

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT OF THE TREASURER

COYCHURCH CREMATORIUM JOINT COMMITTEE

FRIDAY 12 JUNE 2015

ANNUAL RETURN 2014-15

1. Purpose of the Report

- 1.1 The purpose of this report is to present the unaudited Annual Return following closure of the accounts for the financial year 2014-15 to the Joint Committee, and to obtain approval to submit the return for Coychurch Crematorium to KPMG, the auditors appointed for the Joint Committee by the Wales Audit Office.

2. Connection to Corporate Improvement Objectives / Other Corporate Priorities

- 2.1 None.

3. Background

- 3.1 Since 2010-11 Coychurch Crematorium has been required to complete a statutory Annual Return as they had expenditure and income of less than £1million and were classified as being exempt by being deemed as a minor joint committee.
- 3.2 Minor joint committees that complete an annual return receive a limited assurance audit carried out in accordance with guidance issued by the Wales Audit Office.
- 3.3 During 2013-14 the income received by Coychurch Crematorium exceeded the £1million threshold and therefore were no longer classified as a minor joint committee, and was therefore required to produce a Statement of Accounts for the year ending 31st March 2014.
- 3.4 Regulation 14 of the Accounts and Audit (Wales) Regulations 2014 increased the threshold of smaller local government bodies to those with annual income and expenditure from below £1 million to below £2.5 million. Consequently, Coychurch Crematorium again finds itself in a position where its level of annual income deems it no longer necessary to produce an annual Statement of Accounts, but instead complete an Annual Return.

3.5 The Accounts and Audit (Wales) Regulations 2014 require that the Joint Committee must formally approve the Annual Return by 30 June and certify that they present fairly the financial position of Coychurch Crematorium.

3.6 Following which, 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 the 30th September.

4. Current Situation /Proposal

4.1 Section 1 of the Annual Return (**Appendix 1**) shows that in 2014-15 Coychurch Crematorium made a net surplus of £176,000 (difference between Line 1 'Balances brought forward' and Line 11 'Balances carried forward'). The surplus has been added to the accumulated reserve for the Crematorium brought forward at 31 March 2014, bringing the total of that reserve to £1,195,000 at 31 March 2015 compared to £1,019,000 in the preceding year.

4.2 The following table shows a summary of the final financial position for the Crematorium for 2014-15 as compared to the budget set at the start of the financial year.

Table 1 – Crematorium Financial Position 2014-15

| Actual 2013-14 £'000 | | Revised Budget 2014-15 £'000 | Actual 2014-15 £'000 | Variance 2014-15 £'000 |
|----------------------------|-----------------------------------|---------------------------------------|----------------------------|------------------------------|
| | <u>Expenditure</u> | | | |
| 240 | Employees | 247 | 245 | (2) |
| 249 | Premises | 389 | 406 | 17 |
| 170 | Supplies, Services & Transport | 140 | 140 | - |
| 86 | Agency/Contractors | 90 | 82 | (8) |
| 42 | Administration | 43 | 41 | (2) |
| 50 | Capital Financing Costs | 50 | 50 | - |
| 837 | Gross Expenditure | 959 | 964 | 5 |
| | <u>Income</u> | | | |
| (1,318) | Crematorium Fees etc. | (1,071) | (1,140) | (69) |
| (1,318) | Gross Income | (1,071) | (1,140) | (69) |
| (481) | (Surplus)/Deficit | (112) | (176) | (64) |
| (481) | Transfer (to)/from Reserve | | (176) | |

4.3 Explanations for the more significant variances from budget are given below:

- A net decrease of £2,000 for employees' costs in relation to the contribution made to Rhondda Cynon Taff C.B.C in respect of the employers' past service pension contribution being less than originally budgeted for.
- A net increase of £17,000 due to variations on planned maintenance offset by reductions to utility costs.
- Included in supplies and services expenditure of £140,000 are external audit fees of £9,200 relating to external audit and inspection. This figure includes £7,000 relating to the 2013-14 audit bill and an accrual for the 2014-15 charge estimated at £2,200.
- A net underspend of £8,000 on Agency/Contractors due to a reduction in waste disposal and the amount of grounds maintenance contracted by the Crematorium resulting in lower spend.
- A net underspend of £2,000 on Administration (support service charge) as a result of a general reduction on the base budgets on which the central recharge is based. A breakdown of the support service charge for the current and previous year is provided in Table 2 below:

Table 2 – Support Services

| 2013-14 £ | | 2014-15 £ |
|----------------------|--|----------------------|
| 11,315 | Communities Admin | 11,655 |
| 4,120 | Internal Audit | 1,040 |
| 11,160 | Accountancy | 12,620 |
| 1,500 | Procurement | 760 |
| 9,350 | IT | 3,950 |
| - | Income Collection | 10 |
| 2,910 | Human Resources | 2,480 |
| - | Facilities Management (postal service)* | 6,420 |
| 680 | Creditors | 690 |
| 1,120 | Committee | 1,170 |
| 42,155 | Total | 40,795 |

*The Crematorium did not receive a charge for the postal service in 2013-14 as they were a new addition to the courier route which didn't commence until part way through the year. The charge in 2014-15 reflects the annual charge for a 5 visits per week postal service.

- An over recovery of income of £69,000 due to a reduction in the estimated impact of the re-opening of Margam Crematorium and the increase in cremation related products.

- 4.4 In addition to the Annual Return, a supplementary Balance Sheet is provided in Table 3 below. This supplementary information provides a further breakdown of the figures recorded in the Annual Return, is purely for information only, and is not subject to audit at year end.

Table 3 – Balance Sheet for Years Ended 31 March 2014 & 2015

| 31 March 2014 £'000 | Description | 31 March 2015 £'000 | Equivalent Line on Annual Return |
|---------------------------|--|---------------------------|---|
| 1,405 | Property, Plant & Equipment | | |
| 1,089 | - other land and buildings | 2,262 | |
| | - Community Assets | 900 | |
| 2494 | Long Term Assets | 3,162 | 12 |
| 30 | Inventories | 30 | 8 |
| 165 | Short Term Debtors | 145 | 8 |
| 840 | Cash and Cash Equivalents | 1,050 | 9 |
| 1,035 | Current Assets | 1,225 | |
| | Short Term Borrowing | | |
| (9) | Short term borrowing | (7) | 13 |
| (16) | Short Term Creditors | (31) | 10 |
| (25) | Current Liabilities | (38) | |
| (217) | Long Term Borrowing | (170) | 13 |
| (217) | Long Term Liabilities | (170) | |
| 3,287 | Net Assets | 4,179 | |
| | Usable reserves | | |
| 1,019 | - Accumulated Surplus | 1,195 | 7 |
| | Unusable reserves | | |
| 524 | - Revaluation Reserve | 986 | |
| 1,744 | - Capital Adjustment Account | 1,999 | |
| - | -Short-term Accumulating Compensated Absences Account | (1) | |
| 3,287 | Total Reserves | 4,179 | |

- 4.5 Further information to explain the balances are provided below:

- Property Plant and equipment of £3.162million as recorded on Line 12 of the Annual Return represent buildings, land, and fixtures and fittings which were revalued in 2014-15 by Bridgend County Borough Council's

internal Property Department. The increase in the value of fixed assets is due in the main to the revaluation however contained within the balance is the sum of £220,354 in respect of work in relation to the new crematory extension.

- Inventories of £30,000 relates to stock included in the Balance Sheet at the lower of cost and net realisable value and relate to memorials purchased for future use in the Garden of Remembrance.
- Short term debtors of £145,000 represents predominantly the monies owed to the Coychurch Crematorium Joint Committee by trade debtors such as Funeral Directors.
- Cash and cash equivalents of £1.050million represents cash held by the Bridgend County Borough Council, the financial services provider as part of its general bank account. No separate bank account exists for Coychurch Crematorium.
- Short term creditors of £31,000 represent monies owed by the Coychurch Crematorium Joint Committee and includes a balance for annual leave not yet taken by staff.
- The short and long term borrowing loans balances totalling £177,000 represents the monies due to Bridgend County Borough Council that administer the loans on behalf of the Joint Crematorium Committee. Loans are raised in order to finance capital expenditure for the Crematorium. The redemption of the loans is in accordance with the legal requirements of the Council and is at the minimum revenue provision level of 4% plus an additional principal repayment.
- Reserves are reported in two categories. Usable reserves can be used by the Committee to provide services subject to the need to maintain a prudent level of reserves. The second category, Unusable Reserves, are not available to provide services. This includes a reserve that holds the timing differences between the annual leave entitlement for staff and actual annual leave taken at the 31 March 2015.
- The accumulated surplus of £1.195 million as recorded in Line 11 of the Annual Return reflects the accumulated surplus for the year and the balance of any previous year's surpluses held to fund any future capital works. In 2014-15 a surplus of £176,000 was generated which has been added to this reserve.
- The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.
- The Accumulated Absences Account absorbs the differences that would otherwise arise on the Accumulated Surplus Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory

arrangements require that the impact on the Accumulated Surplus Balance is neutralised by transfers to or from the Account. The Account balance was £1,399 as at 31 March 2015 (2014 :£348)

5. Effect upon Policy Framework and Procedure Rules

5.1 None.

6. Equalities Impact Assessment

6.1 There is no impact on specific equality groups and disability duties.

7. Financial Implications

7.1 The total surplus for the year of £176,000 reflects the decision to set aside money towards planned future works in relation to premises and equipment. This surplus has been added to the accumulated useable reserve for the Crematorium bringing the total of that reserve to £1,195,000 (£1,019,000 in 2013-14).

8. Recommendation:

8.1 It is recommended that the Joint Committee approves the Annual Return for Coychurch Crematorium for 2014-15 and that the Annual Return be submitted to the Auditors KPMG.

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BRIDGEND COUNTY BOROUGH COUNCIL
TREASURER TO THE COYCHURCH CREMATORIUM JOINT
COMMITTEE**

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Background Papers

Coychurch Crematorium Annual Return 2014-15