

PORTCHESTER CREMATORIUM JOINT COMMITTEE

ANNUAL RETURN

**for the year ended
31st March 2011**

A WANNELL

TREASURER TO THE JOINT COMMITTEE

Explanatory Foreword to the Accounts for the year ended 31st 2011

The Joint Committees accounts have been prepared in compliance with the format prescribed by the Accounts and Audit (England) Regulations 2011. The accounts are prepared on accruals basis and include a balance sheet and supporting notes. The Joint Committee falls within the Audit Commission's 'light touch' audit regime and so the external audit opinion will be provided on the Annual Return which includes a summary of the Income and Expenditure Account and Balance Sheet. The audit opinion will be provided and advertised in due course.

The Accounts comprise the following:

- Accounting Statement - recording financial transactions during the year for both revenue and capital schemes.
- Balance Sheet - summarising the Joint Committees financial position at the year end.
- Annual Governance Statement
- Notes to the accounts - providing explanatory detail and more information on the accounts and operational assets.
- Internal Auditors Report - pending
- External Auditors report - to follow

PORTCHESTER CREMATORIUM JOINT COMMITTEE ACCOUNTING STATEMENTS

	31 March 2010 £	31 March 2011 £	Notes All figures rounded to the nearest £
1. Balance brought forward	1,630,993	2,217,822	Total balances and reserves at the beginning of the year as recorded in the financial records. Value must agree to Box 7 of the previous year.
2. (+) Annual precept	0	0	Total amount of precept receivable or received in the year.
3. (+) Total other receipts	1,899,694	1,904,764	Total receipts or income as recorded in the accounts less precept received. Includes support, discretionary and revenue grants.
4. (-) Staff costs	(229,606)	(231,136)	Total expenditure or payments made to and on behalf of all employees. Includes salaries and wages, PAYE and NI (employees and employers), pension contributions and employment expenses.
5. (-) Loan interest/capital repayments	0	0	Total expenditure or payments of capital and interest made during the year on borrowings (if any)
6. (-) Total other costs	(1,083,259)	(1,391,457)	Total expenditure or payments as recorded in the accounts less staff costs (line 4) and loan interest/capital repayments (line 5). Note 2 page 9
7. (=) Balances carried forward	2,217,822	2,499,993	Total balances and reserves at the end of the year. Must equal (1+2+3) - (4+5+6).
8. Total cash and short term investments	2,217,822	2,499,993	The sum of all current and deposit accounts, cash holdings and short term investments held as at 31 March - to agree with bank reconciliation.
9. Total fixed assets and long term fixed assets	3,599,995	3,560,805	The recorded book value at 31 March of all fixed assets owned by the Joint Committee and any other long term assets e.g. loans to third parties and any long term investments.
10. Total borrowings	0	0	The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).
11. Trust funds (including charitable) disclosure note	No	No	The Joint Committee acts as sole trustee for and is responsible for managing trust funds or assets. (Readers should note that the figures above do not include any trust transactions).

<p>I certify that the accounting statements in this annual return present fairly the financial position of the Joint Committee and its income and expenditure, or properly present receipts and payments, as the case may be, for the year ended 31 March 2011.</p> <p>Signed by the Treasurer to the Joint Committee</p> <p>Date:</p>	<p>I confirm these accounting statements were approved by the Joint Committee and recorded as minute reference</p> <p>Date:</p> <p>Signed by Chair of the meeting at which these accounting statements were approved.</p> <p>Date:</p>
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PORTCHESTER CREMATORIUM JOINT COMMITTEE

BALANCE SHEET AS AT 31 MARCH 2011

2009/10 £	<u>Property, Plant & Equipment</u>	Notes	<u>2010/11</u> £
2,984,947	Land and buildings	3	2,978,605
615,048	Plant and equipment	3	582,200
<u>3,599,995</u>	Long Term Assets		<u>3,560,805</u>
2,162,000	Short Term Investments	4	2,430,000
7,409	Short term debtors & Prepayments	5	92,664
55,822	Cash - at Bank and in hand	6	69,993
<u>2,225,231</u>	Current Assets		<u>2,592,657</u>
-97,031	Short Term Creditors	7	-154,800
0	Receipts in advance	8	0
<u>-97,031</u>	Current Liabilities		<u>-154,800</u>
<u>-1,180,000</u>	Pension scheme liability	9	<u>-650,000</u>
<u>-1,180,000</u>	Long Term Liabilities		<u>-650,000</u>
<u>4,548,195</u>	Net Assets		<u>5,348,662</u>
	Reserves		
2,128,200	Usable Reserves	10	2,437,857
<u>2,419,995</u>	Unusable Reserves	11	<u>2,910,805</u>
<u>4,548,195</u>	Total Reserves		<u>5,348,662</u>

NOTES TO THE ACCOUNTS

1. Accounting Policies

i. General Principles

The Annual Return summarises the Joint Committees transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Joint Committee is required to prepare an Annual Return by the Accounts and Audit (England) Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

ii. Accrual of Income and Expenditure

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

- Revenue from the provision of services is recognised when the Joint Committee can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Joint Committee.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments is credited to the income and expenditure account.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty. Cash equivalents are investments that are repayable within seven days and that are readily convertible to known amounts of cash with no risk of change in value.

iv. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, in the notes to the accounts, depending on how significant the items are.

v. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Joint Committees financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

vi. The Local Government Pension Scheme

The Local Government Pension Scheme (LGPS) is administered by Hampshire County Council. This is a funded defined benefit final salary scheme, meaning that the Joint Committee and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

vii. Events after the Balance Sheet Date

The Annual Return was authorised for issue by the Treasurer on 20 June 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

viii. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. Assets are carried in the Balance Sheet using the following measurement bases: depreciated historical cost

Assets included in the Balance Sheet are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. There are no accumulated gains on property or plant arising from increases in value after 1 April 2007.

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives.

ix. Reserves

The Joint Committee sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance.

x. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure in the Income and Expenditure Statement in the year. Where the Joint Committee has determined to meet the cost of this expenditure from existing capital resources, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged.

xi. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

The Joint Committee has partial exemption status with HMRC primarily due to cremation fees being exempt from output tax therefore only a proportion of input tax on repairs to associated plant and equipment can be reclaimed.

2. Notes on the accounts/variations between accounting years

This note details the variations in financial terms between accounting years for both the Accounting Statement (page 3) and the Balance Sheet (page 5).

a. The main variations of £308,000 in the Total Of Other Costs (page 3 item 6) are as follows:

	2010/11	2009/10	Variation
	£	£	£
Repairs and Renewals funded from revenue	83,672	21,607	62,065
Other premises costs	348,762	358,763	-10,001
Contribution to constituent authorities	540,000	440,000	100,000
Capital expenditure financed from revenue	142,645	12,651	129,994
Creditors less reversal of prior year	-57,769	7,850	-65,619
Debtors less reversal of prior year	85,255	-13,796	99,051
Use of garden improvement fund	0	7,690	-7,690
Other costs	248,892	248,494	398
	<u>1,391,457</u>	<u>1,083,259</u>	<u>308,198</u>

3. Property, Plant and Equipment

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 2010/11. There was no change in the valuation after the review.

2010/11	Buildings	Plant/equipment	Total	2009/10
	£	£	£	£
Cost or valuation				
As at 1 April 2010	3,503,599	1,320,372	4,823,971	4,811,320
Additions	67,177	75,468	142,645	12,651
Disposals	0	0	0	0
Re-valuations	0	0	0	0
As at 31 March 2011	<u>3,570,776</u>	<u>1,395,840</u>	<u>4,966,616</u>	<u>4,823,971</u>
Depreciation				
As at 1 April 2010	-518,652	-705,324	-1,223,976	(1,080,028)
Depreciation for the year	-73,519	-108,316	-181,835	(143,948)
Depreciation on assets	0	0	0	0
At 31 March 2011	<u>-592,171</u>	<u>-813,640</u>	<u>-1,405,811</u>	<u>-1,223,976</u>
Net Book Value				
At 31 March 2011				
carried forward	<u><u>2,978,605</u></u>	<u><u>582,200</u></u>	<u><u>3,560,805</u></u>	<u><u>3,599,995</u></u>

The figure for additions includes capital expenditure which substantially lengthens the life of the assets or substantially increases the market value.

Capital Commitments - At 31 March 2011, the Joint Committee has entered into a number of contracts for the construction or enhancement of Property, Plant & Equipment in 2011/12 and future years to cost £2.988 million. Similar commitments at 31 March 2010 were £2.351million.

The major commitments are:

Mercury Abatement Project	£2.882 million
Cremator Furnace relining	£0.106 million

4. Short Term Investments

The value of funds invested with Fareham Borough Council at 31 March 2011 total £2,430,000.

5. Debtors & Prepayments as at 31 March	2010/11	2009/10
	£	£
Prepayments	59,975	0
Other debtors	32,689	7,409
Total debtors and prepayments	<u>92,664</u>	<u>7,409</u>

Note. The prepayment was to a public utility that required payment in advance for a new electricity sub-station before construction could commence.

6. Cash at bank and in hand at 31 March

This is the sum of current and deposit accounts and petty cash held at 31 March 2011.

7. Creditors as at 31 March

	2010/11	2009/10
	£	£
Fareham Borough Council	14,060	16,906
Portsmouth City Council	4,406	0
Public Utilities	10,280	8,742
Grounds maintenance	3,775	12,280
Audit Commission	5,000	5,000
Consultans fees	8,450	9,000
Medical referees	20,628	19,854
Cremator works	51,357	0
Other creditors	36,844	25,249
Total creditors	<u>154,800</u>	<u>97,031</u>

8. 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. Expenditure during the year 2010/11 was on the pond refurbishment and wood carvings.

	2010/11	2009/11
	£	£
Opening balance at 1 April 2010	0	5,059
Receipts received in the year	1,501	2,631
Public Utilities	-1,501	-9,764
Balance of receipts in advance at 31 March 2011	<u>0</u>	<u>-2,074</u>

9. Pension scheme liability

Following the UK Government's announcement on 22nd June 2010, the inflation index to be used to derive statutory pension increase has been changed from Retail Price Index (RPI) to the Consumer Price Index (CPI). Due to a number of differences between the indices, CPI is expected to be less than RPI over the long term which means that the defined benefit obligation has reduced

10. Usable Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2010/11

	Balance at 31 March 2010 £'000	Transfers Out £'000	Transfers In £'000	Balance at 31 March 2011 £'000
General Fund:				
General Fund	102,346		5,974	108,320
Repairs and Renewals Fund	109,025	(83,672)	70,000	95,353
Capital Works Fund	1,916,829	(142,645)	460,000	2,234,184
Grand Total	2,128,200	(226,317)	535,974	2,437,857

11. Unusable Reserves

2009/10 £	Summary	2010/11 £
0	Revaluation reserve	0
3,599,995	Capital adjustment reserve	3,560,805
-1,180,000	Pensions reserve	-650,000
2,419,995		2,910,805

Revaluation Reserve

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

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Joint Committee as finance for the costs of acquisition, construction and enhancement.

This Account contains no revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

2009/10		2010/11
£		£
3,731,292	Balance as at 1 April	3,599,995
12,651	Capital financing from revenue in year	142,645
-143,948	Less depreciation provision in year	-181,835
<u>3,599,995</u>	Balance as at 31 March	<u>3,560,805</u>

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Joint Committee accounts for post employment benefits in the Income and Expenditure Accounts as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Joint Committee makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a shortfall in the benefits earned by past and current employees and the resources the Joint Committee has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2009/10		2010/11
£		£
-820,000	Balance 1 April	-1,180,000
-300,000	Actuarial gains or losses on pension assets and liabilities Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of	330,000
-60,000	Services in the Comprehensive Income and Expenditure Employers' pension contributions and direct payments to pensioners payable in the year.	200,000
<u>-1,180,000</u>	Balance at 31 March	<u>-650,000</u>

ANNUAL GOVERNANCE STATEMENT

TO BE INCLUDED AFTER APPROVAL OF THE JOINT COMMITTEE 20 JUNE 2011

Annual internal report to Portchester Crematorium Joint Committee

Fareham Borough Council's internal audit team, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ended 31 March 2011.

Internal audit has been carried out in accordance with the Joint Committees needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of the Joint Committee.

Internal control objective		Agreed? Please choose from one of the following Yes/No*/Not covered**
A.	Appropriate books of account have been properly kept throughout the year.	Not covered It is understood that Fareham Borough Councils FMS system is used. This will be specifically tested for the Crematorium transactions later in 2011/12.
B.	The council's financial regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for.	YES
C.	The council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	Not covered Risk management arrangements were reviewed in detail in 2007/8 and considered to be satisfactory.
D.	The annual precept requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	Not covered Budgetary control arrangements were reviewed in 2009/10 and considered to be strong. Further testing planned later in 2011/12.
E.	Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	YES
F.	Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for.	YES
G.	Salaries to employees and allowances to members were paid in accordance with council approvals, and PAYE and NI requirements were properly applied.	YES
H.	Asset and investments registers were complete and accurate and properly maintained.	Not covered Further testing planned later in 2011/12.
I.	Periodic and year-end bank account reconciliations were properly carried out.	Not covered Further testing planned later in 2011/12.

J.	Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments/income and expenditure), agreed with the cash book, were supported by an adequate audit trail from underlying records, and where appropriate debtors and creditors were properly recorded.	Not covered Further testing planned later in 2011/12.
K.	Trust funds (including charitable) The council has met its responsibilities as a trustee.	N/A

For any other risk areas identified by the council (list any other risk areas below or on separate sheets (if needed) adequate controls existed:

Assurance given in 2009/10 on: Security of Cheque Stationery

Name of Person who carried out the internal audit:

Elaine Hammell

Signature of person who carried out the internal audit

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Date

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External auditor's certificate and opinion

TO FOLLOW AFTER APPROVAL OF ACCOUNTS BY THE JOINT COMMITTEE

Certificate

We certify that we have completed the audit of the annual return for the year ended 31 March 2011 of Portchester Crematorium Joint Committee.

Respective responsibilities of the Joint Committee and the auditor.

The Joint Committee is responsible for ensuring that its financial management is adequate and effective and that it has a sound system of internal control. The Joint Committee is also responsible for preparing an annual return which:

- Summarises the Joint Committees accounting records for the year ended 31 March 2011; and
- Confirms and provides assurances on those matters that are important to our audit responsibilities.

Our responsibility is to conduct an audit in accordance with guidance issued by the Audit Commission and, on the basis of our review of the annual return and supporting information, to report whether any matters that come to our attention give cause for concern that relevant legislation and regulatory requirements have not been met.

External Auditors report

(Except for the matters reported below)* on the basis of our review, in our opinion the information contained in the annual return is in accordance with the Audit Commission's requirements and no matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met *(delete as appropriate)

Other matters not affecting our opinion which we draw to the attention of the Joint Committee:

External auditors signature

External auditor's name

Date