Bonds	0	22,526
Overseas Corporate Bonds	18,378	37,577
Property	130,201	134,011
Cash and net current assets	65,050	95,942
<b>Total</b>	<b>2,219,697</b>	<b>2,388,967</b>

## 15.7 Basis for Estimating Assets & Liabilities

The Rhondda Cynon Taf Pension Fund employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles.

Liabilities have been estimated on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Council Fund liabilities have been assessed by AON Hewitt, an independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the scheme as at 31<sup>st</sup> March 2013.

The principal assumptions used by the actuary have been:

	31/03/14	31/03/15
Mortality Assumptions:		
Longevity at 65 for:		
Men	22.9	23.0
Women	25.8	25.9
RPI Inflation	3.3%	2.9%
CPI Inflation	2.3%	1.8%
Rate of Increase in Salaries	3.8%	3.3%
Rate of Increase in Pensions	2.3%	1.8%
Discount Rate	4.3%	3.2%
Take-up of Option to Convert Annual Pension into Retirement Lump Sum:		
Post-2010 Service	-	
Pre-2010 Service	-	
Post-2008 Service	75%	75%
Pre-2008 Service	75%	75%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period:

	<b>Increase in Assumption</b> £	<b>Decrease in Assumption</b> £
Longevity (Increase or Decrease in 1 Year)	1,555,000	1,477,000
Rate of Increase in Salaries	1,524,000	1,508,000
Rate of Increase in Pensions	1,535,000	1,497,000
Rate for Discounting Scheme Liabilities	1,491,000	1,541,000

### **15.8 Impact on the Joint Committee's Cash Flows**

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 25 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31<sup>st</sup> March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31<sup>st</sup> March 2014 (or service after 31<sup>st</sup> March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Joint Committee anticipated to pay £32,000 expected contributions to the scheme in 2015/16.

The weighted average duration of the defined benefit obligation for scheme members is 16.5 years, which is based on the date of the last full actuarial valuation on 31<sup>st</sup> March 2013.



**16.0 Events after the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Joint Committee on 26<sup>th</sup> June 2015. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provide information about conditions existing at 31<sup>st</sup> March 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. There are no events that took place after 31<sup>st</sup> March 2015 requiring disclosure providing information that is relevant to an understanding of Llwydcoed Crematorium's financial position.

**17.0 Reconciliation of (Surplus) / Deficit on the Provision of Services to Net Cashflow from Operating Activities**

2013/14 £		2014/15 £
(193,691)	(Surplus) / Deficit on Provision of Services	(322,971)
(28,187)	Depreciation	(26,268)
0	Impairment	0
(32,256)	(Increase)/Decrease in Creditors	21,350
(64,954)	Increase/(Decrease) in Debtors	21,615
3,777	Increase/(Decrease) in Inventories	(1,641)
(35,000)	IAS 19 Transactions	(25,000)
<b>(350,311)</b>	<b>Cash (Inflow)/Outflow from Operating Activities</b>	<b>(332,915)</b>

## LLYWDCOED CREMATORIUM

### ANNUAL GOVERNANCE STATEMENT

<b>1.</b>	<b>Scope of Responsibility</b>
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- 1.1 Llwydcoed Crematorium is managed and administered by the Llwydcoed Crematorium Joint Committee, under powers conferred by the Local Government (Wales) Act 1994. The Joint Committee is made up of nine members; five from Rhondda Cynon Taf CBC County Borough Council and four from Merthyr Tydfil CBC County Borough Council. Rhondda Cynon Taf CBC County Borough Council became the Host Authority for the Joint Committee in 1996, taking over from the Urban District of Aberdare and the County Borough of Merthyr Tydfil.
- 1.2 In discharging its overall responsibility, the Joint Committee is responsible for putting in place proper governance arrangements.
- 1.3 Rhondda Cynon Taf County Borough Council is responsible for ensuring that its business and that of the Joint Committee, for which it has administrative responsibility, is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and is used economically, efficiently and effectively.
- 1.4 Rhondda Cynon Taf County Borough Council and Llwydcoed Crematorium have several policies and processes that are consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'.
- 1.5 This Annual Governance Statement explains how Llwydcoed Crematorium has complied with the various elements of 'The Framework'.

<b>2.</b>	<b>The Purpose of the Governance Framework</b>
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- 2.1 The governance framework comprises the systems, processes, and cultural values, by which an organisation is directed and controlled. It enables an organisation to monitor the achievement of its objectives and to consider whether those objectives have led to the delivery of appropriate services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risks to the achievement of objectives so can therefore only provide reasonable and not absolute assurance of effectiveness.

- 2.3 The system of internal control is an ongoing process designed to identify and prioritise the risks to the achievement of aims and objectives, to evaluate the likelihood and impact of those risks materialising, and to manage them efficiently, effectively and economically.
- 2.4 The following paragraphs summarise the overall governance framework and the system of internal control, which has been in place for Llwydcoed Crematorium for the year ended 31<sup>st</sup> March 2015.

<b>3.</b>	<b>The Governance Framework</b>
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- 3.1 The CIPFA/SOLACE governance framework sets out six fundamental principles of corporate governance:
- Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area.
  - Members and Officers working together to achieve a common purpose with clearly defined functions and roles.
  - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
  - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
  - Developing the capacity and capability of Members and Officers to be effective.
  - Engaging with local people and other stakeholders to ensure robust public accountability.
- 3.2 This Governance Statement has used these principles to demonstrate how the overall governance arrangements at Llwydcoed Crematorium during 2014/15 were deemed to be satisfactory. The Governance Statement does not document policies, procedures and working practices under each of the six principles, but instead provides an overview of the governance and internal control processes and systems.
- 3.3 **Rhondda Cynon Taf County Borough Council's Constitution**  
The Constitution of Rhondda Cynon Taf County Borough Council, which has the financial stewardship of the Joint Committee, allocates functions and responsibility within the Authority. It also regulates the behaviour of individuals (Members & Officers) and groups through codes of conduct, protocols and rules of procedures.
- 3.4 **Joint Committee's Constitution**  
Llwydcoed Crematorium operates under a Memorandum of Agreement between the former County Borough of Merthyr Tydfil and the former Urban District Council of Aberdare, signed on 31<sup>st</sup> May 1969. Although these organisations have been superseded by Rhondda Cynon Taf County Borough Council and Merthyr Tydfil County Borough Council,

the constitution of the committee has remained largely unchanged; the two Councils taking on the responsibilities of their predecessors.

3.5 The Memorandum of Agreement covers the constitution of a committee, the “Llwydcoed Crematorium Joint Committee”, which has the overall responsibility for the operation, management and finance of the Crematorium. Both Councils have delegated their functions as Burial Authorities to the Joint Committee.

3.6 The Joint Committee’s Constitution sets out how the Committee operates, how decisions are made and the procedures which are followed. The Joint Committee has adopted the Financial Procedure Rules and Contract Procedure Rules of Rhondda Cynon Taf County Borough Council.

### 3.7 **Officer & Member Conduct**

All Officers at Llwydcoed Crematorium are subject to Rhondda Cynon Taf County Borough Council’s Terms and Conditions of Employment.

3.8 The Council takes fraud, corruption and maladministration very seriously and has the following policies, which aim to prevent or deal with such occurrences:

- Financial Procedure Rules.
- Contract Procedure Rules.
- Anti-Fraud, Bribery and Corruption Policy & Procedure.
- Whistleblowing Policy.
- Human Resources policies and procedures.

*NOTE: All of the above policies apply to staff working at the Llwydcoed Crematorium.*

3.9 Members of the Joint Committee are governed by the Code of Conduct of their relevant Council.

3.10 The Public Service Ombudsman and the relevant Councils’ Standards Committee investigate allegations of misconduct by Members and monitor the conduct of Members.

### 3.11 **Financial Management**

Section 4(ii) of the Joint Committee’s Constitution requires the Committee to hold regular meetings throughout the year. The Joint Committee has determined to hold quarterly meetings. Standard agenda items include a report from the Treasurer to the Crematorium and also a performance/statistical report.

3.12 The Rhondda Cynon Taf County Borough Council’s Financial Procedure Rules provide clear guidance in relation to all financial matters. As stated, the Joint Committee has adopted Rhondda Cynon Taf’s Financial Procedure Rules and Contract Procedure Rules.

3.13 The Wales Audit Office audits Llwydcoed Crematorium's annual Statement of Accounts, the report of which is presented to the Joint Committee.

**3.14 Roles & Responsibilities – Members & Officers**

The Joint Committee has overall responsibility for the provision and maintenance of the crematorium. In discharging its responsibility the Joint Committee:

- Receives information regarding the performance of the Crematorium, including statistics on services provided, financial statements and any proposals for major capital schemes / investment and direct the Bereavement Services Manager and Registrar accordingly.
- Determines the fees & charges for services provided following receipt of a report and recommendation from the Bereavement Services Manager and Registrar.
- Receives any audit reports and recommendations contained therein and instruct the Bereavement Services Manager accordingly.
- Receives an annual report on service complaints, comments and feedback and instruct the Bereavement Services Manager accordingly.
- Is consulted on any significant policy or procedural change that materially affects the provision of services at the Crematorium.

3.15 In order to strengthen further the internal control environment in place at the Crematorium, in March 2012 the Joint Committee approved a scheme of delegation for the Bereavement Services Manager and Registrar. There is a clear and transparent record of roles and responsibilities at the Crematorium.

**3.16 Scrutiny**

The terms of reference of the Llwydcoed Crematorium Joint Committee are set out in the Crematorium's Constitution. The Joint Committee comprises of five members from Rhondda Cynon Taf County Borough Council and four Members of Merthyr Tydfil County Borough Council.

3.17 The Crematorium's financial and operational performance is monitored and scrutinised by the Joint Committee. The Joint Committee receives quarterly reports from:

- The Treasurer to the Crematorium, and;
- The Bereavement Services Manager and Registrar.

In addition to these regular reports, the Joint Committee also receives ad-hoc reports relevant to the operation of the Service.

## Review of Effectiveness

- 4.1 Rhondda Cynon Taf County Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The requirement to undertake an annual review also extends to Joint Ventures where the Council has lead responsibility.
- 4.2 **Reports of the Bereavement Services Manager and Registrar**  
Regular 'Bereavement Services Manager and Registrar' reports were provided to the Joint Committee during 2014/2015 providing Members of the Committee with updates on performance and statistical information.
- 4.3 In addition to these 'standard' agenda items, items specific to the operational running of the site were also reported to the Joint Committee throughout the year.
- 4.4 **Financial Management**  
During 2014/2015 the Joint Committee received regular finance reports from the Treasurer to Llwydcoed Crematorium.
- 4.5 During 2014/2015 the role of the Chief Financial Officer at Rhondda Cynon Taf County Borough Council was compliant with the principles of the CIPFA Statement – Role of the Chief Financial Officer in Local Government 2010.
- 4.6 **Llwydcoed Crematorium Joint Committee**  
During 2014/2015 the Joint Committee received regular finance reports from the Treasurer to Llwydcoed Crematorium, and in addition to this, received regular performance reports from the Bereavement Services Manager and Registrar. The Committee also received reports relevant to the service being provided at the Crematorium.
- Internal Audit**
- 4.7 During August 2014 Internal Audit undertook an internal audit review of the Llwydcoed Crematorium and concluded that the overall control environment in place was effective with opportunity for improvement. No high priority recommendations were made.
- External Audit**
- 4.8 In September 2014 the External Auditor Wales Audit Office issued an unqualified Auditor's Report on the financial statements and related notes of Llwydcoed Crematorium for the 2013/14 Statement of Accounts.

### Significant Governance Issues

In 2004 the Department of Environment, Food and Rural Affairs (DEFRA) issued a directive PG 5/2 (04) which stated that by 31<sup>st</sup> December, 2012 – 50% of all cremations in the UK must be treated to ensure the removal of a range of identified toxic elements, typically emitted from the main Crematorium flue (including mercury, various dioxins, fumes and hydrogen chloride).

In order to achieve this crematoria are required to install abatement equipment. Furthermore, as the cremators at Llwydcoed Crematorium are reaching the end of their working life, replacements are essential. This work will have commenced by the time the statements are signed.

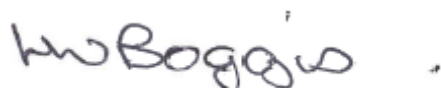
It will not be possible to undertake these works without an element of disruption. Plans are in place to manage the impact of the planned works through a programme of partial closure, which will be communicated to stakeholders, in a timely and transparent manner. This aims to ensure the smooth continuation of operations at the Crematorium, together with minimum disruption to the bereaved and those using the facility.

Managing the installation of the new cremators and also the impact these works will have on service users is considered to be a significant governance issue for the Llwydcoed Crematorium during 2015/16.

### Certification of Annual Governance Statement

The overall governance arrangements at Llwydcoed Crematorium for the financial year 2014/15 are considered to be satisfactory.

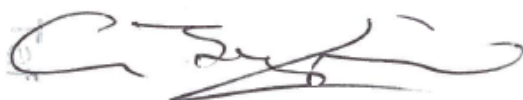
Chairperson of the Joint Committee



1-6-2015

Date:.....

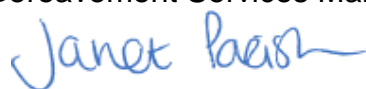
Group Director Community & Children's Services



08-06-2015

Date:.....

Bereavement Services Manager



1-6-2015.

Date:.....



## **Independent Auditor's Report to the Members of Llwydcoed Crematorium Joint Committee**

I have audited the accounting statements and related notes of Llwydcoed Crematorium Joint Committee for the year ended 31 March 2015 under the Public Audit (Wales) Act 2004. Llwydcoed Crematorium Joint Committee's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet and the Cash Flow Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 based on International Financial Reporting Standards (IFRSs).

### **Respective responsibilities of the responsible financial officer and the independent auditor**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, set out on pages 6 to 7, the responsible financial officer is responsible for the preparation of the statement of accounts, which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the accounting statements**

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Llwydcoed Crematorium Joint Committee's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited accounting statements and related notes and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

**Opinion on the accounting statements of Llwydcoed Crematorium Joint Committee**

In my opinion the accounting statements and related notes;

- give a true and fair view of the financial position of Llwydcoed Crematorium Joint Committee as at 31<sup>st</sup> March 2015 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

**Opinion on other matters**

In my opinion, the information contained in the Explanatory Foreword is consistent with the accounting statements and related notes.

**Matters on which I report by exception**

I have nothing to report in respect of the following matter, which I report to you, if, in my opinion the Governance Statement contains material misstatements of fact or is inconsistent with other information I am aware of from my audit.

**Certificate of completion of audit**

I certify that I have completed the audit of the accounts of Llwydcoed Crematorium Joint Committee in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

**Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Anthony Barrett on behalf of the Auditor General for Wales**  
**Wales Audit Office**  
24 Cathedral Road  
Cardiff  
CF11 9LJ

## APPENDIX 2

Date/Dyddiad:  
25<sup>th</sup> September 2015

Please ask for/Gofynnwch am:  
**Barrie Davies**  
(01443) 680559

Huw Vaughan Thomas  
Auditor General for Wales  
Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

Dear Huw,

### **Representations regarding the 2014/15 Llwydcoed Crematorium Joint Committee Financial Statements**

This letter is provided in connection with your audit of the financial statements of Llwydcoed Crematorium for the year ended 31<sup>st</sup> March 2015 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

### **Management Representations**

#### **Responsibilities:**

We have fulfilled our responsibilities for the preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15; in particular the financial statements give a true and fair view in accordance therewith.

We have fulfilled our responsibilities for the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

## **Information Provided:**

We have provided you with:

- Full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
  - additional information that you have requested from us for the purpose of the audit; and
  - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- our knowledge of fraud or suspected fraud that we are aware of and that affects the Llwydcoed Crematorium and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.
- our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
- our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements;
- the identity of all related parties and all the related party relationships and transactions of which we are aware.
- Any other matters that the auditor may consider necessary.

## **Financial Statement representations:**

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. All misstatements have been corrected both material and those below materiality thresholds.

## **Representations by Llwydcoed Crematorium Joint Committee:**

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for ensuring that the Council maintains adequate accounting records.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by Llwydcoed Crematorium Joint Committee on 25<sup>th</sup> September 2015.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by

S.151 Officer

Chair of Joint Committee

Date

Date

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Appendix 3					
2015-16					
	Budget	Actual to	Projected	Projected	Comments
	£	Period 5	outturn	variance	
<u>OPERATING EXPENDITURE</u>		£	£	£	
<b><u>Employees</u></b>					
Admin salaries	75,110	29,760	73,627	-1,483	
Technicians wages	79,050	31,025	78,327	-723	
Caretakers / Crematorium Asst / Gatekeepers wages	0	78	78	78	
Agency staff	8,000	0	10,000	2,000	
	<b>162,160</b>	<b>60,863</b>	<b>162,032</b>	<b>-128</b>	
<b><u>Premises</u></b>					
Repair and Maintenance	60,000	13,756	60,000	0	
Gas	39,810	7,774	39,810	0	
Electricity	8,210	-3,101	8,210	0	
NNDR	17,560	17,545	17,545	-15	
Water Charges	1,300	1,002	1,300	0	
Fixtures and Fittings	2,500	0	2,500	0	
Cleaning Materials	800	778	800	0	
General Insurance	5,800	0	5,800	0	
	<b>135,980</b>	<b>37,753</b>	<b>135,965</b>	<b>-15</b>	
<b><u>Transport</u></b>					
Plant and Vehicles	1,500	0	1,500	0	
Car Allowances/Subsistence	1,500	0	1,500	0	
	<b>3,000</b>	<b>0</b>	<b>3,000</b>	<b>0</b>	

	2015-16				Comments
	Budget	Actual to Period 5	Projected outturn	Projected variance	
<b><u>Supplies and Services</u></b>					
Plaques and Memorials	14,000	3,614	14,000	0	
Caskets and Urns	5,000	1,009	5,000	0	
Books of Remembrance	2,000	275	2,000	0	
Hire Of Equipment	7,000	6,681	7,000	0	
Computer Costs	8,500	3,567	7,000	-1,500	
Protective Clothing	1,500	152	1,500	0	
Office expenses	5,500	1,487	5,500	0	
Subscriptions	900	1,373	1,530	630	
Analyst's Fees	6,000	1,133	6,000	0	
Medical Expenses	21,460	8,396	22,755	1,295	1,230 Cremations @ £18.50
Other Hired Services	17,400	7,395	18,450	1,050	1,230 Cremations @ £15
Consultants Fees	2,000	0	2,000	0	
Audit Fees	7,000	-7,000	7,000	0	
Training	500	0	500	0	
Other Miscellaneous Expenses	30,180	-9,579	31,070	890	1,230 Cremations - Mercury abatement
Credit/Debit Card Transaction Charges	500	50	500	0	
Employers liability insurance	1,500	0	1,500	0	
	<b>130,940</b>	<b>18,554</b>	<b>133,305</b>	<b>2,365</b>	
<b><u>Support costs</u></b>					
Central Support costs	56,630	0	56,630	0	
	<b>56,630</b>	<b>0</b>	<b>56,630</b>	<b>0</b>	
<b>Total Operating Expenditure</b>	<b>488,710</b>	<b>117,170</b>	<b>490,932</b>	<b>2,222</b>	



	2015-16				Comments
	Budget	Actual to Period 5	Projected outturn	Projected variance	
<b>OPERATING INCOME</b>					
Caskets and Urns	-7,500	-2,716	-7,500	0	
Plaques and Memorials	-18,000	-6,131	-18,000	0	
Cremation Fees	-726,160	-291,378	-769,980	-43,820	OT 1,230 Cremations / Bud 1,160
Books of Remembrance	-2,000	-558	-2,000	0	
Burial Fees	-56,250	-13,822	-51,750	4,500	
Exhumation Fees	-660	-350	-660	0	
Memorial permits	-8,000	-3,870	-8,000	0	
Vending Sales	-150	0	-150	0	
<b>Total Operating Income</b>	<b>-818,720</b>	<b>-318,825</b>	<b>-858,040</b>	<b>-39,320</b>	
<b>Operating Surplus</b>	<b>-330,010</b>	<b>-201,655</b>	<b>-367,108</b>	<b>-37,098</b>	
Interest on Investments/ Balances	-3,500	0	-3,500	0	
<b>Net contribution to/from reserves</b>	<b>-333,510</b>	<b>-201,655</b>	<b>-370,608</b>	<b>-37,098</b>	
<b>General reserves B/F</b>	<b>1,479,506</b>		<b>1,479,506</b>	<b>0</b>	
Contributions to/ from Revenue	330,010	0	370,608	40,598	
	<b>1,809,516</b>	<b>0</b>	<b>1,850,114</b>	<b>40,598</b>	
Capital expenditure charged to reserves	0	-58,564	-58,564	-58,564	Cremator Project Expenditure
<b>General reserves C/F</b>	<b>1,809,516</b>	<b>-58,564</b>	<b>1,791,550</b>	<b>-17,966</b>	

