

WEST HERTS CREMATORIUM JOINT COMMITTEE

STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2022

(Not subject to Audit)

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FOREWORD

Background to the Joint Committee

The West Herts Crematorium Joint Committee has representation from five Hertfordshire local authorities – Dacorum, Hertsmere, St Albans, Three Rivers and Watford – and also a representative of the Bishop of St Albans. The Crematorium, situated in High Elms Lane, Garston, provides a comprehensive service dealing with every aspect of bereavement for the communities served by its constituent authorities, as well as residents in the rest of Hertfordshire, Bedfordshire, Buckinghamshire and Middlesex.

Originally opened in 1959, the Crematorium currently averages around 3,100 cremations annually, and maintains over 5,000 living memorials. Its services are provided under section 242 of the Local Government Act 1972.

The Financial Framework of the Joint Committee

Although the Joint Committee's Memorandum of Agreement provides for deficits to be met by the constituent councils, in practice the Crematorium meets its running costs from its own income and builds up reserves where possible to meet future capital improvement costs. The Memorandum of Agreement also allows for surpluses to be paid to the constituent councils, where they are not required for future capital investment – in 2013/14, for the first time, £50,000 was paid to each authority, a total of £250,000. A further £250,000 has been paid in each financial year since, up to 2021/22.

Reasons for producing this Statement of Accounts

The primary purpose of this statement is to describe the financial transactions of the Joint Committee between 1st April 2021 and 31st March 2022.

Under the Accounts and Audit Regulations (England) the Joint Committee has been classed as a "smaller relevant body" and has only been required to produce a brief financial statement. With effect from 2015/16 this statutory requirement for Joint Committees was removed, but the West Herts Crematorium Joint Committee has reached an agreement with its external auditors to continue the preparation and audit of the annual financial statement.

In addition to the annual statement, the Joint Committee still considers it useful and informative to produce a statement of accounts largely in line with local authorities, and therefore this statement consists of the following core financial statements (together with explanatory notes):

Core Financial Statements

Income and Expenditure Account (I&E Account)

This statement reports the full costs of the Joint Committee's functions and shows how those costs are financed by income.

Statement of the Movement in the General Fund Balance (SMGFB)

Following the I&E Account, which is drawn up in line with UK Generally Applied Accounting Principles (GAAP) in common with large unlisted private sector companies, the SMGFB includes items that are required by statute and proper practice to arrive at the Joint Committee's net financial position for the year.

Balance Sheet

This statement shows the Joint Committee's balances and reserves, and its assets and liabilities. The notes to the accounts include explanations and greater detail.

Cash Flow Statement

This statement summarises the inflows and outflows of cash arising from transactions with third parties for both revenue and capital purposes.

Review of 2021/22

The Crematorium has continued to provide an effective, efficient and sensitive service during 2021/22 during a difficult period post Coronavirus pandemic, and has maintained high levels of satisfaction amongst its users. Although, due to the pandemic this year saw a decrease in the numbers of cremations.

In recent years the Crematorium has had considerable success in a number of areas, including winning the crematorium section of the Cemetery of the Year Awards, a national competition organized by the UK's Memorial Awareness Board, and also winning the final of the Best Baby Memorial Garden. For a number of years the high standards of the Crematorium's grounds and gardens have also earned West Herts the Green Flag Award for "excellence in green spaces", and the Crematorium has also achieved a Charter Mark award for excellence in customer service. In 2017 the Joint Committee was reaccredited with its Investors in People award, and training in NVQs in both horticulture and administration has taken place over a number of years.

During 2021/212 the fabric of the buildings, grounds and major equipment continued to be maintained to a high standard. £208,000 was spent on essential maintenance and improvements. In addition, the work on the new crematorium construction commenced fully and so far has accrued expenditure of £1,547,960.

In the three financial years to 2011/12, the Joint Committee had invested just under £3 million on the replacement of the cremators and the installation of mercury abatement plant. The Joint Committee had taken the decision to make the necessary capital investment to become a 100% "abater", and as a consequence is now receiving income from other crematoria who have not yet made the necessary changes. The forward budget plans provide for the accumulation of funds for the eventual replacement of these cremators.

A deficit of £1,152K was achieved in 2021/22, after the payment of £250,000 to the constituent councils. This deficit was some £940K less than the revised budgeted deficit of £2,092K.

The outturn compared with the budget is summarised below.

The balance of the revenue deficit, £1,152,061 has been transferred to the Renewal and Repairs Fund as it has financed capital investment.

Comparison of 2021/22 Outturn with Revised Budget

Regular budget monitoring is carried out throughout the financial year and a revised estimate is prepared when considering forward projections in January of each year. A comparison of this updated budget is made to the 2021/22 outturn below:

	<i>Revised Budget</i> £K	<i>Outturn</i> £K	<i>Increase/ (decrease)</i> £K
Employees	630	585	(45)
Premises costs	377	358	(19)
Supplies and Services	500	459	(41)
Returns to Constituent Councils	250	250	-
Depreciation	370	-	-
TOTAL EXPENDITURE	2,005	1,998	(7)
Fees and Charges	3,108	2,361	(747)
TOTAL INCOME	3,108	2,361	(747)
NET COST OF SERVICES	(519)	(661)	142
Interest and Investment Income	13	1	(12)
NET OPERATING (SURPLUS)/DEFICIT	(534)	(672)	(138)
Capital Expenditure financed from Revenue	3,813	1,861	(1,952)
Transfers to/from Reserves	-	-	-
Adjustment for depreciation	(370)	(195)	(175)
Net (Surplus)/Deficit before transfer to Renewal and Repairs Fund	2,092	1,152	940
Transfer to Renewal & Repairs Fund	(2,092)	(1,152)	(940)
NET (SURPLUS)/DEFICIT FOR YEAR	0	0	0

The Joint Committee has, for a number of years, pursued a policy of building up reserves to meet the capital costs of cremator replacement and mercury abatement, and other capital priorities. Following the completion of the cremator replacement project in 2011/12, overall revenue reserves stood at £515K - since that time further additions have been made to reserves. The general revenue reserves now stand at £2,037K and will be applied over the coming years to help finance the Joint Committee's ongoing capital programme, including the proposed new crematorium.

Pension Fund

The Hertfordshire Local Government Pension Scheme was valued at 31st March 2022 by Hymans Robertson LLP. The element of the overall deficit on the fund attributable to the Joint Committee was £911K (a decrease on the £1,087K at 31.3.21), and this liability is included within the Joint Committee's accounts. Detail of how this deficit has been assessed is included within the notes to the accounts. The Joint Committee's employer's contributions to the pension fund are adjusted each year, and set at a level to meet this deficit over a period of years.

APPROVAL OF THE ACCOUNTS

In line with the requirements for "smaller relevant bodies", the Chief Finance Officer's certificate is included on the required annual return, along with the signatures of the Chairman and the Clerk.

INDEPENDENT AUDITOR'S REPORT

The certificate of the independent auditor is included on the prescribed annual return, which is submitted to the auditor by the end of July 2022. When the return is certified a copy of the return will be included with this statement of accounts.

STATEMENT OF RESPONSIBILITIES

The Joint Committee's Responsibilities

The Joint Committee is required to make arrangements for the proper administration of its financial affairs, to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets. The Joint Committee is required to secure that one of the officers from the constituent authorities has the responsibility for the administration of those affairs. Currently that officer, the Treasurer to the Joint Committee, is the Chief Finance Officer for Three Rivers District Council and Watford Borough Council.

Responsibilities of the Treasurer to the Joint Committee

The Treasurer of the Joint Committee is responsible for the preparation of the annual statement of accounts in accordance with proper practices, and is required to present fairly the financial position of the Joint Committee at the accounting date, and its income and expenditure for the year ended on that date.

In preparing this statement of accounts the Treasurer has:

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates where reasonable and prudent
- Complied with the code

And has:

- Kept proper accounting records which were up to date
- Taken reasonable steps for the prevention and detection of fraud and other irregularities



Treasurer to the Joint Committee

Date

ANNUAL GOVERNANCE STATEMENT

1. Scope of Responsibility

The West Herts Crematorium Joint Committee is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Joint Committee also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Joint Committee is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

2. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values by which the West Herts Crematorium is directed and controlled, and the activities through which it accounts to, and engages with the community. It enables the Joint Committee to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Joint Committee's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the West Herts Crematorium for the year ended 31 March 2022 and up to the date of approval of the annual accounts.

3. The Governance Framework

The Crematorium operates within the relevant legislation and Secretary of State guidance notes as well as cremation regulations. At an operational level, the overarching governance document is the Memorandum of Agreement, last amended in June 2002, which all participating authorities approved.

The Joint Committee meets twice a year. Each meeting considers written reports from the Crematorium Manager, the Clerk, the Treasurer and the Surveyor. These reports include financial accounts and budget plans, statistical information on operations, complaints and compliments, as well as service development issues and changes to legislation.

External quality validation is sought through Investors in People, Charter Mark and success in national award schemes. Guidance is sought from national bodies as appropriate.

An annual meeting is held with stakeholders to seek feedback on how the service might be improved. This is reported to the Joint Committee and normally practical suggestions are approved for implementation.

The Joint Committee wishes to be a positive influence in the area and supports community involvement such as the provision of work experience. It is committed to taking early action to reduce avoidable emissions - the Joint Committee, in the period 2010 to 2012, installed new cremators and mercury abatement equipment to meet the latest national and European requirements, and was amongst the first few providers in the UK to do this. Emission levels from the cremators are regularly monitored by external consultants to ensure compliance with current environmental regulations.

The Crematorium Manager is responsible for the day to day management of the facility with major decisions being taken by the Joint Committee. Watford Borough Council Financial Procedures and St Albans Council Contract Standing Orders had been applied to the Crematorium for a number of years - at its January 2012 meeting the Joint Committee's approved its own set of financial regulations. The Crematorium is also subject to an annual internal audit review, in recent years carried out by the Hertfordshire Shared Internal Audit Service, as well as an annual external audit of the final accounts currently undertaken by BDO. Any findings and recommendations of the auditors are incorporated into an Audit Action Plan, reported regularly to the Joint Committee.

The Joint Committee's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) as far as it applied to the activities of the Crematorium. Responsibility for the financial management of the Crematorium falls within the functions of the Treasurer who is also the Chief Finance Officer at both Three Rivers District Council and Watford Borough Council. Day to day advice and support on financial administration is provided by the Crematorium Accountant.

There are established mechanisms in place for the reporting of financial information on a regular monthly basis to the Manager, Treasurer, Clerk and Surveyor, copied to Directors of Finance of the constituent councils. Twice-yearly reports are submitted to the Joint Committee relating to the budget, the forward financial plan and annual outturn.

There is a performance management process whereby objectives for the forthcoming year are set, and progress against and achievement of those targets monitored. The Crematorium Manager is line managed by the Clerk to the Joint Committee, the Managing Director of Watford Borough Council.

The Crematorium follows statutory health and safety practices required by the relevant legislation. It has a Health and Safety Policy which is monitored by the Manager, and advice is also taken from the constituent authorities where appropriate.

The Crematorium follows the sickness management and other relevant personnel procedures of Watford Borough Council.

4. Review of Effectiveness

The Joint Committee has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Crematorium Manager, who has responsibility for the development and maintenance of the governance environment, by the work of the internal auditors, and also by comments made by the external auditors and other review agencies and inspectorates.

The system of internal control is reviewed by a range of means:

- Financial and non-financial reports on the Crematorium's performance to the Joint Committee
- Review by the Hertfordshire Shared Internal Audit Service, the most recent being planned for July 2022.
- Review by the Joint Committee's external auditors, currently BDO.
- Review of the Crematorium's Risk Register annually, and its submission to the Joint Committee
- The Officers of the Joint Committee receive monthly monitoring reports on the Crematorium's income and expenditure
- Advice and support from the Treasurer, Clerk and Surveyor

A formal approach to risk management was introduced during 2007/08. The risk register is reviewed and updated annually and is presented to the Joint Committee's June meeting. In 2015, this review was in the form of a workshop led by Zurich Municipal and attended by Joint Committee officers.

An assets register is maintained, which includes the Joint Committee's main assets of building, land and plant, as well as smaller equipment assets. The accounts are drawn up on the basis of the previous year's assets values, at historical cost, adjusted for additions and depreciation during the year.

At the June 2013 meeting, a Treasury Management and Investment Strategy was approved by the Joint Committee, and is submitted to members annually, updated as necessary. The Treasurer and the accountant do take steps to maximize return on investments, whilst ensuring that funds are available when needed for capital projects. The officers aim to spread risk over more than one financial institution and have taken advice from Watford and Three Rivers Councils on such institutions.

There are no formal policies in place for data protection and information security – however the Crematorium's administration is very conscious of the requirements for data protection and security and the systems and procedures in place do seek to insure security and integrity. These have recently been reviewed to ensure compliance with the new EU General Data Protection Regulations. The arrangements are registered with the Data Protection Registrar (Information Commissioner's Office), and The Joint Committee is also registered with the Payment Card Industry for its Data Security Standard, and has a certificate of compliance. Confidential waste is disposed of securely.

5. Significant Governance Issues

The Joint Committee's accounts and financial arrangements are subject to an annual external audit, currently undertaken by BDO, and an annual internal audit provided by the Hertfordshire Shared Internal Audit Service. Where issues are raised and recommendations made, these are incorporated into an Audit Action Plan which acts as a checklist for action, and this is reported regularly to members.

A number of issues, mainly relating to procedures, have been raised in recent years, and have been addressed by the Crematorium's Manager and Treasurer.

There is one remaining area - internal control arrangements are considered inadequate as there is limited separation of duties - this issue has been recognised by management for some time, and the auditors conceded that there are limits to what can be achieved in such a small organisation. Steps are taken wherever reasonably practical to ensure there is appropriate internal check and/or review, and administrative arrangements will continue to be reviewed and improvements made where possible.

A summarised Annual Governance Statement, signed by the Clerk to the Joint Committee and the Chairman, is included in the prescribed annual return, a copy of which, when completed, will be included with this statement of accounts.

STATEMENT OF ACCOUNTING POLICIES

1. General Principles

The Statement of Accounts summarises the Joint Committee's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. It has been largely prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice* (the SORP). From 2010/11 the Joint Committee was permitted to prepare accounts as a "smaller relevant body" - this meant that only a brief "annual return" was required for submission to external audit. Even this requirement has now been removed from 2015/16, although the Joint Committee has decided to continue compliance with these requirements, and to maintain an independent external audit.

In addition to the brief annual statement, a fuller statement of accounts (this document) has also been prepared, in line with previous years, but omitting some of the less meaningful entries.

The accounting convention adopted is historical cost, modified periodically by the revaluation of certain categories of tangible fixed assets.

2. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the council provides the relevant goods or services. The only exception to this approach is income for memorials where income received for future years is included in the year of cremation – experience has shown that the level of memorialisation income received for future periods is fairly consistent and nothing would be gained by a detailed process of apportioning income to future years.
- Supplies are recorded as expenditure when they are consumed.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. Provisions

Provisions are made where an event has taken place that gives the joint committee an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, if the Joint Committee were involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the revenue account in the year that the joint committee becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

There are no specific provisions in the 2021/22 accounts, other than creditor provisions.

4. Reserves

The Joint Committee sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net cost for the expenditure.

The Renewal and Repairs Reserve represents funds set aside for future major maintenance and capital improvement costs. In addition the General Fund Balance represents accumulated revenue resources which are also available for this purpose. There are also Earmarked Revenue Reserves for maintenance and administration costs.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and that do not represent usable resources for the Joint Committee:

Pension Reserve

The Pension Reserve represents a balancing account to allow the net liability of the direct benefit pension scheme to be shown on the balance sheet as a long term liability.

Capital Adjustment Account

The Capital Adjustment Account represents the adjusting entries to capitalise past expenditure on fixed assets, current expenditure on fixed assets and the associated depreciation applied to these assets.

5. Retirement Benefits

Those employees of the Joint Committee who so choose are members of the Local Government Pensions Scheme, administered by Hertfordshire County Council. This scheme is accounted for as a defined benefits scheme. The liabilities of the Hertfordshire County Council pension scheme attributable to the Joint Committee are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Discretionary Benefits

The Joint Committee also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

6. VAT

All income shown in the accounts excludes any amounts relating to VAT, as all VAT collected is payable to HM Revenue and Customs.

In the case of input tax, VAT on expenditure, the Joint Committee is only allowed to reclaim a proportion of the tax borne. Input tax relating to exempt services, e.g. cremations (including capital costs for new crematorium facilities), is not recoverable. Input tax relating to standard rated services, e.g. memorialisation, is recoverable in full. Input tax relating to other expenditure - administration, general maintenance etc - is recoverable in part.

7. Fixed Assets

Although the Joint Committee's Memorandum of Agreement stipulates that it cannot hold assets, the Joint Committee has exclusive operational responsibility for the land and buildings used in the Crematorium's operation and of the staff houses – these assets are therefore shown within the Joint Committee's balance sheet. Assets are measured initially at cost – they have been revalued periodically, and were last revalued at 1st April 2007 on the basis of existing use value. There is no longer a requirement to revalue assets under the accounting requirements for smaller bodies, but it will be done periodically; insurance values for the buildings and plant are reviewed each year as part of the annual insurance review.

Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition: Any significant improvements or acquisitions above £10,000 which enhance the value of the Joint Committee's assets, and have an anticipated life of more than one year, are treated as capital expenditure. Such expenditure is either funded by borrowing, or by direct revenue financing (charge directly to the revenue account in the year the expenditure is incurred). Any unrecoverable VAT on such expenditure is treated as part of the capital cost.

Measurement: Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Investment properties and assets surplus to requirements – lower of net current replacement cost or net realisable value
- Dwellings, other land and buildings, vehicles, plant and equipment – lower of net current replacement cost or net realisable value in existing use
- Infrastructure assets and community assets – depreciated historical cost.

Net current replacement cost is assessed as:

- Non-specialised operational properties – existing use value
- Specialised operational properties – depreciated replacement cost
- Investment properties and surplus assets – market value.

Assets included in the Balance Sheet at current value are periodically revalued where there have been material changes in the value. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to the revenue account.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment: the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- Where attributable to the clear consumption of economic benefits – the loss is charged to the revenue account
- Otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals: when an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (ie netted off against the

carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Joint Committee's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance. The written-off value of disposals is not a charge against revenue, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

Depreciation: The Joint Committee's operational buildings and staff houses are depreciated over 30 years from 1st April 2002, and specialist plant (cremators) over 10 years, on a straight line basis. Land is not depreciated. A full year's depreciation is charged in the year of acquisition, and none in the year of disposal. Where an asset has major components with different estimated useful lives, these 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.

Charges to Revenue for Fixed Assets

The revenue account is debited with the following amounts to record the real cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the service
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- Amortisation of intangible fixed assets attributable to the service.

The Joint Committee is not required to raise income from charges to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the Joint Committee in accordance with statutory guidance, or loans fund principal charges). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction within the Capital Adjustment Account for the difference between the two.

8. Stocks

Until 2004/05, a small value of memorial cards and booklets was calculated and carried forward as stock in hand. As this value had ceased to be significant (approximately £300), from 2004/05 stock has not be treated as a balance sheet item, and is written off entirely in the year of purchase.

9. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For all of the borrowings that the Joint Committee has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

10. Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments. The Joint Committee has no available-for-sale financial assets.

Loans and Receivables

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

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

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

**INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31ST MARCH 2021**

2020/21		<i>note</i>		2021/22
£			£	£
	Expenditure			
613,527	Employee Related Expenditure	1	585,013	
396,089	Premises Related Expenditure	2	392,148	
809,409	Supplies and Services	3	708,885	
0	Loan Repayments and interest		0	
178,836	Depreciation		194,803	
0	Non-distributed Costs		0	
1,997,861	Total Service Expenditure			1,880,849
	Income			
(2,607,914)	Fees and Charges	4	(2,286,059)	
(51,148)	Other Income	5	(74,145)	
(£2,659,062)	Total Service Income			(£2,360,204)
(661,201)	Net Cost of Services			(479,355)
(10,802)	Interest and Investment Income			(697)
(672,003)	Net Operating (Surplus)/Deficit			(480,052)
(672,003)	Net Income and Expenditure Account (Surplus)/Deficit			(480,052)

STATEMENT OF MOVEMENT IN THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the Joint Committee's actual financial performance for the year, measured in terms of the resources consumed and generated over the last 12 months. However, the Joint Committee is required to measure its General Fund on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The General Fund Balance compares the Joint Committee's spending against the charges that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the income and Expenditure Account and the General Fund Balance.

2020/21		2021/22
£		£
(672,003)	(Surplus)/Deficit for the Year on Income and Expenditure Account	(480,052)
(672,003)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(480,052)
0	(Increase)/Decrease in the General Fund Balance for the year	0
(300,000)	General Fund Balance brought forward	(300,000)
(£300,000)	General Fund Balance carried forward	(£300,000)

Reconciling items for the Statement of Movement in the General Fund Balance

2020/21		2021/22
£		£
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement in the General Fund Balance for the year	
(178,836)	Depreciation and impairment of fixed assets	(194,803)
(178,836)		(194,803)
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement in the General Fund Balance for the year	
397,869	Capital expenditure charged to the General Fund Balance	1,826,916
397,869		1,826,916
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement in the General Fund Balance for the year	
452,969	Net transfer to or from earmarked reserves	(1,152,061)
672,003	Net additional amount required to be debited/credited to the General Fund Balance for the year	480,052

BALANCE SHEET AS AT 31ST MARCH 2022

31 st March 2021 £	<i>note</i>	£	31 st March 2022 £
Tangible Fixed Assets			
	11		
Operational Assets:			
2,832,333		2,703,752	
54,978		22,690	
919,898		919,898	
3,807,209			3,646,340
Current Assets			
126,034	9	131,472	
2,367,691		2,357,077	
1,038,636		898,698	
3,532,361			3,387,247
Current Liabilities			
(443,163)	10	(1,088,819)	
3,089,198			2,298,428
Net Current Assets			
Long Term Liabilities			
(1,087,000)		(911,000)	
0		0	
(1,087,000)			(911,000)
£5,809,407			£5,033,768
Total Assets less Liabilities			
Financed By:			
(3,807,209)		(3,646,340)	
1,087,000	14	911,000	
(2,572,985)	13	(1,782,215)	
(216,213)	13	(216,213)	
(300,000)	13	(300,000)	
(£5,809,407)			(£5,033,768)

CASH FLOW STATEMENT

2020/21		2021/22
£		£
Revenue Activities		
Cash Outflows		
612,974	Cash paid to and on behalf of employees	585,013
1,098,749	Other operating costs	428,371
1,711,696		1,013,384
Cash Inflows		
(2,644,373)	Cash Received for goods and services	(2,354,766)
(932,677)	Revenue Activities Net Cash Inflow	(1,341,382)
Servicing of Finance		
0	Cash Outflows: interest paid	0
(10,802)	Cash Inflows: interest received	(697)
(10,802)	Servicing of Finance – Net Cash Inflow	(697)
Capital Activities		
397,869	Cash Outflows: purchase of fixed assets	1,860,849
0	Less: Inflows – Loans raised	0
397,869		1,860,849
Management of Liquid Resources		
769,248	Increase/(Decrease) in short term Investments (see Note 18)	10,614
223,638	NET CASH INFLOW(-)/OUTFLOW (see Note 16)	508,156

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Employee Related Expenditure

2020/21		2021/22
£		£
85,641	Fees - Organists	67,042
511,409	Salaries - Manager and Staff	502,501
15,898	Salaries - Clerk, Surveyor and Treasurer	15,470
0	Recruitment - Advertising	0
580	Training	0
£613,527	Total Employee Related Expenditure	£585,013

2. Premises Related Expenditure

2020/21		2021/22
£		£
	Repairs and Maintenance - Buildings and Grounds	
14,371	Managers Items - Buildings	18,821
21,280	Managers Items - Grounds	17,452
24,895	Surveyors Items - Buildings	16,921
29,391	Repairs and Maintenance - Buildings and Grounds Special Items	33,933
0	Payments against previous years' Earmarked Reserves	15,125
28,895	Contractual Maintenance - Buildings	30,397
147,344	- Cremators	109,004
70,619	Gas	55,907
48,480	Electricity	50,888
5,964	Water	14,597
32,593	Cleaning and Refuse Removal	29,103
1,650	Environmental Monitoring	0
£425,482	Total Premises Related Expenditure	£392,148

3. Supplies and Services

2020/21		2021/22
£		£
2,394	Furniture, Fittings and Equipment	1,365
8,946	Protective Clothing and Uniforms	6,068
7,250	Printing and Stationery	8,003
5,934	Postages	7,062
5,885	Telephones	7,330
1,431	Drinking Water	1,722
37,415	Insurances	40,184
0	Remembrance Services	0
65,656	Fees - Medical Referees	51,715
0	Consultancy Fees	0
27,415	Memorialisation	29,859
19,910	Miscellaneous Expenses	54,041
150,848	Recharges - other authorities	111,409
120,640	Non-reclaimable VAT on Revenue Expenditure	98,483
250,000	Return to Constituent Councils	250,000
79,488	Yaboo Webcasting	41,643
26,198	Write Offs	0
£809,409	Total Supplies and Services	£708,885

4. Fees and Charges

2020/21		2021/22
£		£
(2,394,891)	Cremations	(1,991,326)
(10,112)	Income under Mercury Abatement sharing	(6,208)
(137,712)	Trees, Shrubs, Roses and Garden Seats	(151,437)
(6,230)	Garden Memorial and Bulb Scheme	(3,908)
(3,106)	Package, Postage and Receiving of Ashes	(7,919)
(29,034)	Plaques and Urns	(33,635)
(0)	Café Income	(0)
(26,859)	Memorial Writing	(30,293)
(0)	Webcasting	(61,333)
(£2,607,914)	Total Fees Charges	(£2,286,059)

5. Other Income

2020/21			2021/22
£		£	£
(32,095)	Rent Income (Staff houses)	(28,187)	
(19,053)	Miscellaneous Income	(45,958)	
(£51,148)	Total Other Income		(£74,145)

6. Officer's Emoluments

There were no employees, during 2020/21 and 2021/22, whose remuneration, excluding pension contributions, was banded above £50,000.

7. Audit Costs

2020/21			2021/22
£		£	£
2,400	Fees payable to BDO with regard to external audit services carried out	2,400	
1,500	Fees payable for Internal Audit services	2,000	
£3,900	Total Audit Costs		£4,400

8. Related Parties

The Joint Committee is made up of one Councillor from each of the five constituent authorities. Although the Joint Committee is effectively self-financing, and does not rely on financial support from the constituent authorities, there are payments made by the Joint Committee to three of the authorities for support services provided. For 2020/21 these payments were:

2020/21			2021/22
£		£	£
42,410	Watford Borough Council	63,765	
6,105	St Albans City and District Council	9,840	
73,721	Three Rivers District Council	37,804	
£113,370	Total		£111,409

In addition, there are some transactions between the Joint Committee and the constituent authorities relating to routine administrative costs such as printing and stationery, and occasionally planning fees relating to capital schemes.

9. Debtors

2020/21		2021/22	
£		£	
Amounts falling due within one year:			
39,847	Prepayments	41,268	
86,157	Debtors – sums due from Funeral Directors	89,894	
30	Other Debtors	310	
£126,034	Total Debtors		£131,472

There were no debtors falling due after one year. *Debtors – sums due from Funeral Directors* represent bank transfer payments due from FDs not yet received at 31st March, which were received in the new financial year.

10. Creditors

2020/21		2021/22	
£		£	
Amounts falling due within one year:			
5,506	Government Creditors (VAT)	1,842	
443,163	Other operational creditors and accruals	1,086,977	
£448,669			£1,088,819

11. Tangible Fixed Assets

The Crematorium's Fixed Assets – the buildings including major plant, and the land – were last revalued as at 31st March 2007, the previous valuation being in 2002. The valuation was carried out externally by Gerald Eve, Chartered Surveyors and Property Consultants. The valuation was on an "Existing Use Value" basis, taking into account the remaining economic useful life of the buildings and cremators. The valuation included the Crematorium Staff Houses, these values being based on their situation as tied houses.

	<i>Land</i>	<i>Crematorium Buildings</i>	<i>Plant</i>	<i>Staff Houses</i>	<i>TOTAL</i>
	£	£	£	£	£
Gross Book Value 31.3.21	919,898	3,656,086	2,118,858	1,185,420	7,880,262
Accumulated Depreciation to 31.3.21	-	(1,471,501)	(2,063,880)	(537,672)	(4,073,052)
Net Book Value 1.4.21	919,898	2,184,585	54,978	647,748	3,807,210
Additions 2021/21	-	33,933	-	-	33,933
Depreciation 2021/22	-	(123,001)	(32,288)	(39,514)	(194,803)
Net Book Value 31.3.22	919,898	2,095,518	22,690	608,234	3,646,340
Gross Book Value 31.3.22	919,898	3,690,019	2,118,858	1,185,420	7,914,195
Accumulated Depreciation to 31.3.22	-	(1,594,501)	(2,096,168)	(577,186)	(4,267,855)
Net Book Value 31.3.22	919,898	2,095,518	22,690	608,234	3,646,340

12. Commitments under Capital Contracts

As at the 31st March 2022 the West Herts Crematorium Joint Committee is contracted to build a new Crematorium Facility at Bedmond Road in Dacorum. The contract sum for the construction costs of this project are £5,962,885 with the expected total cost of the project being £9,685,727.

13. Reserves

	Renewal & Repairs Fund	Earmarked Revenue Reserves	General Fund Balance	Pensions Reserve	Total
	£	£	£	£	£
At 1 st April 2021	2,889,247	216,213	300,000	(1,087,000)	2,318,460
Transfer to Revenue Account					-
Transfer to Pension Liability				176,000	176,000
Transfer from Revenue Acct Adjustment	(1,152,061)	-	-		(1,152,061)
At 31st March 2022	1,737,186	216,213	300,000	(911,000)	1,342,399

14. Retirement Benefits-

Participating in a Pension Scheme

As part of the terms and conditions of its employees, the Joint Committee offers retirement benefits. Although these will not actually be payable until employees retire, the Joint Committee has a commitment to make payments that need to be disclosed at the time that employees earn their future entitlement.

The authority participates in The Local Government Pension Scheme administered locally by Hertfordshire County Council – this is a funded defined benefit final salary scheme, meaning that the Joint Committee and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Change in Accounting Policy

Up to and including the statement of accounts for 2009/10, the Joint Committee complied with the current SORP and included detailed information about pension transactions, including additional entries in the revenue account. Under the new requirements for “smaller relevant bodies” this information is no longer required; the revenue account entries were self-balancing in any case – however the Joint Committee considers it still useful to include information relating to its long term pension liabilities – therefore its overall liability is reflected in the balance sheet, and the following notes are given:

Amounts for the current and previous accounting periods

	31.3.18	31.3.19	31.3.20	31.3.21	31.3.22
	£K	£K	£K	£K	£K
Fair Value of Employer Assets	2,848	3,069	3,093	3,712	3,792
Present Value of Defined Benefit Obligation	(4,124)	(4,463)	(4,850)	(4,799)	(4,703)
Surplus / (Deficit)	(1,276)	(1,394)	(757)	(1,087)	(911)

The liabilities show the underlying commitments that the Joint Committee has in the long run to pay retirement benefits. The net liability of £911K, decreased from £1,087K at the end of the previous year, has a substantial impact on the net worth of the Joint Committee as recorded in the Balance Sheet, which is still however showing a positive overall balance of £5,034K.

However, statutory arrangements for funding the deficit mean that the financial position of the Joint Committee remains healthy as 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.

Balance Sheet

31.3.21		31.3.22
£K		£K
3,712	Fair Value of Employer Assets	3,792
(4,799)	Present Value of Funded Liabilities	(4,703)
(1,087)	Net (Under)/Overfunding in Funded Plans	(911)
-	- Present Value of Unfunded Liabilities	-
-	- Unrecognised Past Service Cost	-
(1,087)	Net Asset/Liability	(911)
	Amount in Balance Sheet	
1,087	Liabilities	911
-	Assets	-
(1,087)	Net Asset/Liability	(911)

15. Financial Instruments

Introduction

A financial instrument is defined as any contract that gives rise to a financial asset (such as investments) or a financial liability (such as borrowings). The financial instruments disclosed in the balance sheet are made up of the following:

31.3.21		31.3.22
£		£
448,669	Financial liabilities at amortised cost (creditors)	1,088,819
0	Loans	0
448,669	Total Borrowings	1,088,819
3,532,361	Loans and receivables (Current assets)	3,387,247
3,532,361	Total Investments	3,387,247

Fair value

The financial liabilities and financial assets are carried in the balance sheet at 'amortised cost'. The amortised cost is calculated by taking the initial amount of a loan advance, deducting the value of cash repayments made in year and adding on the interest charged/credited to the Income and Expenditure Account.

The 'fair value' of an instrument is the amount for which it could be sold for in an open market, based on the present value of the future cash flows that take place over the remaining terms of the instrument. Where an instrument is due to mature within the next 12 months the carrying amount is assumed to approximate to fair value. The fair value of trade receivables and payables is taken to be the invoiced amount.

The fair value of the Joint Committee's instruments compared to the amounts carried in the balance sheet at amortised cost are as follows:

<i>Carrying amount</i>	31.3.21		<i>Carrying amount</i>	31.3.22
£	<i>Fair value</i>		£	<i>Fair value</i>
£	£		£	£
Financial Instruments Classified as Financial Liabilities:				
448,669	448,669	Creditors	1,088,819	1,088,819
0	0	Loans	0	0
448,669	448,669	Total	1,088,819	1,088,819
Financial Instruments Classified as Financial Assets:				
126,034	126,034	Debtors	131,472	131,472
2,367,691	2,367,691	Investments	2,357,077	2,357,077

1,038,636	1,038,636	Cash	898,698	898,698
3,532,361	3,532,361	Total	3,387,247	3,387,247

All of the above financial assets are classified as loans and receivables, their defining characteristics being:

- They have fixed and determinable payments; and
- Are not quoted in an active market.

The Joint Committee does not have any other categories of financial asset.

Nature and Extent of Risk Arising from Financial Instruments

The Joint Committee has limited exposure to a variety of financial risks. In order to mitigate these the Joint Committee does regularly monitor and actively pursue debts owing to it, and, in the case of investments and cash, the risk is spread over more than one financial institution, and investments are either instant access accounts or limited to varying periods of less than one year. The types of risk experienced and how the Joint Committee deals with these is set out below:

- Credit risk:
 - The possibility that other parties might fail to pay amounts due to the authority
 - The creditworthiness of counterparties is an important consideration and deposits are not made with banks and other financial institutions unless they meet the investment criteria determined by the Accountant. The amount and period of the investment are also restricted to criteria determined by the Accountant. The Joint Committee does not expect any losses from non-performance by any of its counterparties in relations to deposits.
- Liquidity risk:
 - The possibility that the authority might not have funds available to meets its commitments to make payments
 - It is the Joint Committee's policy to be debt free. There is no significant risk that the Joint Committee will be unable to raise finance to meets its commitments if required.
- Market risk:
 - The possibility that financial loss might arise for the Joint Committee, as a result of changes in such measures as interest rates and stock market movements. The Joint Committee is exposed to risk in terms of its exposure to interest rate movements on its investments.
 - A rise in interest rates would have the following effects:
 - Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise

- Investments at fixed rates – the fair value of the asset will fall.
- The Joint Committee's investments are all short-term investments at fixed rates, reducing exposure to such risk.

16. Reconciliation of net surplus/deficit on the Income and Expenditure Account to the revenue activities net cash flow in the statement

2020/21		2021/22
£		£
223,638	Net Cash Inflow(-)/Outflow	508,156
(52,248)	Decrease/(Increase) in Debtors	(6,859)
144,889	(Decrease)/Increase in Creditors	640,150
(769,248)	Decrease/(Increase) in short term investments	10,614
452,969	Net Contribution to Earmarked Reserves	0
0	Net (Surplus)/Deficit on Income and Expenditure Account	1,152,061

17. Reconciliation of movement in net cash to movement in net debt

2020/21		2021/22
£		£
(223,638)	Net Cash Inflow(-)/Outflow	(508,156)
0	Deficit(-)/Surplus for year	1,152,061
(769,248)	Decrease/(Increase) in short term investments	(10,614)
452,969	Net Contribution to Earmarked Reserves	0
£92,641	Net Change in Debtors/Creditors	£633,291

18. Reconciliation of items under the Financing and Management of Liquid Resources sections to the opening and closing Balance Sheets

2020/21		2021/22
£		£
3,136,938	Short-term Investments 1 st April	2,367,691
2,367,691	Short-term Investments 31 st March	2,357,077

£769,247 Increase/(Decrease) in Short-term Investments

£10,614

19. Items included in liquid resources

31.3.21		31.3.22
£		£
	Lloyds TSB:	
1,081,756	Instant Access Investment Account	1,081,864
514,587	Treasury Investment	503,328
	CCLA - Public Sector Deposit Fund	
771,348	Money Market Fund	771,886
£2,367,691	Total	£2,357,077

During 2021/22 the Joint Committee spread its investment risk between two financial institutions – one of the institutions is a public sector investment fund which spreads the risk over a number of other institutions.