

PORTCHESTER CREMATORIUM JOINT COMMITTEE

STATEMENT OF ACCOUNTS

**for the year ended
31st March 2007**

A WANNELL

TREASURER TO THE JOINT COMMITTEE

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THE EXPLANATORY FOREWORD

1. Introduction

The accounts of the Joint Committee for the year 2006/07 are set out commencing on page 5. They consist of:

the Income and Expenditure Account and Statement of Movement on the General Fund Balance covering income and expenditure on the service.

the Statement of Total Recognised Gains and Losses which brings together the Joint Committees recognised gains and losses in the year.

the Balance Sheet which sets out the Joint Committee's financial position on 31 March 2007

the Cash Flow Statement which summarises the inflows and outflows of cash arising from transactions with third parties.

These accounts are supported by the statement of accounting policies, which follows this foreword and various notes to the accounts.

This foreword draws attention to the main characteristics of the financial position of the Joint Committee.

2. Revenue

The main sources of income are from fees and charges for the service and interest on investments. The type of expenditure incurred on the service is for employees and running expenses which include the maintenance of the crematorium buildings, plant and grounds and the purchase of supplies and services.

3. Capital

In 2006/07 the Joint Committee spent £77,000 on capital schemes compared with the budget of £93,000. The underspend of £16,000 was mainly the result of changes to the phasing of the programme with expenditure now expected to be incurred in 2007/08.

The sum of £9,000 was spent on buildings and £48,000 on plant and £20,000 on roadway/paving. A total of 96% of the capital expenditure in 2006/07 was financed from revenue sources such as the capital works fund and 4% was met from capital receipts. As at 31 March 2007 there is no external debt in respect of the capital expenditure.

Assets are shown on the balance sheet net of depreciation. The book value of the Joint Committee's fixed assets at 31 March 2007 was £3.748 million.

4. Reserves

The Joint Committee's total revenue reserves and balances including usable capital receipts at 31 March 2007 amounted to £829,000. Against this, the actuarial

valuation of the Joint Committee's share of pension fund assets and liabilities at 31 March 2007 indicated a £660,000 deficiency of assets compared with future liabilities to current members of the pension scheme. The actuarial valuation will be reviewed each year, and will reflect further payments into the fund, and movements in the value of investments of which a large proportion is held in equities. The deficiency could increase, decrease, or become a surplus before the majority of liabilities (pension benefits) become payable.

5. Changes to the Local Government Pension Scheme

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have assumed that 50% of employees retiring after 6 April 2006 will take advantage of this change to the pension scheme.

6. Further information

Interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised in the local press.

PORTCHESTER CREMATORIUM JOINT COMMITTEE

STATEMENT OF ACCOUNTING POLICIES

1. General

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (SORP) issued in 2006 by the Chartered Institute of Public Finance and Accountancy (CIPFA), and also with the guidance notes issued by CIPFA on the application of accounting standards (SSAPs) and financial reporting standards (FRSs). Details of any non-compliance are contained in the following notes.

2. Fixed Assets

From 1 April 1994, all expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Expenditure on fixed assets is capitalised, provided that the fixed asset yields benefits to the Joint Committee and the services it provides, for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets which are charged direct to the revenue account.

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance notes issued by the Royal Institution of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the 2006 Code of Practice on Local Authority Accounting.

Land, operational properties and other operational assets are in the balance sheet at the lower of net current replacement cost and net realisable value.

The land and property at the crematorium are vested in the Fareham Borough Council.

The surpluses arising on the initial valuation of fixed assets at April 1994 have been credited to the Fixed Asset Restatement Account as have the surpluses arising on the revaluation carried out in 1999/2000 and 2005/06. Future revaluations of fixed assets will be at five year intervals, or more frequently as material changes to asset valuations occur.

The gain or loss on disposal of a fixed asset is the amount by which the disposal proceeds are more (gain) or less (loss) than the carrying amount of the fixed asset.

3. Depreciation

FRS 15 requires that depreciation must be provided for on all fixed assets, and the only grounds for not providing depreciation are that it would be immaterial. Separate charges should be made for the depreciation of major elements of a single asset which have materially different useful economic lives.

All operational assets were depreciated in 2006/07 including operational buildings, paths, plant and equipment. Depreciation is calculated using the straight line method over a 25 year useful life for cremators, over a standard 50 year life for operational buildings, paths railings and walls, and over an individually assessed life for other assets.

4. Capital Reserves

From 1 April 1994, the introduction of the new system of capital accounting has required the establishment of two reserve accounts in the consolidated balance sheet:

- the fixed asset restatement account, which represents principally the balance of the surpluses or deficits arising on the periodic revaluation of fixed assets.
- the capital financing account, which represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets.

5. Debtors and Creditors

The accounts of the Joint Committee are maintained on an accruals basis in accordance with the Code of Accounting Practice and FRS 18. That is, sums due to or from the Joint Committee during the year are included whether or not the cash has actually been received or paid in the year. Exceptions to this principle relate to electricity and other similar payments which are charged at the date of payment rather than being apportioned between financial years.

6. Provisions and Reserves

Under Section 91 of the Local Government Finance Act 1988 the Joint Committee has been required to establish and maintain a general fund from 1 April 1990. Part of the fund is earmarked for specific purposes including provisions set aside for future expenses which are likely or certain to be incurred but the amount of which cannot yet be determined accurately and reserves set aside for revenue and capital purposes. Reserves include earmarked reserves set aside for specific policy purposes and balances which represent resources set aside for purposes such as general contingencies and cash flow management. The operation of these reserves is described in note 7 to the core financial statements.

7. Interest

Interest earned on the investment of fund balances is credited to the income and expenditure account.

8. Investments

All investments have been recorded in the accounts at cost.

9. Pensions

The Joint Committee's employees belong to the Hampshire County Council pension scheme. Further details can be found in note 8 to the core financial statements. In 2003/04 the implementation of FRS 17 accounting policies had a material effect on substantial parts of the statement of accounts. The new policies better reflect the Joint Committee's long term commitment to increase contributions to make up any shortfall in attributable net assets in the pension fund. The net asset / liability and a pensions reserve are recognised in the balance sheet.

10. Prior Year Adjustments

The majority of prior year adjustments arise from corrections and adjustments that are the natural result of estimates inherent in the accounting process. Such adjustments constitute normal transactions for the year in which they are identified, and should be accounted for accordingly.

Material adjustments applicable to prior periods arising from changes in accounting policies or from the correction of fundamental errors should be accounted for by restating the comparatives for the preceding year in the statement of accounts and notes and adjusting the opening balance of reserves for the cumulative effect.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Joint Committee's Responsibilities

The Joint Committee is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. The Treasurer fulfils this role on behalf of the Joint Committee.
- manage its affairs so as to secure economic, efficient and effective use of resources and safeguard its assets.

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Joint Committee's statement of accounts, which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice'), 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 31 March 2007.

In preparing this statement of accounts, the Treasurer has:

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

The Treasurer has also:

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

I certify that the Statement of Accounts presents fairly the financial position of the Joint Committee at 31 March 2007 and its expenditure and income for the year then ended.

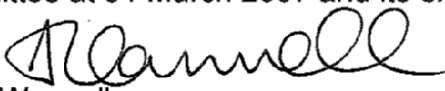
Signed

Andrew Wannell

Treasurer

Portchester Crematorium Joint Committee

Dated


25th June 07

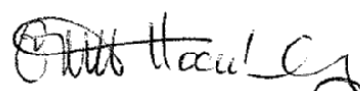
Signed

Cllr Mrs C Hockley

Chairman

Portchester Crematorium Joint Committee

Dated


25th June '07.

PORTCHESTER CREMATORIUM JOINT COMMITTEE

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2007

<u>EXPENDITURE/INCOME ON SERVICE</u>	Gross Expenditure 2006/07 £	Income 2006/07 £	Net Expenditure 2006/07 £	Net Expenditure 2005/06 £
Employees	221,634	0	221,634	205,543
Premises	373,995	0	373,995	376,342
Supplies and Services	231,455	0	231,455	225,841
Depreciation	121,922	0	121,922	115,549
Income	0	-1,547,992	-1,547,992	-1,475,688
NET COST OF SERVICE	949,006	-1,547,992	-598,986	-552,413
Gain on disposal of assets			0	-40,060
Interest Receivable			-37,865	-21,805
Pensions Interest cost and expected return on pensions assets			10,000	20,000
SURPLUS FOR THE YEAR			-626,851	-594,278

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

Surplus on the Income & Expenditure Account	-626,851	-594,278
Net additional amount required to be debited or credited to the general fund balance for the year (note 10)	178,527	182,691
Surplus for the year	-448,324	-411,587
Distribution to Constituent Authorities	440,000	404,000
Net credit to the general fund for the year	-8,324	-7,587

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	<u>2006/07</u>	<u>2005/06</u>
	£	£
Surplus on the income and expenditure account for the year	626,851	594,278
Actuarial gains and losses on pension fund assets and liabilities (note 8)	-20,000	50,000
Other losses	0	-12,935
Total recognised gains and losses for the year	<u>606,851</u>	<u>631,343</u>
Distribution to Constituent Authorities	-440,000	-404,000
Change in net worth over the year	<u>166,851</u>	<u>227,343</u>

BALANCE SHEET AS AT 31 MARCH 2007

<u>FIXED ASSETS (Notes 11,12,13)</u>	<u>31.03.07</u> £	<u>31.03.07</u> £	<u>31.03.06</u> £
Crematorium Buildings/Plant		3,748,096	3,813,270
<u>CURRENT ASSETS</u>			
Debtors & Prepayments (note 14)	2,468		0
Investments (note 15)	859,000		551,000
Cash - at Bank	118,826		84,411
- in Hand	260		402
CURRENT ASSETS EMPLOYED		980,554	635,813
<u>CURRENT LIABILITIES</u>			
Creditors (note 16)		-148,577	-78,125
Receipts in advance (note 17)		-3,001	-737
NET CURRENT ASSETS		828,976	556,951
TOTAL ASSETS LESS CURRENT LIABILITIES		4,577,072	4,370,221
<u>LONG TERM LIABILITIES</u>			
Pension scheme liability (note 8)		-660,000	-620,000
TOTAL ASSETS LESS LIABILITIES		3,917,072	3,750,221
<u>BALANCES AND RESERVES</u>			
Pensions Reserve	-660,000		-620,000
Usable Capital Receipts Reserve (note 4 to the core financial statement)	0		3,360
Fixed Asset Restatement Account (note 5 to the core financial statement)	1,599,980		1,599,980
Capital Financing Account (note 6 to the core financial statement)	2,148,116		2,213,290
Fund Balances and Reserves (note 7 to the core financial statement)	828,976		553,591
TOTAL NET WORTH		3,917,072	3,750,221

PORTCHESTER CREMATORIUM JOINT COMMITTEE

CASH FLOW STATEMENT

The cash flow statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash includes cash in hand and deposits repayable on demand less overdrafts repayable on demand.

	2006/07 £	2006/07 £	2005/06 £	2005/06 £
REVENUE ACTIVITIES				
Cash Outflows				
Cash paid to & on behalf of employees	221,634		205,543	
Other operating cash payments	<u>1,021,950</u>	1,243,584	<u>1,010,743</u>	1,216,286
Cash Inflows				
Cash received for goods and services	-1,547,992		-1,465,655	
Other operating cash receipts	<u>0</u>	-1,547,992	<u>-10,033</u>	-1,475,688
Revenue activities net cash flow (note 19)		-304,408		-259,402
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Cash Outflows				
Interest paid	0		0	
Cash Inflows				
Interest received	<u>-37,865</u>	-37,865	<u>-21,805</u>	-21,805
CAPITAL ACTIVITIES				
Cash Outflows				
Purchase of fixed assets		56,748		126,067
Cash Inflows				
Sale of fixed assets	0		-129,360	
Other capital cash receipts	<u>-56,748</u>	-56,748	<u>3,293</u>	-126,067
MANAGEMENT OF LIQUID RESOURCES		0		0
FINANCING				
Cash Outflows				
Temporary investments		<u>308,000</u>		<u>269,000</u>
Increase (-) /Decrease (+) in cash (note 20)		<u>-34,273</u>		<u>-12,207</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Exceptional Items, extraordinary items and prior year adjustments

The 2006 SORP removes the requirement for a capital financing charge (or “notional interest”) which has its origins in the requirement of statutory or non-statutory proper practices. As a result, £136,222 has been removed from the 2005/06 Income & Expenditure account under the heading of “Capital Charges”. In addition to this, the 2006 SORP requires that gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure account.

A profit on disposal of £40,060 was made on assets disposed of in 2005/06, which is now reflected in the Income and Expenditure account below Net Cost of Service.

There were no extraordinary items.

2. Contributions from other earmarked reserves	2006/07	2005/06
For repairs and renewals programme	-29,157	-49,485
For capital works programme	-20,394	-30,270
Total contributions from reserves	<u>-49,551</u>	<u>-79,755</u>

3. Related parties transactions

Under FRS 8, Fareham Borough Council, Portsmouth City Council, Gosport Borough Council, Havant Borough Council and a senior officer are deemed to be related parties to the Joint Committee. For individuals identified as related parties, the following are also related: members of their close family or of the same household and partnerships, trusts, or other entities in which they have a controlling interest.

No known transactions have taken place with parties related to the Joint Committee in 2006/07 other than those with other local authorities as detailed below:

	£'000
Fareham Borough Council	
• Work carried out by the Council	27
• Contribution to the Council	110
• Interest received on surplus funds invested (£859,000 at 31.03.07) with the Council	-38
Portsmouth City Council	
• Work carried out by the Council	12
• Contribution to the Council	110
Gosport Borough Council	
• Contribution to the Council	110
Havant Borough Council	
• Contribution to the Council	110
Hampshire County Council	
• Work carried out by the Council	1
• Pension fund payments	36

4. Movement in Realised Capital Resources - Usable Capital Receipts Reserve

Receipts received in 2005/06 were from the sale of property however most of this had been used to finance a number of capital works projects in that year, with the remaining balance being utilised in 2006/07.

	2006/07	2005/06
	£	£
Balance as at 1 April	3,360	0
Capital receipts in the year	0	129,360
Capital receipts applied in the year	-3,360	-126,000
Balance as at 31 March	<u>0</u>	<u>3,360</u>

5. Fixed Asset Restatement Account

The new system of capital accounting requires the establishment of the fixed asset restatement account. The account is written down by the net book value of assets as they are disposed of and debited or credited with the deficits or surpluses arising on future re-valuations. The account is also written down by the amount of capital expenditure in the year which does not increase asset values.

	2006/07	2005/06
	£	£
Balance as at 1 April	1,599,980	1,689,280
Disposal of fixed asset	0	-89,300
Gains/Losses on revaluation	0	0
Balance as at 31 March	<u>1,599,980</u>	<u>1,599,980</u>

6. Capital Financing Account

This account contains amounts which are required by statute to be set aside for the repayment of external loans and the amount of capital expenditure financed from revenue. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans.

	2006/07	2005/06
	£	£
Balance as at 1 April	2,213,290	2,202,772
Capital financing from revenue in year	53,388	67
Capital receipts applied in the year	3,360	126,000
Less depreciation provision in year	-121,922	-115,549
Balance as at 31 March	<u>2,148,116</u>	<u>2,213,290</u>

7. Fund Balances and Reserves

	1 April	Receipts	Payments	31 March
	£	£	£	£
Repairs and Renewals (note 7a)	30,849	70,000	29,157	71,692
Capital Works (note 7a)	469,542	300,000	73,782	695,760
General Fund	53,200	8,324	0	61,524
	<u>553,591</u>	<u>381,684</u>	<u>106,299</u>	<u>828,976</u>

7a. Repairs and Renewals Fund/Capital Works Fund

The repairs and renewals fund and the capital works fund receive annual contributions from the General Fund and the purpose of the funds is to provide for future minor/major repairs to buildings and grounds. Capital works fund balance is as follows:

Opening balance 1 April	469,542
Contribution from revenue	<u>300,000</u>
	769,542
Transfer to General Fund to finance capital expenditure	53,388
Transfer to General Fund to finance revenue expenditure	<u>20,394</u>
Balance of fund as at 31 March	<u>695,760</u>

8. Pensions – Assets and Liabilities

Retirement benefits related to pay and service are provided from the superannuation fund and the employees' rate of contribution is 6% of pensionable pay. In 2006/07 Portchester Crematorium Joint Committee paid an employer's contribution of £26,000 into the Hampshire pension fund representing 15% of pensionable pay. The contribution rate is determined by the fund's actuary, based on valuations every three years. The employers' contribution rate payable in 2006/07 was based on the valuation as at 31 March 2004 which recommended a phased increase in rates with the first phase being implemented with effect from 1 April 2005.

Analysis of amounts charged to net services cost:

	2006/07	2005/06
	£'000	£'000
Current service cost	30	30
Past service costs	10	0
Gain / Loss on curtailments and settlements	0	0
Total charged to net service costs	<u>40</u>	<u>30</u>

Analysis of amount credited to other finance income

Expected return on pension fund assets	80	70
Interest on pension scheme liabilities	<u>-90</u>	<u>-90</u>
Net charge / credit to other finance income	<u>-10</u>	<u>-20</u>

The actuarial gains and losses as movements on the Pension Reserve can be analysed into the following categories, measured as absolute amounts and as a percentage of the assets and liabilities at 31 March:-

2002/03		2003/04		2004/05		2005/06			2006/07	
£000s	%	£000s	%	£000s	%	£000s	%		£000s	%
-270	34.2	130	13.3	30	2.9	170	13.4	Actual return less expected return on assets	0	0
0	0	0	0	60	3.6	0	0	Experience gains and losses on pension liabilities	-10	0.5
0	0	10	0.7	-300	17.9	-120	6.3	Changes in assumptions underlying the present value of pension liabilities	-10	0.5
-270	20.8	140	10.1	-210	-12.5	50	2.6	Total gain/loss (-)	-20	1

FRS 17 – Retirement Benefits requires disclosure of certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. Portchester Crematorium Joint Committee (PCJC) participates in the Local Government Pension Scheme which is administered by Hampshire County Council, and is a defined benefit scheme based on final pensionable salary.

The most recent valuation was carried out as at 31 March 2004, and has been updated by independent actuaries to the Hampshire County Council Pension Fund to take account of the requirements of FRS17 in order to assess the liabilities of the fund as at 31 March 2007. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present values.

PCJC contribution rate over the accounting period was 275% of member's contributions.

The contribution rates certified for Portchester Crematorium Joint Committee at 31 March 2004 valuation are as follows:

April 2005 to March 2006 – 250% of members contributions

April 2006 to March 2007 – 275% of members contributions

April 2007 to March 2008 – 295% of members contributions

These figures include the past service element of the contribution rate.

The main assumptions for the purposes of FRS 17 are as follows:

	2006/07	2005/06
	% p.a.	% p.a.
Discount rate	5.3	4.9
Rate of increase in salaries	4.7	4.5
Rate of increase in pensions in payment	3.2	3.0
Rate of inflation	3.2	3.0
Long term rate of return on equities	7.7	7.3
Long term rate of return on Government bonds	4.7	4.3
Long term rate of return on Corporate bonds	5.3	4.9
Long term rate of return on property	6.7	6.3
Long term rate of return on other assets	5.6	4.6
Average long term expected rate of return	6.9	6.5

The key financial assumptions are as follows;

- The discount rates are based on the annualised yield on the iBoxx over 15 year AA rated corporate bond index at the relevant date.
- The assumed rates of inflation are derived from the difference between yields on fixed interest and index-linked government bonds.
- Pension increase assumptions are consistent with the assumptions for inflation.
- The salary increase assumptions are consistent with those used for the actuarial valuation (i.e. 1.5% p.a. above inflation).

Assets are valued at fair value, principally market value for investments. The proportion of total assets held in each asset by the Fund as a whole at 31 March 2007 and 2006 are as follows:

	2006/07	Estimated Value at 31 March 2007 (£m)	2005/06	Value at 31 March 2006 (£m)
Equities	67%	1,940.23	70%	1874.49
Government Bonds	21%	597.21	21%	549.06
Corporate Bonds	3%	77.00	0	0
Property	4%	130.88	4%	106.4
Other	5%	140.16	5%	137.58
Total		2,885.48		2,667.53

The following amounts, needed for reconciliation to the balance sheet, were measured in accordance with the requirements of FRS 17:

	2006/07	2005/06
	£m	£m
Share of assets	1.35	1.27
Estimated funded liabilities	2.00	1.89
Estimated unfunded liabilities	0.01	0.00
Portchester Crematorium Joint Committee deficit	-0.66	-0.62

The movement in the net deficit for the year to 31 March 2007 is as follows:

	2006/07 £m
Net deficit at beginning of year	-0.62
Contributions paid	0.03
Contribution towards unfunded liabilities	0.00
Current service cost	-0.03
Past service cost	-0.01
Gain/loss on any settlement or curtailments	0.00
Expected return on pension fund assets	0.00
Other finance income	-0.01
Actuarial gain/loss	-0.02
Net deficit at end of year	<u>-0.66</u>

The above figures have been provided by the actuaries to Hampshire County Council pension scheme using information provided by the scheme and assumptions determined by the Joint Committee with the actuary.

Actuarial calculations involve estimates based on assumptions about events and circumstances in the future, which may mean that the result of actuarial calculations may be affected by uncertainties within a range of possible values.

The £0.66 million net liability represents the difference between the value of the Joint Committee's pension payments to which it was committed at that date. These pension liabilities will be paid out over a number of years, during which time the assets will continue to generate returns towards funding them. Any significant changes in global equity markets after 1 April 2007 would also have an impact on the capital value of the pension fund assets.

The extent to which the expected future returns on assets are sufficient to cover the estimated net liabilities will be considered by the actuaries in their next full actuarial review of the Pension Fund, due to be carried out as at 31 March 2007. Their advice on whether or not there is any anticipated shortfall in the funding of the scheme at that time will determine the future level of pension contributions.

Further information on the pension fund can be obtained from the County Treasurer at Hampshire County Council.

9. Disclosure of audit costs

	2006/07 £	2005/06 £
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	4,500	4,000

10. Statement of Movement on the General Fund Balance

The Income and Expenditure account shows the actual financial performance for the year, measured in terms of the resources consumed and generated over the last year. However, the Joint Committee, under the Code of Practice on Local Authority Accounting are required to determine its movement on the General Fund balance 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.
- Retirement benefits are charged as amounts become payable to the pension fund and pensioners, rather than as benefits are secured.

The Statement of Movement on the General Fund Balance summarises the difference between the outturn on the Income and Expenditure account and the General Fund Balance.

	2006/07 £	2005/06 £
Amount included in the Income and Expenditure Account but required to be excluded when determining the Movement on the General Fund Balance for the year		
• Depreciation and Impairment of General Fund fixed assets	(121,922)	(115,549)
• Net gain / (loss) on sale of fixed assets	0	40,060
• Amount by which pensions costs are different from contributions due	(20,000)	(20,000)
Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year		
• Capital expenditure charged to the General Fund	53,388	67
Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year		
• Net transfer to/(from) revenue reserves	370,000	357,935
• Contribution from reserves to finance RR/CWF repairs	(49,551)	(79,755)
• Contribution from reserves to finance capital expenditure	(53,888)	(67)
Net additional amount required by statute and non-statutory proper Practises to be debited or credited to the General Fund Balance for the year.	<u>178,527</u>	<u>182,691</u>

11. Fixed Assets

Under the 1956 Memorandum of Agreement which established the Joint Committee, Fareham Borough Council has strict legal ownership of the buildings and plant erected by the Joint Committee. However, under FRS 5 these are included in the Joint Committee's balance sheet as, in substance; the Joint Committee obtains the economic benefits, in the form of income, and incurs the risks associated with the properties upkeep, by virtue of its responsibility for maintaining, controlling and managing the property.

The Crematorium's property valuation was reviewed by the Joint Committee's consultants Rawlinson Property Services during 2005/06. The variation in the valuation after the review was not material therefore no adjustment to the accounts has been made.

12. Movement of Fixed Assets

2005/06 Total £	Gross book value	2006/07 Buildings £	2006/07 Plant/equipment £	2006/07 Total £
4,461,673	1 April	3,397,518	1,095,222	4,492,740
126,067	Additions	8,763	47,985	56,748
-95,000	Disposals	0	0	0
0	Re-valuations	0	0	0
4,492,740	31 March	3,406,281	1,143,207	4,549,488
Depreciation				
-569,621	1 April	-239,948	-439,522	-679,470
-115,549	For the year	-68,657	-53,265	-121,922
5,700	On assets sold/disposed	0	0	0
-679,470	31 March	-308,605	-492,787	-801,392
Net book value				
3,813,270	31 March	3,097,676	650,420	3,748,096

13. Capital Expenditure

All of the capital expenditure in 2006/07 was financed from the capital works fund and capital receipts.

The Joint Committee has approved capital schemes including the current years programme slippage valued at £954,000 over the next three years. Of this, £44,000 was contractually committed at 31 March 2007. Major schemes planned in the next three years include:

	Approved and Contracted £'000	Approved but not Contracted £'000
Improvements to public waiting facilities	16	0
Cremators 1-6 hearth replacement	0	19
Works to roadway	28	0
Paved Areas	0	66
Cremator furnace relining	0	75
Environmental Protection Act Phase 2	0	750

14. Debtors & Prepayments as at 31 March

	2006/07 £	2005/06 £
Other debtors	2,468	0

15. Investments

The value of funds invested with Fareham Borough Council at 31 March 2007 total £859,000

16. Creditors as at 31 March

	2006/07	2005/06
	£	£
Fareham Borough Council	15,281	17,173
Portsmouth City Council	12,550	12,300
Hampshire County Council	17,941	0
Public Utilities	37,794	8,331
Grounds maintenance charges	3,958	3,393
Medical Referees	20,466	19,618
Sundry creditors	40,587	13,438
HM Customs and Excise	0	3,872
	<u>148,577</u>	<u>78,125</u>

17. Receipts in Advance

Receipts in advance is made up of the balance on the Garden Improvement Fund. The fund receives voluntary contributions from members of the public for carrying out improvements to the crematorium grounds which is in addition to expenditure on general grounds maintenance.

	2006/07	2005/06
	£	£
Opening balance at 1 April 2006	737	7,835
Receipts received in the year	2,264	2,935
Receipts utilised in the year	0	-10,033
Balance of Receipts in advance at 31 March 2007	<u>3,001</u>	<u>737</u>

18. Commitments

At 31 March 2007, £44,000 was contractually committed for capital schemes. (See also note 13).

19. Reconciliation between net surplus or deficit in the Income and Expenditure account to the revenue activities net cash flow shown in the Cash Flow Statement

	2006/07 £	2005/06 £
Net (surplus)/deficit in the Income and Expenditure Account	(626,851)	(594,278)
Revenue activities non-cash flow	284,578	273,011
Financing items in the Income and Expenditure - interest	37,865	21,805
Capital items in the Income and Expenditure	0	40,060
Revenue Activities net cash (inflow) in the Cash Flow Statement	<u>(304,408)</u>	<u>(259,402)</u>

	At 31.3.06 £	Cash flow £	At 31.3.07 £
20. Movement in cash			
Cash at bank plus cash in hand	84,813	34,273	119,086

	At 31.3.06 £	Cash flow £	At 31.3.07 £
21. Analysis of changes in financing and management of liquid resources			
Movement in temporary investments	551,000	308,000	859,000

	At 31.3.06 £	Cash flow £	At 31.3.07 £
22. Movement in other current assets			
Debtors and payments in advance	-737	-2,264	-3,001
Creditors and depositors	-78,125	-70,452	-148,577
	<u>-78,862</u>	<u>-72,716</u>	<u>-151,578</u>

23. Reconciliation of movement in cash to net funds

	2006/07 £	2005/06 £
Increase /Decrease (-) in cash (note 20)	34,273	12,207
Change in net investment/borrowing (note 21)	308,000	269,000
Change in net debt arising from cash flows	<u>342,273</u>	<u>281,207</u>
Net funds at 1 April	635,813	354,606
Net funds at 31 March	<u>978,086</u>	<u>635,813</u>

24. Post Balance Sheet Events

These accounts were authorised for issue on 25 June 2007. There were no post balance sheet events.

PORTCHESTER CREMATORIUM JOINT COMMITTEE

STATEMENT ON INTERNAL CONTROL

1. SCOPE OF RESPONSIBILITY

Portchester 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. Portchester Crematorium 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 Portchester Crematorium Joint Committee is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Joint Committee's functions and which includes arrangements for the management of risk.

2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going 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 system of internal control has been in place for the Portchester Crematorium Joint Committee for the year ended 31 March 2007 and up to the date of approval of the annual report of the accounts.

3. THE INTERNAL CONTROL ENVIRONMENT

The internal control environment incorporates the whole system of policies, processes, tasks and behaviours which:

- facilitate effective and efficient operation and enable the Joint Committee to respond appropriately to risks in relation to achieving its objectives;
- help ensure the quality of internal and external reporting;
- help ensure compliance with applicable laws, regulations and internal policies.

Key elements of Portchester Crematorium Joint Committee's current control environment are summarised below.

Establishing and Monitoring the Achievement of the Joint Committee's Objectives

- The Joint Committee was established by a Memorandum of Agreement between Fareham Borough Council, Portsmouth City Council, Gosport Borough Council and Havant Borough Council in 1956. The Agreement has subsequently been updated to reflect the requirements of the Local Government Act 2000, and currently 2 members from each of the constituent authorities make up the Joint Committee. The agreement sets out the constitution and objectives of the crematorium.
- The officers of the Joint Committee report four times per annum to members of the committee on the quality of the service provided, which include the grounds and buildings and plant to ensure the highest standards can continue to be maintained.

Facilitation of Policy and Decision Making

- The constituent Councils have delegated to the Joint Committee all the powers of the constituent authorities with respect to the provision and maintenance of the crematorium.
- The Joint Committee's constitution sets out the roles, responsibilities and relationships between the constituent authorities and also sets out the minimum number of meetings to be held annually for the general business of the Joint Committee.

Compliance with Policies, Procedures, Laws & Regulations

- The Manager of the crematorium receives a personal copy of key policies from the Council responsible for that element of the control framework.
- Employees receive induction on key elements of these policies where appropriate.
- Members receive induction on key elements of these policies from their own respective authorities.
- The Treasurer's responsibilities are to ensure that the Joint Committee acts legally and within its financial means.
- Internal Audit check adherence to Financial Regulations, Contract Standing Orders, ICT Regulations and relevant legislation as part of their audit work and record and report any incidents of breaches.

Risk Management

A comprehensive Risk Management Policy and Strategy are maintained which seek to embed risk management into the everyday workings of the Joint Committee. The key elements of the framework operating in the year were as follows:

- The Strategic Risk Management Group continued to be involved in developing the risk management activity of the Joint Committee, and keeping the Members and employees up to date with emerging processes, as well as identifying and advising on risks to the Joint

Committee. It has also been carrying out its monitoring responsibilities as laid out in the Risk Management Policy which include monitoring implementation of the Strategy.

- Officers and the Manager have received training on risk management theory and have been involved in the development of risk registers.
- The Joint Committee's risk register (strategic) has been updated and procedures embedded to monitor progress being made on all actions identified. In particular, any high level (Category 1 risks) are subject to reports to the Members of the Joint Committee
- An annual review is undertaken mapping the risks associated with the corporate priorities for the year, to controls and sources of assurance.
- A review of all health and safety risk assessments in place has been completed at the crematorium.

Economical, Effective and Efficient Use of Resources and Securing Improvement

- The manager of the crematorium is a member of a best value review group and receives annual feedback with comparisons with other crematoria.
- Officers of the Joint Committee continually strive to achieve value for money by reviewing methods of operation.

Financial Management and Reporting

The system of financial management is based on a framework of regular financial information, financial regulations, administrative procedures and processes, management supervision, and a system of delegation and accountability across the four constituent authorities. In particular the system includes:

- Comprehensive budgeting which is approved by the Joint Committee.
- Regular reviews of monthly financial reports which indicate financial performance against forecasts.
- The preparation of regular financial reports which indicate actual expenditure and income against forecasts.
- Clearly defined capital expenditure reported to each meeting of the Joint Committee.
- Transaction monitoring of transactions and income levels.

Performance Management

- Statistical information is reported to members at meetings of the Joint Committee.
- Measures of performance are reviewed through membership of a Best Value review group.

4. REVIEW OF EFFECTIVENESS

The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and officers of the Joint Committee who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors.

The key mechanisms we have used this year to maintain and review the effectiveness of the system of internal control were as follows:

The Joint Committee

This is the decision making body for the constituent authorities. The minutes of the Joint Committee are reported to each of the constituent authorities' relevant board/committee.

Manager

The Manager is responsible for the routine monitoring, review and supervision of the controls operating in his service.

Treasurer

The treasurer's responsibility is to ensure compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2006 (SORP). This is carried out by raising any issues with members of the Joint Committee through budget reports and other relevant reports when required.

Internal Audit

The Fareham Borough Council internal audit service carries out a bi-annual planned programme of work based on a comprehensive risk assessment. The Treasurer and the manager of the crematorium receive a full report of findings and recommendations at the end of each review.

Recommendation Review Process

Fareham Borough Council operates a twice yearly recommendation review process in which services report back on progress on the implementation of internal and external audit recommendations. This information is collated and reported to the Chief Executive Officer's Management Team.

External Audit

The Council's external auditors carry out work throughout the year in accordance with their code of practice. The findings from this work is summarised in their report at the conclusion of the audit.

Part Time Officers


The Clerk, Engineer and the Horticultural Consultant are contacted to ascertain whether there are any material developments concerning the crematorium or further controls which need to be put in place.


As a result of these assurance mechanisms we have identified some control issues, as below, which need to be addressed to ensure continuous improvement of the control framework.

5. SIGNIFICANT INTERNAL CONTROL ISSUES

The plan below summarises the actions to be taken to address the control issues identified for 2006/07

Issue	Action Proposed	Target Date
Risk Management	To continue the work to resolve identified risks.	31/10/07
Risk Management framework	Training to be carried out at the crematorium to improve general awareness of risk management processes.	31/12/07
Repairs and Renewals/Capital expenditure controls	Extended reporting for scheme progress	31/12/07

Signed 
Andrew Wannell
Treasurer
Portchester Crematorium Joint Committee
Dated 24th Sept 07

Signed 
Cllr Mr A Briggs
Chairman
Portchester Crematorium Joint Committee
Dated 24th Sept 07

Independent auditors' report to the Members of Portchester Crematorium Joint Committee

Opinion on the financial statements

We have audited the financial statements of Portchester Crematorium Joint Committee (referred to below as "the Joint Committee") for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the Joint Committee in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Joint Committee for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Treasurer and auditors

The Treasurer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements present fairly the financial position of the Joint Committee in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006.

We review whether the statement on internal control reflects compliance with CIPFA's guidance "The Statement on Internal Control in Local Government: Meeting the requirements of the Accounts and Audit Regulations 2003" issued in April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the Joint Committee's corporate governance procedures or its risk and control procedures.

We read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Joint Committee in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Joint Committee's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Joint Committee as at 31 March 2007 and its income and expenditure for the year then ended.

**Mazars LLP**

Chartered Accountants and Registered Auditors
Southampton

28 September 2007

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**Portchester Crematorium Joint Committee's responsibilities**

The Portchester Crematorium Joint Committee (referred to below as "the Joint Committee") is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to regularly review the adequacy and effectiveness of these arrangements.

Auditors' responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Joint Committee for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us



to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for other local government bodies. We report if significant matters have come to our attention which prevent us from concluding that the Joint Committee has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Joint Committee's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for other local government bodies specified by the Audit Commission and published in December 2006, we are satisfied that, in all significant respects, Portchester Crematorium Joint Committee made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007.

Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Mazars LLP

Mazars LLP

Chartered Accountants and Registered Auditors
Southampton

28 September 2007

GLOSSARY OF TERMS

Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arises because events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or, the actuarial assumptions have changed.

Capital Charge

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

Consistency

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

Current Service Costs (Pensions)

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Defined benefit scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the scheme investments. The scheme may be funded or unfunded.

Depreciation

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, effluxion of time or obsolescence through technological or other changes.

Exceptional Items

Material items which derive from events or transactions that fall within the ordinary activities of the Joint Committee and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Expected rate of return on pensions assets

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the assets held by the scheme.

Extraordinary Items

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

Fixed Assets

Tangible assets that yield benefits to the Joint Committee and the services it provides for a period of more than one year.

Interest Cost (Pensions)

For a defined benefit scheme, the expected increase in the present value of the scheme liabilities during the period, because benefits are one period closer to settlement.

Investments (Pensions Fund)

The investments of the Pensions Fund will be accounted for in the statements for that Fund. However, authorities participating in the fund are also required to disclose the attributable share of pension scheme assets associated with their underlying obligations.

Net Book Value

The amount at which fixed assets are included in the balance sheet, ie their historical cost or current value less the cumulative amounts provided for depreciation.

Operational Assets

Fixed assets held and occupied, used or consumed by the Joint Committee in the direct delivery of those services for which it has a statutory or discretionary responsibility.

Past Service Costs

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods, which has arisen in the current period as a result of, the introduction of, or, improvements to, retirement benefits.

Post Balance Sheet Events

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of accounts is signed by the Responsible Financial Officer.

Prior Year Adjustments

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Related parties

Elected Members of the Joint Committee and certain senior officers are deemed to be related parties of the Joint Committee. For individuals identified as related parties the following are also related parties: members of their close family or of the same household and partnerships, trusts, or other entities in which they have a controlling interest.

Retirement benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of an employer's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits, as these are not given in exchange for services rendered by employees.

Scheme liabilities

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflects the benefits that the employer is committed to provide for service up to the valuation date.