

**PORTCHESTER CREMATORIUM
JOINT COMMITTEE**

STATEMENT OF ACCOUNTS

**for the year ended
31st March 2008**

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 2007/08 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 2008

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 2007/08 the Joint Committee spent £132,000 on capital schemes compared with the budget of £145,000. The net underspend of £13,000 was mainly the result of changes to the phasing of the programme with some expenditure expected to be incurred in 2008/09, however expenditure was also incurred in advance of the budget.

The sum of £105,000 was spent on plant and £26,000 on roadway/paving. A total of 100% of the capital expenditure in 2007/08 was financed from revenue sources such as the capital works fund. As at 31 March 2008 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 2008 was £3.718 million.

4. Reserves

The Joint Committee's total revenue reserves and balances at 31 March 2008 amounted to £1,103,000. Against this, the actuarial valuation of the Joint

Committee's share of pension fund assets and liabilities at 31 March 2008 indicated a £420,000 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 2007 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. Tangible 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 2007 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 Capital Adjustment Account (formerly 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 2007/08 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 2007, two new reserves a 'Revaluation Reserve' and a 'Capital Adjustment Account' replace the fixed asset restatement account and the capital financing account. There are now three capital reserves:

- **Revaluation Reserve**, which accounts for amounts where the current net book value (NBV) of an asset is above its historic cost NBV. It represents the accumulated amount of valuation gains less amounts written of owing to depreciation and impairment.
- **Capital Adjustment Account**, which reflects the timing difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.
- **Usable Capital Receipts Reserve**, which holds capital receipts before they are used to either finance capital expenditure or repay debt

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 9 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/LAMSAAC 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 2008.

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 2008 and its expenditure and income for the year then ended.

Signed
Andrew Wannell
Treasurer
Portchester Crematorium Joint Committee
Dated

Signed
Chairman
Portchester Crematorium Joint Committee
Dated

PORTCHESTER CREMATORIUM JOINT COMMITTEE

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008

<u>EXPENDITURE/INCOME ON SERVICE</u>	Gross Expenditure 2007/08 £	Income 2007/08 £	Net Expenditure 2007/08 £	Net Expenditure 2006/07 £
Employees	239,205	0	239,205	221,634
Premises	423,451	0	423,451	373,995
Supplies and Services	255,056	0	255,056	231,455
Depreciation	134,940	0	134,940	121,922
Income	0	-1,666,131	-1,666,131	-1,547,992
NET COST OF SERVICE	1,052,652	-1,666,131	-613,479	-598,986
Interest Receivable			-58,552	-37,865
Pensions Interest cost and expected return on pensions assets			20,000	10,000
SURPLUS FOR THE YEAR			-652,031	-626,851

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

Surplus on the Income & Expenditure Account	-652,031	-626,851
Net additional amount required to be debited or credited to the general fund balance for the year (note 12)	185,974	178,527
Surplus for the year	-466,057	-448,324
Distribution to Constituent Authorities	448,000	440,000
Net credit to the general fund for the year	-18,057	-8,324

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	<u>2007/08</u>	<u>2006/07</u>
	£	£
Surplus on the income and expenditure account for the year	652,031	626,851
Actuarial gains and losses on pension fund assets and liabilities (note 9)	280,000	-20,000
Other losses	0	0
Total recognised gains and losses for the year	<u>932,031</u>	<u>606,851</u>
Distribution to Constituent Authorities	-448,000	-440,000
Change in net worth over the year	<u>484,031</u>	<u>166,851</u>

BALANCE SHEET AS AT 31 MARCH 2008

<u>TANGIBLE FIXED ASSETS (Notes 13,14,15)</u>	<u>31.03.08</u>	<u>31.03.08</u>	<u>31.03.07</u>
	£	£	£
Crematorium Buildings/Plant		3,718,398	3,748,096
 <u>CURRENT ASSETS</u>			
Debtors & Prepayments (note 16)	4,766		2,468
Investments (note 17)	1,132,000		859,000
Cash – at Bank	87,973		118,826
- in Hand	455		260
			<hr/>
CURRENT ASSETS EMPLOYED		1,225,194	980,554
 <u>CURRENT LIABILITIES</u>			
Creditors (note 18)		-117,431	-148,577
Receipts in advance (note 19)		-5,059	-3001
			<hr/>
NET CURRENT ASSETS		1,102,704	828,976
			<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		4,821,102	4,577,072
 <u>LONG TERM LIABILITIES</u>			
Pension scheme liability (note 9)		-420,000	-660,000
			<hr/>
TOTAL ASSETS LESS LIABILITIES		4,401,102	3,917,072
 <u>BALANCES AND RESERVES</u>			
Pensions Reserve		-420,000	-660,000
Usable Capital Receipts Reserve (note 4 to the core financial statement)		0	0
Capital Adjustment Account (note 7 to the core financial statements)		3,718,398	3,748,096
Fund Balances and Reserves (note 8 to the core financial statement)		1,102,704	828,976
			<hr/>
TOTAL NET WORTH		4,401,102	3,917,072
			<hr/>

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.

	2007/08 £	2007/08 £	2006/07 £	2006/07 £
REVENUE ACTIVITIES				
Cash Outflows				
Cash paid to & on behalf of employees	239,205		221,634	
Other operating cash payments	<u>1,243,136</u>	1,482,341	<u>1,021,950</u>	1,243,584
Cash Inflows				
Cash received for goods and services	-1,666,131		-1,547,992	
Other operating cash receipts	<u>0</u>	<u>-1,666,131</u>	<u>0</u>	<u>-1,547,992</u>
Revenue activities net cash flow (note 21)		-183,790		-304,408
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Cash Outflows				
Interest paid	0		0	
Cash Inflows				
Interest received	<u>-58,552</u>	-58,552	<u>-37,865</u>	-37,865
CAPITAL ACTIVITIES				
Cash Outflows				
Purchase of fixed assets		105,242		56,748
Cash Inflows				
Sale of fixed assets	0		0	
Other capital cash receipts	<u>-105,242</u>	-105,242	<u>-56,748</u>	-56,748
MANAGEMENT OF LIQUID RESOURCES				0
FINANCING				
Cash Outflows				
Temporary investments		<u>273,000</u>		<u>308,000</u>
Increase (-) /Decrease (+) in cash (note 22)		<u>30,658</u>		<u>-34,273</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. 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.

There were no extraordinary items.

2. Contributions from other earmarked reserves	2007/08	2006/07
For repairs and renewals programme	-72,638	-29,157
For capital works programme	-26,448	-20,394
Total contributions from reserves	<u>-99,086</u>	<u>-49,551</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 2007/08 other than those with other local authorities as detailed below:

	£'000
Fareham Borough Council	
• Work carried out by the Council	26
• Contribution to the Council	112
• Interest received on surplus funds invested (£1,132,000 at 31.03.08) with the Council	-57
Portsmouth City Council	
• Work carried out by the Council	12
• Contribution to the Council	112
Gosport Borough Council	
• Contribution to the Council	112
Havant Borough Council	
• Contribution to the Council	112
Hampshire County Council	
• Work carried out by the Council	1
• Pension fund payments	39

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.

	2007/08	2006/07
	£	£
Balance as at 1 April	0	3,360
Capital receipts in the year	0	0
Capital receipts applied in the year	0	-3,360
Balance as at 31 March	<u>0</u>	<u>0</u>

5. Fixed Asset Restatement Account

Refer to Capital Adjustment Account note 7.

	2007/08	2006/07
	£	£
Balance as at 1 April	0	1,599,980
Disposal of fixed asset	0	0
Gains/Losses on revaluation	0	0
Transfer to Capital Adjustment Account	0	-1,599,980
Balance as at 31 March	<u>0</u>	<u>0</u>

6. Capital Financing Account

Refer to Capital Adjustment Account note 7.

	2007/08	2006/07
	£	£
Balance as at 1 April	0	2,213,290
Capital financing from revenue in year	0	53,388
Capital receipts applied in the year	0	3,360
Less depreciation provision in year	0	-121,922
Transfer to Capital Adjustment Account	0	-2,148,116
Balance as at 31 March	<u>0</u>	<u>0</u>

7. Capital Adjustment Account

The Balance Sheet figures for 31 March 2007 have been adjusted from those included in the Statement of Accounts 2006/07 to accommodate the implementation of the Revaluation Reserve (see accounting policy 4). The Revaluation Reserve and Capital Adjustment Account replace the Fixed Asset Restatement Account (FARA) and Capital Financing Account (CFA). The credit balances of £1,599,980 and £2,148,116 on the FARA and CFA respectively at 31 March 2007 have been written off to the Capital Adjustment Account with a resulting credit balance of £3,748,096. The closing balance on the Revaluation Reserve at 31 March 2008 only shows revaluation gains accumulated since 1 April 2007, however since there has not been any gains and the balance is zero the Revaluation Reserve has been excluded from the Balance Sheet.

	2007/08	2006/07
	£	£
Balance as at 1 April	3,748,096	0
Transfer from Fixed Asset Restatement Reserve	0	1,599,980
Transfer from Capital Financing Account	0	2,148,116
Capital financing from revenue in year	105,242	0
Less depreciation provision in year	-134,940	0
Balance as at 31 March	<u>3,718,398</u>	<u>3,748,096</u>

8. Fund Balances and Reserves	1 April	Receipts	Payments	31 March
	£	£	£	£
Repairs and Renewals (note 8a)	71,692	60,000	72,638	59,054
Capital Works (note 8a)	695,760	400,000	131,690	964,070
General Fund	61,523	18,057	0	79,580
	<u>828,975</u>	<u>478,057</u>	<u>204,328</u>	<u>1,102,704</u>

8a. 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	695,760
Contribution from revenue	<u>400,000</u>
	1,095,760
Transfer to General Fund to finance capital expenditure	105,242
Transfer to General Fund to finance revenue expenditure	<u>26,448</u>
Balance of fund as at 31 March	<u>964,070</u>

9. 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 2007/08 Portchester Crematorium Joint Committee paid an employer's contribution of £28,000 into the Hampshire pension fund representing 16% 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 2007/08 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:	2007/08	2006/07
	£'000	£'000
Current service cost	30	30
Past service costs	20	10
Gain / Loss on curtailments and settlements	0	0
Total charged to net service costs	<u>50</u>	<u>40</u>

Analysis of amount credited to other finance income

Expected return on pension fund assets	90	80
Interest on pension scheme liabilities	-110	-90
Net charge / credit to other finance income	-20	-10

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:-

2003/04		2004/05		2005/06		2006/07			2007/08	
£000s	%	£000s	%	£000s	%	£000s	%		£000s	%
130	13.3	30	2.9	170	13.4	0	0	Actual return less expected return on assets	-33	-30.1
0	0	60	3.6	0	0	-10	0.5	Experience gains and losses on pension liabilities	33	21.4
10	0.7	-300	17.9	-120	6.3	-10	0.5	Changes in assumptions underlying the present value of pension liabilities	28	18.5
140	10.1	-210	-12.5	50	2.6	-20	1	Total gain/loss (-)	28	18

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 2007, 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 2008. 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 295% 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 contribution rates certified for Portchester Crematorium Joint Committee at 31 March 2007 valuation are as follows:

April 2008 to March 2009 – 18.1% percentage of payroll

April 2009 to March 2010 - 18.6% percentage of payroll

April 2010 to March 2011 - 19.1% percentage of payroll

All rates are now expressed as a percentage of payroll, rather than the previous practice as a percentage of employers' contribution rate, following the introduction of tiered employee contribution rates.

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

	2007/08	2006/07
	% p.a.	% p.a.
Discount rate	6.8	5.3
Rate of general long-term increase in salaries	5.2	4.7
Rate of increase in pensions in payment	3.7	3.2
Rate of inflation	3.7	3.2
Long term rate of return on equities	7.6	7.7
Long term rate of return on Government bonds	4.6	4.7
Long term rate of return on Corporate bonds	6.8	5.3
Long term rate of return on property	6.6	6.7
Long term rate of return on other assets	6.0	5.6
Average long term expected rate of return	6.7	6.9

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). In addition an age related promotional salary scale has been used.

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 2008 and 2007 are as follows:

	2007/08	Estimated Value at 31 March 2008 (£m)	2006/07	Estimated Value at 31 March 2007 (£m)
Equities	62%	1,807.60	67%	1,940.23
Government Bonds	27%	775.60	21%	597.21
Corporate Bonds	0%	0	3%	77.00
Property	6%	168.00	4%	130.88
Other	5%	167.00	5%	140.16
Total	100%	2,918.20	100%	2,885.48

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

	2007/08	2006/07
	£m	£m
Share of assets	1.11	1.35
Estimated funded liabilities	1.52	2.00
Estimated unfunded liabilities	0.01	0.01
Portchester Crematorium Joint Committee deficit	-0.42	-0.66

The movement in the net deficit for the year to 31 March 2008 is as follows:

	2007/08
	£m
Net deficit at beginning of year	-0.66
Contributions paid	0.03
Contribution towards unfunded liabilities	0
Current service cost	-0.03
Past service cost	-0.02
Gain/loss on any settlement or curtailments	0
Expected return on pension fund assets	0
Other finance income	-0.02
Actuarial gain/loss	0.28
Net deficit at end of year	<u>-0.42</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.

Portchester Crematorium's assets and liabilities position has been corrected following the 2007 actuarial valuation and subsequent calculations following revised data provided by the Administering Authority. In consequence, the liabilities and assets calculated were lower than the liabilities and assets rolled forward to 31 March 2007. This has led to significant asset loss and experience gain on liabilities.

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 £0.42 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 2008 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 was considered by the actuaries at the full actuarial review of the Pension Fund, 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 has determined the future level of pension contributions.

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

10. Disclosure of audit costs	2007/08	2006/07
	£	£
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	4,500	4,500

11. Publicity Account

Section 5 of the Local Government Act 1986 requires an account to be kept of the expenditure on publicity. The expenditure has been included in the appropriate classification in the Income and Expenditure Account.

	2007/08	2006/07
	£	£
Audit of accounts advertising	672	678

12. 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.

	2007/08	2006/07
	£	£
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	(134,940)	(121,922)
• Net gain / (loss) on sale of fixed assets	0	0
• Amount by which pensions costs are different from contributions due	(40,000)	(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	105,242	53,388
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	460,000	370,000

- Contribution from reserves to finance RR/CWF repairs (99,086) (49,551)
- Contribution from reserves to finance capital expenditure (105,242) (53,888)

Net additional amount required by statute and non-statutory proper Practises to be debited or credited to the General Fund Balance for the year.

185,974 178,527

13. Tangible 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 Parker Torrington Ltd during 2005/06. The variation in the valuation after the review was not material therefore no adjustment to the accounts has been made.

14. Movement of Fixed Assets

2006/07 Total £	Gross book value	2007/08 Buildings £	2007/08 Plant/equipment £	2007/08 Total £
4,492,740	1 April	3,406,281	1,143,207	4,549,488
56,748	Additions	19,667	85,575	105,242
0	Disposals	0	0	0
0	Re-valuations	0	0	0
4,549,488	31 March	3,425,948	1,228,783	4,549,488
	Depreciation			
-679,470	1 April	-308,605	-492,787	-801,392
-121,922	For the year	-69,065	65,875	-134,940
0	On assets sold/disposed	0	0	0
-801,392	31 March	-377,670	-558,662	-936,332
	Net book value			
3,748,096	31 March	3,048,278	670,120	3,718,398

15. Capital Expenditure

All of the capital expenditure in 2007/08 was financed from the capital works fund.

The Joint Committee has approved capital schemes including the current years programme slippage valued at £1.634 million over the next three years. Of this, £114,000 was contractually committed at 31 March 2008. Major schemes planned in the next three years include:

	Approved and Contracted £'000	Approved but not Contracted £'000
Improvements to public waiting facilities	40	0
Cremator furnace relining	74	0
Environmental Protection Act Phase 2	0	1,520

16. Debtors & Prepayments as at 31 March

	2007/08 £	2006/07 £
Other debtors	4,766	2,468

17. Investments

The value of funds invested with Fareham Borough Council at 31 March 2008 total £1,132,000

18. Creditors as at 31 March

	2007/08 £	2006/07 £
Fareham Borough Council	14,299	15,281
Portsmouth City Council	22,940	12,550
Hampshire County Council	19,796	17,941
Public Utilities	11,290	37,794
Grounds maintenance charges	6,027	3,958
Medical Referees	20,538	20,466
Sundry creditors	22,541	40,587
	<u>117,431</u>	<u>148,577</u>

19. 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.

	2007/08 £	2006/07 £
Opening balance at 1 April 2007	3,001	737
Receipts received in the year	2,058	2,264
Receipts utilised in the year	0	0
Balance of Receipts in advance at 31 March 2008	<u>5,059</u>	<u>3,001</u>

20. Commitments

At 31 March 2008, £114,000 was contractually committed for capital schemes. (See also note 15).

21. 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

	2007/08 £	2006/07 £
Net (surplus)/deficit in the Income and Expenditure Account	(652,031)	(626,851)
Revenue activities non-cash flow	409,689	284,578
Financing items in the Income and Expenditure - interest	58,552	37,865
Capital items in the Income and Expenditure	0	0
Revenue Activities net cash (inflow) in the Cash Flow Statement	<u>(183,790)</u>	<u>(304,408)</u>

22. Movement in cash

	At 31.3.07 £	Cash flow £	At 31.3.08 £
Cash at bank plus cash in hand	119,086	-30,658	88,428

23. Analysis of changes in financing and management of liquid resources

	At 31.3.07 £	Cash flow £	At 31.03.08 £
Movement in temporary investments	859,000	273,000	1,132,000

24. Movement in other current assets

	At 31.3.07 £	Cash flow £	At 31.3.08 £
Debtors and payments in advance	-3,001	-2,058	-5,059
Creditors and depositors	-148,577	31,146	-117,431
	<u>-151,578</u>	<u>29,088</u>	<u>-122,490</u>

25. Reconciliation of movement in cash to net funds

	2007/08 £	2006/07 £
Increase /Decrease (-) in cash (note 22)	-30,658	34,273
Change in net investment/borrowing (note 23)	273,000	308,000
Change in net debt arising from cash flows	<u>242,342</u>	<u>342,273</u>
Net funds at 1 April	978,086	635,813
Net funds at 31 March	<u>1,220,428</u>	<u>978,086</u>

26. Financial Instruments

For 2007 the SORP incorporates the Financial Reporting Standards 25, 26 and 29 that relate to financial instruments. A “financial instrument” is defined as any contract that gives rise to a financial asset (such as investments) or a financial liability (such as borrowing).

Debtors and creditors and other balance sheet items that arise statutorily from the Joint Committee's powers and duties are not classified as financial instruments. However, the Joint Committee does make a provision for unpaid debts (there were none at 31 March 2008) based on the age of the outstanding debts.

The Joint Committee has no outstanding borrowing at present but any future borrowing, together with the Joint Committee's investments, would be classified as financial instruments and would be made up of the following categories:

	Long-term		Current	
	31 March 2008	31 March 2007	31 March 2008	31 March 2007
	£000s	£000s	£000s	£000s
Financial liabilities at amortised cost	0	0	0	0
Financial liabilities at fair value through profit or loss	0	0	0	0
TOTAL BORROWING	0	0	0	0
Loans and receivables	0	0	1,132	859
Available-for-sale financial assets	0	0	0	0
Unquoted equity investment at cost	0	0	0	0
TOTAL INVESTMENTS	0	0	1,132	859

The Joint Committee has no financial assets that can be traded and no unquoted equity investments and therefore all investments are classified as Loans and Receivables carried in the balance sheet at amortised cost. If there had been any accrued interest at 31 March 2008, this would have to be included with the outstanding principal of £1,132,000.

Where financial instruments are carried on the balance sheet, the SORP requires disclosure of "fair value". This means that cash flows for existing fixed rate borrowing and investment must be compared with the current cash flows for equivalent borrowing and investment.

The "fair value" has been based on the following assumptions:

Estimated interest rate of 6.01% used for all investments.

No early repayment or impairment anticipated.

Where instruments mature within 12 months, the carrying amount assumed to approximate to fair value.

	31 March 2008		31 March 2007	
	Balance Sheet	Fair Value	Balance Sheet	Fair Value
	£000s	£000s	£000s	£000s
Loans and receivables	1,132	1,132	859	859

There is no variation between the fair value and balance sheet because all of the Joint Committee's investments are repayable at seven days notice.

The Joint Committee's activities expose it to a number of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Joint Committee
- Liquidity risk – the possibility that the Joint Committee might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial losses might arise for the Joint Committee as a result of changes in such measures as interest rates and stock market movements.

Credit Risk

The Joint Committee's investment policy of placing all surplus funds with Fareham Borough Council ensures that funds are always readily available to fund services and ensures that there are no losses from non-performance in relation to investments.

Liquidity Risk

The Joint Committee currently has no borrowings but significant investments, the level of investments being adjusted as necessary to maintain liquidity.

Market Risk – Interest Rates

The Joint Committee is not exposed to risk in terms of its exposure to interest rate movements on its investments as all investments are linked to the current bank base rate.

Market Risk – Price and Foreign Exchange Risk

The Joint Committee has no equity shares or shareholdings, and has no financial assets or liabilities denominated in foreign currencies, and thus has no exposure to fluctuations regarding price and foreign exchange risks.

27. Post Balance Sheet Events

These accounts were authorised for issue on 23 June 2008. There were no post balance sheet events.

PORTCHESTER CREMATORIUM JOINT COMMITTEE

ANNUAL GOVERNANCE STATEMENT 2007/08

TO BE INCLUDED FOR PCJC MEETING IN SEPTEMBER.

Signed
Andrew Wannell
Treasurer
Portchester Crematorium Joint Committee
Dated

Signed
Chairman
Portchester Crematorium Joint Committee
Dated

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.

Contingency

A condition which exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

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.

EXTERNAL AUDITORS REPORT

TO BE INCLUDED FOR PCJC MEETING IN SEPTEMBER.