

LLWYDCOED CREMATORIUM JOINT COMMITTEE

13th July 2020

REPORT OF THE TREASURER

MATTERS REPORTED FOR DECISION

DRAFT ANNUAL RETURN FOR THE YEAR ENDED 31st MARCH 2020 (SUBJECT TO AUDIT) AND QUARTER 1 BUDGET MONITORING UPDATE 2020/21

1. PURPOSE OF REPORT

- 1.1 This report provides Members with the unaudited Annual Return for the Year Ended 31st March 2020, the Internal Audit Final Report Llwydcoed Crematorium issued 4th December 2019 and the Quarter 1 Budget Monitoring Update 2020/21.

2. RECOMMENDATIONS

- 2.1 It is recommended that:
- Members note the report.
 - Members note the unaudited Annual Return for the year ended 31st March 2020 as presented. (Appendix 1).
 - The Chair of the Joint Committee signs the Approval and Certification section of the Annual Return.
 - Members note and approve the Internal Audit Final Report (Appendix 2).
 - Members note and approve the Quarter 1 Budget Monitoring Update 2020/21 (Appendix 3).

3. BACKGROUND

- 3.1 The Accounts and Audit (Wales) Regulations 2014 require all local councils and joint committees to prepare their annual accounting statements in accordance with proper practices.
- 3.2 The Accounts and Audit (Wales) Regulations 2014 define a joint committee with income and expenditure of less than £2.5 million per annum as a 'smaller relevant body'.
- 3.3 In this case, the 'Governance and Accountability for Local Councils in Wales – a Practitioners Guide' has been identified as being proper practice for the preparation of accounts.

- 3.4 The Practitioners Guide allows bodies with income and expenditure of less than £2.5 million to prepare an annual return, which includes an income and expenditure account and a statement of balances, rather than a full statement of accounts.
- 3.5 The Accounts and Audit (Wales) Regulations 2014 require that the Joint Committee must formally approve the Annual Return by 15th June and certify that they present fairly the financial position of Llwydcoed Crematorium. Where an Authority does not expect to achieve the dates specified by the Regulations, the Regulations require the publication of a notice. For the Annual Return for the year ended 31st March 2020, due to the exceptional circumstances in respect of COVID-19, it has not been possible to meet the 15th June timescale and as such a notice was published on the Rhondda Cynon Taf County Borough Council website in line with the Regulations.
- 3.6 Moving onto the external audit process for the Annual Return, unless the Annual Return needs to be amended, the auditor will certify the return and send it back to the Joint Committee for publication with no further approval required by the Joint Committee. If however amendments are required, the auditor will send the return back to the Joint Committee for amendment and re-approval before the auditor can certify the return. The certified annual return must be published by no later than 15th September.

4. FINANCIAL PERFORMANCE AND MOVEMENT OF USABLE RESERVES

- 4.1 The first part of the table below shows the controllable income and expenditure for 2019-20 compared to budget. It then shows the impact of interest earned on reserves and the balance of reserves available to the Joint Committee.

2019/20	Budget £	Actual £	Variance £	Annual Return Ref
Controllable Expenditure				
Employees	245,070	249,116	4,046	Line 4
Premises	147,850	286,620	138,770	Line 6
Transport	3,000	22,660	19,660	Line 6
Supplies & Services	128,260	125,301	-2,959	Line 6
Support Services	76,830	97,517	20,687	Line 6
	601,010	781,214	180,204	
Controllable Income				
Receipts/Fees	-1,130,930	-1,150,439	-19,509	Line 3
Controllable Deficit	-529,920	-369,225	160,695	
Add interest earned		-11,059		Line 3
Revenue contribution to balances		-380,234		

2019/20	Budget £	Actual £	Variance £	Annual Return Ref
Distribution from General Reserve		1,500,000		Line 6
Net decrease in Reserves		1,119,716		
General Reserves B/F 01.04.19		-2,206,268		Line 1
General Reserves C/F 31.03.20		-1,086,552		Line 7

- 4.2 The General Reserve is a distributable revenue reserve, which consists of the accumulated surpluses of the Crematorium's operations.
- 4.3 This can be apportioned between Cynon Valley (now part of Rhondda Cynon Taf CBC) and Merthyr Tydfil CBC in the ratio of respective populations (2011 Census Data) as follows:

	Merthyr Tydfil	Cynon Valley	Total
Relevant Population	58,802	63,238	122,040
Balance at 1st April 2019	-1,063,036	-1,143,232	-2,206,268
(Surplus)/Loss for the Year	539,508	580,208	1,119,716
Balance at 31st March 2020	-523,528	-563,024	-1,086,552

- 4.4 The main reasons for the variances between budgeted and actual controllable expenditure were:
- Premises costs were higher than budgeted mainly due to additional maintenance and improvement works.
 - Transport costs were higher than budgeted due to the purchase of a replacement ATV with snow plough attachment.
 - Support costs were higher than budgeted due to an assessment of the actual operational management resource provided by RCT Bereavement Services.
- 4.5 The main reason for the variance between budgeted and actual controllable income was:
- Income received was higher than budgeted due to higher than forecasted number of cremations undertaken.

5. BALANCE SHEET FOR THE YEAR ENDED 31ST MARCH 2020

5.1 In addition to the Annual Return, a supplementary Balance Sheet is provided in the table below. This supplementary information provides a further breakdown of the figures reported in the Annual Return, is purely for information only, and is not subject to audit at year end.

31-Mar-19 £		31-Mar-20 £	Annual Return Ref
	LONG TERM ASSETS		
1,986,844	Land & Property	1,880,563	
80	Plant & Equipment	0	
1,986,924	TOTAL LONG TERM ASSETS	1,880,563	Line 12
	CURRENT ASSETS		
11,831	Inventories	11,831	Line 8
79,361	Debtors	76,484	Line 8
2,116,376	Cash and Bank (Personal Account)	1,001,848	Line 9
2,207,568	TOTAL CURRENT ASSETS	1,090,163	
	CURRENT LIABILITIES		
(1,300)	Creditors	(3,611)	Line 10
2,206,268	NET CURRENT ASSETS	1,086,552	Line 11
4,193,192	TOTAL ASSETS LESS CURRENT LIABILITIES	2,967,115	
	LONG TERM LIABILITIES		
(270,000)	Defined Pension Scheme Liability	(358,000)	
3,923,192	NET ASSETS	2,609,115	
	REPRESENTED BY :-		
	USABLE RESERVES		
(2,206,268)	General Fund Balances	(1,086,552)	Line 11
	UNUSABLE RESERVES		
270,000	Pensions Reserve	358,000	
(64,506)	Revaluation Reserve	(61,435)	
(1,922,418)	Capital Adjustment Account	(1,819,128)	
(3,923,192)		(2,609,115)	

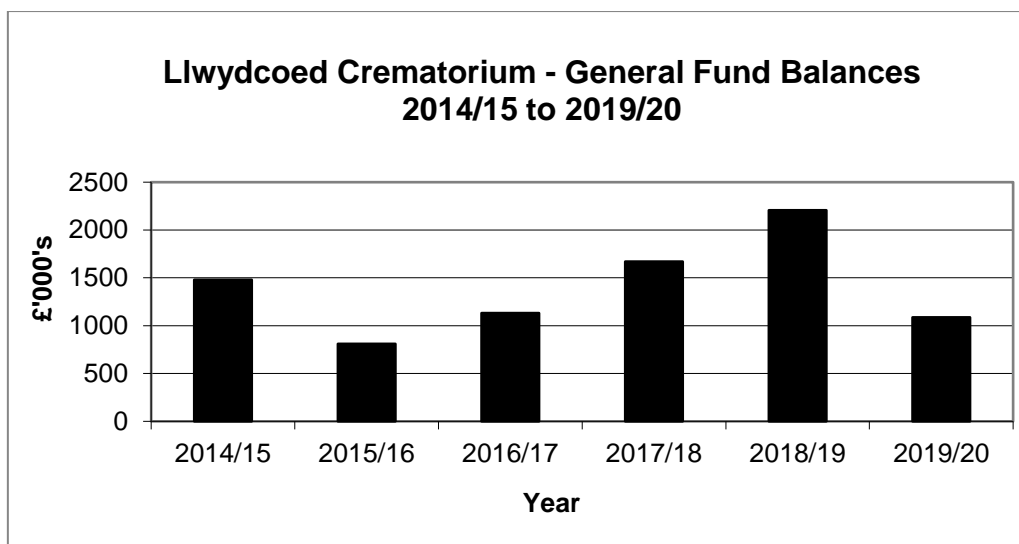
5.2 Further information to explain the balances are provided below:

- Long Term Assets include Land, Buildings and Equipment. The value of all land, buildings and equipment is based on a written down value after taking account of the assets remaining life and estimated cost of replacement.
- Inventories are stock included in the Balance Sheet at the lower of cost and net realisable value and relates mainly to caskets, memorial bases and flower containers.
- Debtors represents monies owed to Llwydcoed Crematorium by trade debtors such as Funeral Directors.

- Cash and Bank (Personal Account) is the amount held on behalf of Llwydcoed Crematorium by Rhondda Cynon Taf County Borough Council. No separate bank account exists for Joint Committee
- Creditors are amounts owed by Llwydcoed Crematorium to suppliers for which goods and services were provided prior to the end of the financial year but at that time not invoiced.
- Defined Pension Scheme Liability – As part of the terms and conditions of the employees of Llwydcoed Crematorium they 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 need to be accounted for at the time the future entitlement is earned.
- Reserves are reported in two categories. Usable reserves can be used by the Committee to provide services subject to the need to provide a prudent level of reserves. Unusable reserves are not available to provide services.
- The General Fund Balance is a distributable revenue reserve, which consists of the accumulated surpluses of the Crematorium's operations.
- The Pensions Reserve covers the Defined Pension Scheme Liability.
- The Revaluation Reserve contains the gains made by the Joint Committee arising from increases in the value of its Property, Plant and Equipment.
- 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.

6. GENERAL FUND BALANCES - 2014/15 TO 2019/20

- 6.1 The table below shows Llwydcoed Crematorium's level of General Fund Balances for the last six years. The level of the Crematorium's reserves had previously grown before a reduction in 2015/16 due to the costs of the replacement of the cremators. Further expenditure on the replacement of the cremators took place during 2016/17 due to the final stage payments of the contracted works although increased income levels offset the expenditure. The reserves grew steadily in 2017/18 and 2018/19.
- 6.2 In 2019/20 a decision was taken by the Joint Committee at the meeting of 10th December 2019 to distribute £1,500,000 of the General Reserve to each Authority in line with the relevant populations as detailed in 4.3 above.



7. INTERNAL AUDIT FINAL REPORT

- 7.1 The Internal Audit Final Report Llwydcoed Crematorium was issued on the 4th December 2019 (and is attached as Appendix 2). The Audit Opinion is that “The control environment is considered to be effective with opportunity for improvement.”
- 7.2 Management have reviewed and responded to the findings of the Report and have implemented procedures to ensure the recommendations for improvement are met.

8. QUARTER 1 BUDGET MONITORING UPDATE 2020/21

- 8.1 Appendix 3 sets out details of the budget, actual expenditure to 30th June 2020 and projected outturn figures for 2020/21.
- 8.2 **Expenditure for 2020/21 is projected to be £1,089,018 against a budget of £975,080 – a projected overspend of £113,938.**
- 8.3 The main projected expenditure variance is as follows: -
- Premises - £111,580 projected overspend due to the inclusion within the projection of proposed planned works plus increased costs due to the impact of COVID-19.
- 8.4 **Operating income for 2020/21 is projected to be £1,217,694 against a budget of £1,147,890, showing a projected surplus of income of £69,804.**
- 8.5 The reason for the projected surplus of income is as a result of the increase in the number of cremations in the first quarter of the year due to the impact of COVID-19. Projections for cremation fees have been made based on actuals

to date and an estimated number of cremations for the remainder of the financial year

8.6 Summary position for 2020-21

	£
General reserves brought forward 1st April 2020	1,086,552
Projected Net Revenue contribution to reserves in 2020/21	482,176
Redistribution to Joint Authorities	<u>-350,000</u>
Projected General Reserves 31st March 2021	<u>1,218,728</u>

9. SUMMARY

- 9.1 The General Reserves are required to fund further capital expenditure as part of the ongoing delivery of the service and is considered to be at a prudent level as at 31st March 2020.
- 9.2 The level of General Reserve will be monitored closely as part of the ongoing Budget Monitoring process and reported to the Joint Committee at appropriate intervals.