

**PORTCHESTER CREMATORIUM
JOINT COMMITTEE**

STATEMENT OF ACCOUNTS

**for the year ended
31st March 2010**

A WANNELL

TREASURER TO THE JOINT COMMITTEE

CONTENTS

	Page	
1	The Explanatory Foreword	3
2	Statement of Accounting Policies	5
3	Statement of Responsibilities for the Statement of Accounts	8
4	Income and Expenditure Account	9
5	Statement of Movement on the General Fund Balance	9
6	Statement of Total Recognised Gains and Losses	10
7	Balance Sheet	11
8	Cash Flow Statement	12
9	Notes to the Core Financial Statements	13
10	Local Code of Corporate Governance	25
11	Glossary of terms	26
12	Auditors Report	28

THE EXPLANATORY FOREWORD

1. Introduction

The accounts of the Joint Committee for the year 2009/10 are set out commencing on page 5. They consist of the core financial statements as follows:

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 Committee's recognised gains and losses in the year.

the Balance Sheet which sets out the Joint Committee's financial position on 31 March 2010

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 although in the current economic climate interest earned has been negligible. 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 2009/10 the Joint Committee spent £12,700 on a capital scheme compared with the budget of £40,100. The net underspend of £27,400 was due to the final cost of the scheme being less than anticipated.

The sum of £12,700 was spent on plant/buildings related schemes. A total of 100% of the capital expenditure in 2009/10 was financed from revenue sources such as the capital works fund. As at 31 March 2010 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 2010 was £3.6 million.

4. Reserves

The Joint Committee's total revenue reserves and balances at 31 March 2010 amounted to £2.128 million. Against this, the actuarial valuation of the Joint Committee's share of pension fund assets and liabilities at 31 March 2010 indicated a £1.18 million 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.

Under the 2009 SORP the Joint Committee has adopted the amendment to FRS 17, Retirement Benefits. The effect of this change is disclosed in note 11 to the Accounting Policies.

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 2009 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

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 2009 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 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 2009/10 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, the system of capital accounting has required the establishment of two reserve accounts in the balance sheet replacing the fixed asset restatement reserve and the capital financing account. The revaluation reserve primarily represents the balance of valuation gains arising on the periodic revaluation of fixed assets. The capital adjustment account represents amounts set aside from revenue resources or capital receipts, to finance expenditure on fixed assets or for the repayment of external loans and certain other financing transactions.

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.

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 12 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. Financial Liabilities

Financial liabilities are initially measured at 'fair value' and carried at their amortised cost.

10. Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost.

Fair value is assessed as follows:

- where an investment will mature in the next twelve months the carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

11. Pensions

The Joint Committee's employees can elect to join the Hampshire County Council pension scheme. Further details can be found in note 17 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.

Under the 2009 SORP the Joint Committee has adopted the amendment to FRS 17, Retirement Benefits. As a result quoted securities held as assets in the defined pension scheme are now valued at bid price rather than mid-market value. There has been no effect of this change in the value of scheme assets at 31 March 2010.

12. 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 a true and fair view of the financial position of the Joint Committee at the accounting date and its income and expenditure for the year ended 31 March 2010.

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 a true and fair view of the financial position of the Joint Committee at 31 March 2010 and its expenditure and income for the year then ended.

Signed
Andrew Wannell
Treasurer
Portchester Crematorium Joint Committee
Dated

Signed
Cllr
Chairman
Portchester Crematorium Joint Committee
Dated

PORTCHESTER CREMATORIUM JOINT COMMITTEE

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

<u>EXPENDITURE/INCOME ON SERVICE</u>	Gross Expenditure 2009/10 £	Income 2009/10 £	Net Expenditure 2009/10 £	Net Expenditure 2008/09 £
Employees	229,606	0	229,606	226,081
Premises	380,370	0	380,370	369,624
Supplies and Services	248,494	0	248,494	274,601
Depreciation	143,948	0	143,948	143,695
Income	0	-1,899,622	-1,899,622	-1,856,076
NET COST OF SERVICE	1,002,418	-1,899,622	-897,204	-842,075
Interest Receivable			-72	-39,742
Pensions Interest cost and expected return on pensions assets			60,000	30,000
SURPLUS FOR THE YEAR			-837,276	-851,817

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

Surplus on the Income & Expenditure Account	-837,276	-851,817
Net additional amount required to be debited or credited to the general fund balance for the year (note 4)	394,445	399,882
Surplus for the year	-442,831	-451,935
Distribution to Constituent Authorities	440,000	432,000
Net credit to the general fund for the year	-2,831	-19,935
General fund balance b/f	-99,515	-79,580
General fund balance c/f (note 16)	-102,346	-99,515

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	<u>2009/10</u>	<u>2008/09</u>
	£	£
Surplus on the income and expenditure account for the year	837,276	851,817
Actuarial gains and losses on pension fund assets and liabilities (note 17)	-300,000	-370,000
Total recognised gains and losses for the year	<u>537,276</u>	<u>481,817</u>
Distribution to Constituent Authorities	-440,000	-432,000
Change in net worth over the year	<u>97,276</u>	<u>49,817</u>

BALANCE SHEET AS AT 31 MARCH 2010

<u>TANGIBLE FIXED ASSETS (Notes 5,6 & 7)</u>	<u>31.03.10</u>	<u>31.03.10</u>	<u>31.03.09</u>
	£	£	£
Crematorium Buildings/Plant		3,599,995	3,731,292
<u>CURRENT ASSETS</u>			
Debtors & Prepayments (note 9)	7,409		21,205
Investments (note 8)	2,162,000		1,532,000
Cash – at Bank	55,758		98,943
- in Hand	64		51
		<u>2,225,231</u>	<u>1,652,199</u>
CURRENT ASSETS EMPLOYED			
		2,225,231	1,652,199
<u>CURRENT LIABILITIES</u>			
Creditors (note 10)		-97,031	-104,881
Receipts in advance (note 11)		0	-7,690
		<u>-97,031</u>	<u>-112,571</u>
NET CURRENT ASSETS			
		<u>2,128,200</u>	<u>1,539,628</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>5,728,195</u>	<u>5,270,920</u>
<u>LONG TERM LIABILITIES</u>			
Pension scheme liability (note 17)		-1,180,000	-820,000
		<u>-1,180,000</u>	<u>-820,000</u>
TOTAL ASSETS LESS LIABILITIES			
		<u>4,548,195</u>	<u>4,450,920</u>
<u>BALANCES AND RESERVES</u>			
Pensions Reserve		-1,180,000	-820,000
Capital Adjustment Account (note 14 to the core financial statements)		3,599,995	3,731,292
Fund Balances and Reserves (note 16 to the core financial statement)		2,128,200	1,539,628
		<u>4,548,195</u>	<u>4,450,920</u>
TOTAL NET WORTH			
		<u>4,548,195</u>	<u>4,450,920</u>

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.

	2009/10	2009/10	2008/09	2008/09
	£	£	£	£
REVENUE ACTIVITIES				
Cash Outflows				
Cash paid to & on behalf of employees	229,606		226,081	
Other operating cash payments	<u>1,073,496</u>	1,303,102	<u>1,259,171</u>	1,485,252
Cash Inflows				
Cash received for goods and services	-1,889,858		-1,856,076	
Other operating cash receipts	<u>0</u>	-1,889,858	<u>0</u>	-1,856,076
Revenue activities net cash flow (note 18)		-586,756		-370,824
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Cash Inflows				
Interest received	<u>-72</u>	-72	<u>-39,742</u>	-39,742
CAPITAL ACTIVITIES				
Cash Outflows				
Purchase of fixed assets		12,651		156,589
Cash Inflows				
Other capital cash receipts	<u>-12,651</u>	-12,651	<u>-156,589</u>	-156,589
MANAGEMENT OF LIQUID RESOURCES				
FINANCING				
Cash Outflows				
Temporary investments		<u>630,000</u>		<u>400,000</u>
Increase (-) /Decrease (+) in cash (note 19)		<u>43,172</u>		<u>-10,566</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Exceptional Items, extraordinary items and prior year adjustments

There were no exceptional items, extraordinary items or prior year adjustments.

2. 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 2009/10 other than those with other local authorities as detailed below:

	£'000
Fareham Borough Council	
• Work carried out by the Council	31
• Contribution to the Council	110
• Interest received on surplus funds invested (£2.162,000 at 31.03.10) with the Council	0
Portsmouth City Council	
• Work carried out by the Council	14
• 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	42

3. Audit Fees Payable

	2009/10	2008/09
	£	£
Fees payable to the Audit Commission with regard to external Audit services carried out by the appointed auditor	5,000	4,750

4. 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.

	2009/10	2008/09
	£	£
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	(143,948)	(143,695)
• Net gain / (loss) on sale of fixed assets	0	0
• Net charges for retirement benefits in accordance with FRS17	(90,000)	(60,000)
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	12,651	156,589
• Employers contribution payable to pension fund and retirement benefits payable direct to pensioners	30,000	30,000
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	620,000	622,000
• Contribution from reserves to finance RR/CWF repairs	(21,607)	(48,423)
• Contribution from reserves to finance capital expenditure	(12,651)	(156,589)
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>394,445</u>	<u>399,882</u>

5. Commitments under Capital Schemes

All of the capital expenditure in 2009/10 was financed from the capital works fund.

The Joint Committee has approved capital schemes valued at £2.351 million over the next three years, and of this sum, the amount contractually committed at 31 March 2010 is nil. Major schemes planned in the next three years include:

	Approved and Contracted £'000	Approved but not Contracted £'000
Environmental Protection Act Phase 2	0	2,351

6. 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.

7. Movement of Fixed Assets

2008/09		2009/10	2009/10	2009/10
Total	Gross book value	Buildings	Plant/equipment	Total
£		£	£	£
4,654,731	1 April	3,490,948	1,320,372	4,811,320
156,589	Additions	12,651	0	12,651
0	Disposals	0	0	0
0	Re-valuations	0	0	0
4,811,320	31 March	3,503,599	1,320,372	4,823,971
	Depreciation			
-936,333	1 April	-448,035	-631,993	-1,080,028
-143,695	For the year	-70,617	-73,331	-143,948
0	On assets sold/disposed	0	0	0
-1,080,028	31 March	-518,652	-705,324	-1,223,976
	Net book value			
3,731,292	31 March	2,984,947	615,048	3,599,995

8. Investments

The value of funds invested with Fareham Borough Council at 31 March 2010 total £2,162,000.

9. Debtors & Prepayments as at 31 March

	2009/10	2008/09
	£	£
Other debtors	7,409	21,205

10. Creditors as at 31 March

	2009/10	2008/09
	£	£
Fareham Borough Council	16,906	20,336
Portsmouth City Council	0	11,560
Hampshire County Council	21,174	20,977
Public Utilities	8,742	12,443
Grounds maintenance charges	12,280	5,362

Audit Commission	5,000	0
Consultants fees	9,000	0
Medical Referees	19,854	22,302
Sundry creditors	4,075	11,901
	<u>97,031</u>	<u>104,881</u>

11. Receipts in Advance

Receipts in advance are 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. The fund was fully utilised during 2009/10 on the refurbishment of the pond.

	2009/10 £	2008/09 £
Opening balance at 1 April 2009	7,690	5,059
Receipts received in the year	2,074	2,631
Receipts utilised in the year	-9,764	0
Balance of Receipts in advance at 31 March 2010	<u>0</u>	<u>7,690</u>

12. Reserves

The Joint Committee keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

The purpose of each of the reserves is as follows:

Reserve	Purpose of Reserve
Usable Capital Receipts	Proceeds of fixed asset sales to meet future capital investment
Capital Adjustment Account	Reflects timing differences between the cost of fixed assets consumed and the capital financing set aside to pay for them
Revaluation Reserve	Records the accumulated gains on fixed assets arising from increases in value after 1 April 2007
Repairs and Renewals Fund	Resources available to meet future 'one off' revenue commitments
Capital Works Fund	Resources available to meet future capital commitments
General Fund	Resources available to meet future running costs
Pensions Reserve	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet

13. Usable Capital Receipts Reserve

The usable capital receipts reserve is nil therefore there is no movement in realised capital resources.

14. Capital Adjustment Account

The Capital Adjustment Account records the consumption of historic cost over the life of the asset and deferred charges over the period that the Joint Committee benefits from the expenditure. The Account also records the resources set aside to finance capital expenditure.

	2009/10 £	2008/09 £
Balance as at 1 April	3,731,292	3,718,398
Capital financing from revenue in year	12,651	156,589
Less depreciation provision in year	-143,948	-143,695
Balance as at 31 March	<u>3,599,995</u>	<u>3,731,292</u>

15. Revaluation Reserve

There are no accumulated gains on fixed assets arising from increases in value after 1 April 2007.

16. Fund Balances and Reserves

	1 April £	Receipts £	Payments £	31 March £
Repairs and Renewals (note 6a)	60,632	70,000	21,607	109,025
Capital Works (note 6a)	1,379,480	550,000	12,651	1,916,829
General Fund	99,515	2,831	0	102,346
	<u>1,539,627</u>	<u>622,831</u>	<u>34,258</u>	<u>2,128,200</u>

16a. Repairs and Renewals Fund/Capital Works Fund

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

Opening balance 1 April	1,379,480
Contribution from revenue	550,000
Sub total	1,929,480
Transfer to General Fund to finance capital expenditure	-12,651
Transfer to General Fund to finance revenue expenditure	0
Balance of fund as at 31 March	<u>1,916,829</u>

17. Pensions

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Joint Committee offers defined benefits (retirement lump sums and pensions). Although these benefits will not actually be payable until employees retire, the Joint Committee has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

Transactions Relating to Retirement Benefits

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement on the General Fund Balance.

	2009/10	2008/09
	£000s	£000s
Analysis of amounts charged to net services cost:		
Current service cost	30	30
Past service costs	0	0
Gain / Loss on curtailments and settlements	0	0
Total charged to net service costs	0	30

Analysis of amount credited to other finance income

Expected return on pension fund assets	50	70
Interest on pension scheme liabilities	-110	-100
Net charge / credit to other finance income	-60	-30

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:-

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 2010. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present values.

Changes to the present value of liabilities during the account period

	2009/10	2008/09
	£m	£m
Opening present value of liabilities	1.69	1.52
Current service cost	0.03	0.03
Interest cost	0.11	0.10
Contributions by participants	0.01	0.01
Actuarial (gain)/losses on liabilities*	0.54	0.07
Net benefits paid out#	-0.04	-0.04
Past service cost	0.00	0.00
Closing present value of liabilities	2.34	1.69

*Includes changes to the actuarial assumptions.

#Consists of net cash-flow out of the Fund of the employer, excluding contributions and any death in service lump sums paid, and including an approximate allowance for the expected cost of death in service lump sums.

Changes to the fair value of assets during the account period

	2009/10	2008/09
	£m	£m
Opening fair value of assets	0.88	1.11
Expected return on assets	0.05	0.07
Actuarial (gain)/losses on assets	0.24	-0.30
Contributions paid by employer	0.03	0.03
Contributions by participants	0.01	0.01
Net benefits paid out#	-0.04	-0.04
Closing present value of liabilities	1.17	0.88

#Consists of net cash-flow out of the Fund of the employer, excluding contributions and any death in service lump sums paid, and including an approximate allowance for the expected cost of death in service lump sums.

History of asset values, present value of liabilities and surplus/deficit.

	Fair value of assets	Present value of liabilities	Surplus/(deficit)
	£000s	£000s	£000s
At 31 March 2010	1,170	(2,350)	(1,180)
At 31 March 2009	880	(1,700)	(820)
At 31 March 2008	1,110	(1,530)	(420)
At 31 March 2007	1,350	(2,010)	(660)
At 31 March 2006	1,270	(1,890)	(620)

In accordance with paragraph 77(o) of FRS17 (as revised), the assets for the current period and previous three periods are measured at current bid price. Asset values previously measured at mid-market value for period ending 2008 have been re-measured for this purpose. Asset values for period ending 2007 and 2006 are shown at mid-market value and have not been re-measured as permitted by FRS17 (as revised).

History of experience gains and losses

As at 31 March

	2006	2007	2008	2009	2010
	£000s	£000s	£000s	£000s	£000s
Experience gains/ (losses) on funded assets	170	0	(330)	(300)	240
Experience gains/ (losses) on unfunded assets	0	0	0	0	0
Experience gains/ (losses) on funded liabilities	0	(10)	330	0	10
Experience gains/ (losses) on unfunded liabilities	0	0	0	0	0

The history of experience gain/(loss) on liabilities shown has not been re-stated for periods ending 2007 and 2006 and excludes changes in liability resulting from changes in actuarial assumptions.

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 £1.18 million net liability represents the difference between the value of the Joint Committee's pension fund assets at 31 March 2010 and the estimated present value of the future pension payments to which it was committed at that date. This liability has a substantial impact on the net worth of the Joint Committee as recorded in the balance sheet, resulting in an increased deficit of £360 thousand. These pension liabilities will be paid out over a number of years, however the statutory arrangements for funding the deficit mean that the financial position of the Joint Committee remains healthy.

The assets will continue to generate returns towards funding them although any significant changes in global equity markets after 1 April 2010 would also have an impact on the capital value of the pension fund assets.

Retirements benefits related to pay and length of service are provided from the superannuation fund. Although these benefits will not actually be payable until employees retire, the Joint Committees commitment to make the payments needs to be disclosed at the time the employees earn their future entitlement. Both the Joint Committee and its employees pay contributions to the fund, the employers contribution rate being determined by the fund actuary, based on valuations every three years.

Basis for Estimating Assets and Liabilities

The figure in relation to retirement benefits 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 in conjunction 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 most recent valuation was carried out at March 2007. It has been updated by independent actuaries to the Hampshire County Council Pension Fund to take account of the requirements of FRS17 to assess the liabilities of the fund as at 31 March 2010. Liabilities are valued on an actuarial basis using the projected unit method which assesses future liabilities discounted to their present value.

The contribution rates certified for the Joint Committee at 31 March 2007 valuation and payable to the Hampshire County Council Pension Funds are as follows:

April 2008 to March 2009 - 18.1% of payroll

April 2009 to March 2010 - 18.6% of payroll

April 2010 to March 2011 - 19.1% of payroll

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

These figures include the past service element of the contribution rate. The main assumptions for the purpose of FRS 17 are as follows:

	2010	2009
	% p.a.	% p.a.
Discount rate for scheme liabilities	5.5	6.6
Rate of increase in salaries	5.4	5.1
Rate of increase in pensions in payment	3.9	3.6
Rate of increase in deferred pensions	3.9	3.6
Rate of inflation	3.9	3.6
Longevity from age 65 (currently aged 65)		
Men	22.3	22.2
Women	24.3	24.2
Longevity from age 65 (currently aged 45)		
Men	24.7	24.5
Women	26.5	26.4

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 50% of employees retiring after 6 April 2006 will take advantage of this change to the pension scheme. Our actuaries have advised that this assumption has reduced the value placed on the liabilities for FRS17 purposes by less than 3%. This has been reflected in the Statement of Total Recognised Gains and Losses. The change has not affected the figures in the Income and Expenditure Account.

The approximate split of assets for the Fund as a whole (based on data supplied by the Fund Administering Authority) is shown in the table below. Also shown are the assumed rates of return adopted by the Employer for the purposes of FRS17.

	2010	2010	2009	2009	2008	2008
	% pa	%	% pa	£m	% pa	£m
Equities	8.0	61.3	7.0	55.2	7.6	61.9
Property	8.5	6.1	6.0	7.3	6.6	5.8
Government bonds	4.5	24.4	4.0	27.4	4.6	26.6
Corporate bonds	5.5	2.4	5.8	3.9	6.8	0.0
Cash	0.7	5.8	1.6	6.2	6.0	5.7
Other assets	8.0	0.0	1.6	0.0	6.0	0.0
Total	<u>6.7</u>	<u>100.0</u>	<u>5.7</u>	<u>100.0</u>	<u>6.7</u>	<u>100.0</u>

Portchester Crematorium Joint Committee employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted market principles. The assumed rate of return on each asset class is set out

within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 March 2010.

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

18. Reconciliation between net surplus or deficit on the Income and Expenditure Account to the Revenue Activities Net Cash Flow shown in the Cash Flow Statement

	2009/10 £	2008/09 £
Net (surplus)/deficit in the Income and Expenditure Account	(837,276)	(851,817)
Revenue activities non-cash flow	250,448	441,251
Financing items in the Income and Expenditure - interest	72	39,742
Capital items in the Income and Expenditure	0	0
Revenue Activities net cash (inflow) in the Cash Flow Statement	<u>(586,756)</u>	<u>(370,824)</u>

19. Movement in cash

	At 31.3.09 £	Cash flow £	At 31.3.10 £
Cash at bank plus cash in hand	98,994	-43,172	55,822

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

	At 31.3.09 £	Cash flow £	At 31.3.10 £
Movement in temporary investments	1,532,000	630,000	2,162,000

21. Movement in other current assets

	At 31.3.09 £	Cash flow £	At 31.3.10 £
Debtors and prepayments	21,205	-13,796	7,409
Receipts in advance	-7,690	7,690	0
Creditors and depositors	-104,881	7,850	-97,031
	<u>-91,366</u>	<u>1,744</u>	<u>-89,622</u>

22. Reconciliation of movement in cash to net funds

	2009/10 £	2008/09 £
Increase /Decrease (-) in cash (note 19)	-43,172	10,566
Change in net investment/borrowing (note 20)	630,000	400,000
Change in net debt arising from cash flows	586,828	410,566
Net funds at 1 April	1,630,994	1,220,428
Net funds at 31 March	<u>2,217,822</u>	<u>1,630,994</u>

23. Financial Instruments

From 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 (£0 at 31 March 2010) 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 2010	31 March 2009	31 March 2010	31 March 2009
	£000s	£000s	£000s	£000s
Financial liabilities at amortised cost	0	0	97	113
Financial liabilities at fair value through profit or loss	0	0	0	0
TOTAL BORROWING	0	0	97	113
Loans and receivables	0	0	2,225	1,652
TOTAL INVESTMENTS	0	0	2,225	1,652

Financial liabilities at amortised cost include creditors and receipts in advance.

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 2010, this would have to be included with the outstanding principal of £2,162,000. Other items included under Loans and Receivables are debtors and cash balances excluding petty cash.

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:

No early repayment or impairment anticipated.

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

	31 March 2010		31 March 2009	
	Balance Sheet	Fair Value	Balance Sheet	Fair Value
	£000s	£000s	£000s	£000s
Loans and receivables	2,162	2,162	1,532	1,532

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.

24. Post Balance Sheet Events

These accounts were authorised by the Joint Committee on 21 June 2010. There were no post balance sheet events.

ANNUAL GOVERNANCE STATEMENT

TO BE INCLUDED FOR THE PCJC MEETING IN SEPTEMBER 2010

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.

Prudence

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets the ultimate cash realisation of which can be assessed with reasonable certainty.

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.

Useful life

The period over which the Joint Committee will derive benefits from the use of a fixed asset.

AUDITORS REPORT

TO BE INCLUDED FOR THE PCJC MEETING DECEMBER 2009