



Report to Portchester Crematorium Joint Committee

Date: **18 June 2012**

Report of: **Treasurer to the Joint Committee**

Subject: **ANNUAL RETURN FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012**

SUMMARY

This report sets out the Annual Return for the financial year ended 31 March 2012.

RECOMMENDATIONS

- (a) That Section 1 - Accounting Statements for Portchester Crematorium Joint Committee be approved.
- (b) That Section 2 - Annual Governance Statement be approved;
- (c) That Section 4 - Annual Internal Audit Report be noted.

INTRODUCTION

1. The accounts for Portchester Crematorium Joint Committee have been prepared in compliance with the format prescribed by the Accounts and Audit (England) Regulations 2011. The Joint Committee falls within the Audit Commission's limited assurance audit approach as gross annual income and expenditure are less than £6.5 million, and so the external audit opinion will be provided on the Annual Return which includes a summary of the Comprehensive Income and Expenditure Statement and Balance Sheet. The audit opinion will be provided and advertised in due course.
2. The Annual Return for 2011/12 comprises the following sections for approval and information:
 - Accounting Statement - recording financial transactions during the year for both revenue and capital schemes.
 - Annual Governance Statement
 - Annual Internal Audit Report (to follow)

In support of the Annual Financial Return explanatory notes are set out to summarise the financial position at the end of the financial year 2011/12 which include a Balance Sheet to provide detail on the accounts and operational assets.

3. The above sections are set out on the following pages of this report, followed by details of the variances in the Accounting Statement between the financial year 2011/12 and the previous financial year 2010/11. Where the variations are greater than 15% a supporting explanation is required to be provided to support the Accounting Statement and these are drawn from the Comprehensive Income and Expenditure Statement report included as a separate item on today's agenda.
4. In order to preserve consistency of information on the accounts and operational assets that is reported to the Joint Committee this report then provides, for information, a Balance Sheet report, explanatory notes and details of the reserves held by the Joint Committee to complete the summary of the financial position at year end.

Section 1 - Accounting Statement for: Portchester Crematorium Joint Committee

	Year ending		Notes and guidance
	31 March 2011 £	31 March 2012 £	
1. Balances brought forward	2,217,822	2,499,993	Total balances and reserves at the beginning of the year as recorded in the body's financial records. Value must agree to Box 7 of the previous year.
2. (+) Income from local taxation and/or levy	0	0	Total amount of local tax and/or levy received or receivable in the year, including funding from a sponsoring body.
3. (+) Total other receipts	1,904,764	2,063,655	Total income or receipts as recorded in the cashbook less income from taxation and/or levy (line 2). Include any grants received here.
4. (-) Staff costs	(231,136)	(231,319)	Total expenditure or payments made to and on behalf of all body employees. Include 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 the body's borrowings (if any).
6. (-) All other payments	(1,391,457)	(2,389,781)	Total expenditure or payments as recorded in the cashbook less staff costs (line 4) and loan interest/capital repayments (line 5).
7. (=) Balances carried forward	2,499,993	1,492,548	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	2,499,993	1,492,548	The sum of all current and deposit bank 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	3,560,805	4,839,165	The recorded book value at 31 March of all fixed assets owned by the body 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).

<p>I certify that for the year ended 31 March 2012 the accounting statements in this annual return present fairly the financial position of the body and its income and expenditure, or properly present receipts and payments, as the case may be.</p> <p>Signed by Responsible Financial Officer</p> <p>_____</p> <p>Date: _____</p>	<p>I confirm that these accounting statements were approved by the body on:</p> <p>_____</p> <p>And recorded as minute reference:</p> <p>_____</p> <p>Signed by Chair of meeting approving these accounting statements.</p> <p>_____</p> <p>Date: _____</p>
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5. EXPLANATIONS OF VARIANCES BETWEEN ACCOUNTING YEARS

Annual Return - Other Receipts (line 3)

Variation between accounting years

INCOME

	2010/11 £	2011/12 £
Garden Improvement fund contributions	1,501	1,927
Memorial Cards	10,073	7,833
Cremation Fees	1,769,504	1,928,576
Book of Remembrance	59,660	59,574
Organ Music	59,775	60,525
Other	4,251	5,220
TOTAL INCOME	1,904,764	2,063,655

Variation

158,891

Expressed as a percentage

8%

- 5.1 Income from charges and sales was higher than the previous year with income from cremations fees rising in line with the charge and an increase in numbers of 80. Income from other areas, such as Book of Remembrance entries and organ music, have remained at similar levels to last year.

Annual Return - Other Payments (line 6)

Variation between accounting years

EXPENDITURE

	2010/11 £	2011/12 £
Repairs / Renewals expenditure	83,672	94,835
Premises expenditure	348,762	390,133
Contribution to Constituent Authorities	540,000	560,000
Capital Expenditure	142,645	1,496,340
Other Expenditure	276,378	298,474
TOTAL EXPENDITURE	1,391,457	2,839,782

Variation

1,448,325

Expressed as a percentage

104%

Annual Return - Cash and Short Term Investments

Variation between accounting years (line 8)

CASH AND SHORT-TERM INVESTMENTS

	2010/11 £	2011/12 £
Short Term Investment	2,430,000	1,370,000
Cash at Bank and In Hand	69,993	122,548
	2,499,993	1,492,548

Variation

(1,007,445)

Expressed as a percentage

-40%

Annual Return - Fixed and Long Term Assets (line 9)
Variations between accounting years

	Land & Buildings £	Plant & Equipment £	Total £
Net Book Value At 31 March 2011	<u>2,978,605</u>	<u>582,200</u>	<u>3,560,805</u>
Movements in 2011/12			
	Land & Buildings £	Plant & Equipment £	Total £
Cost or Valuation At 1 April 2011	3,570,776	1,395,840	4,966,616
Additions	669,805	826,535	1,496,340
Donations			0
As at 31 March 2012	<u>4,240,581</u>	<u>2,222,375</u>	<u>6,462,956</u>
Accumulated Depreciation and Impairment			
At 1 April 2011	-592,171	-813,640	-1,405,811
Depreciation charge	-102,125	-115,855	-217,980
As at 31 March 2012	<u>-694,296</u>	<u>-929,495</u>	<u>-1,623,791</u>
Net Book Value At 31 March 2012	<u>3,546,285</u>	<u>1,292,880</u>	<u>4,839,165</u>
Variation			1,278,360
Expressed as a percentage			36%

- 5.2 The large variation in expenditure levels, cash and short-term investment and fixed and long-term fixed assets are all as a result of the approved programme of work for the Mercury Abatement capital scheme. The increased expenditure against this scheme has been met, in part, by planned disinvestments against the short-term investment held by the Joint Committee. The capitalisation of this expenditure is shown in the increased value of fixed and long term fixed assets. A breakdown of the capital expenditure is provided for further information in the table below.

CAPITAL WORKS FUND 2011/12

	Actual 2011/12 £
Balance of Fund as at 1.4.2011	2,234,184
ADVANCES 2011/12	<u>490,000</u>
	2,724,184
Less Applications 2011/12	
EPA Phase 2 Mercury Emissions	767,138
Crematorium Buildings	646,426
Cremator Furnace Relining	39,540
Hearth Replacement	19,858
Staff Facilities	<u>23,379</u>
	1,496,340
Balance of Fund as at 31.03.2012	<u>1,227,844</u>

Section 2 – Annual Governance Statement

We acknowledge as the members of **Portchester Crematorium Joint Committee** our responsibility for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. We confirm, to the best of our knowledge and belief, with respect to the accounting statements for the year ended 31 March 2012, that:

	Agreed -		'Yes'
	Yes	No	Means that the body :
1. We have approved the accounting statements prepared in accordance with the requirements of the Accounts and Audit Regulations and proper practices.	YES		prepared its accounting statements in the way prescribed by law.
2. We have maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.	YES		made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.
3. We have taken all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and codes of practice that could have a significant financial effect on the ability of the body to conduct its business or on its finances.	YES		has only done things that it has the legal power to do and has conformed to codes of practice and standards in the way it has done so.
4. We have provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.	YES		during the year has given all persons interested the opportunity to inspect and ask questions about the body's accounts.
5. We carried out an assessment of the risks facing the body and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	YES		considered the financial and other risks it faces and has dealt with them properly.
6. We have maintained throughout the year an adequate and effective system of internal audit of the body's accounting records and control systems.	YES		arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of the body.
7. We have taken appropriate action on all matters raised in reports from internal and external audit.	YES		responded to matters brought to its attention by internal and external audit.
8. We have considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on the body and where appropriate have included them in the accounting statements.	YES		disclosed everything it should have about its business activity during the year including events taking place after the yearend if relevant.

This annual governance statement is approved by the body and recorded as minute reference :		Signed by:	
_____		Chair	_____
Dated: _____		Dated	_____
		Signed by:	
		Clerk	_____
		Dated	_____

*Note: Please provide explanations to the external auditor on a separate sheet for each 'No' response. Describe how the body will address the weaknesses identified.

Section 4 - Annual Internal Audit Report to Portchester Crematorium Joint Committee

The body's internal audit, 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 2012.

Internal audit has been carried out in accordance with the body's 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 are 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 body.

Internal control objective	Agreed? Please choose from one of the following Yes/No*/Not covered**
A. Appropriate books of account have been kept properly throughout the year.	Yes / No / Not Covered
B. The body's financial regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for.	Yes / No / Not Covered
C. The body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	Yes / No / Not Covered
D. The annual taxation or levy or funding requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	Yes / No / Not Covered
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	Yes / No / Not Covered
F. Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for.	Yes / No / Not Covered
G. Salaries to employees and allowances to members were paid in accordance with body approvals, and PAYE and NI requirements were properly applied.	Yes /No / Not Covered
H. Asset and investments registers were complete and accurate and properly maintained.	Yes / No / Not Covered
I. Periodic and year-end bank account reconciliations were properly carried out.	Yes / No / Not Covered
J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, were supported by an adequate audit trail from underlying records, and, where appropriate, debtors and creditors were properly recorded.	Yes / No / Not Covered

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

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Print name of person who carried out the internal audit :

Signature of person who carried out the internal audit:

 Date:

***Note:** If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

****Note:** If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned, or, if coverage is not required, internal audit must explain why not (add separate sheets if needed).

BALANCE SHEET AS AT 31 MARCH 2012

2010/11 £	<u>Property, Plant & Equipment</u>	<u>2011/12</u> £
2,978,605	Land and buildings	3,546,285
582,200	Plant and equipment	1,292,880
<u>3,560,805</u>	Long Term Assets	<u>4,839,165</u>
2,430,000	Short Term Investments	1,370,000
92,664	Short term debtors & Prepayments	49,686
69,993	Cash - at Bank and in hand	122,548
<u>2,592,657</u>	Current Assets	<u>1,520,804</u>
-154,800	Short Term Creditors	-109,349
0	Receipts in advance	0
<u>-154,800</u>	Current Liabilities	<u>-109,349</u>
-650,000	Pension scheme liability	-860,000
<u>-650,000</u>	Long Term Liabilities	<u>-860,000</u>
<u>5,348,662</u>	Net Assets	<u>5,412,051</u>
	Reserves	
-2,437,857	Usable Reserves	-1,432,884
-2,910,805	Unusable Reserves	-3,979,167
<u>-5,348,662</u>	Total Reserves	<u>-5,412,051</u>

6. The Balance Sheet shows the final financial position of the Joint Committee as at 31st March 2012. This includes items that are not separately disclosed as part of the Annual Return, namely short-term debtors and creditors; Pension Scheme Liability and Reserves that are held by the Joint Committee, which are set out in greater detail in the notes below.

6.1 Short-Term Debtors and Short-Term Creditors

This note sets out the variation between Short Term Debtors and Short Term Creditors in the table below :-

	2010/11 £	2011/12 £
<u>Debtors</u>		
Short Term Debtors and Prepayments	92,664	49,686
Prepayments	59,975	0
Cremation Fees	32,689	49,686

Debtors and Prepayments have reduced overall as there were no prepayments in 2011/12.

	2010/11 £	2011/12 £
<u>Creditors</u>		
Short Term Creditors	154,800	109,349
Fareham Borough Council	14,060	13,205
Portsmouth City Council	4,406	0
HM Revenue & Customs	0	21,430
Public Utilities	10,280	9,722
Grounds Maintenance	3,775	7,278
Audit Commission	5,000	5,000
Consultants Fees	8,450	26,140
Medical Referees	20,628	20,051
Other Creditors	36,844	6,523
Cremator Works	51,357	0

Creditors have reduced overall as shown by the breakdown above.

6.2 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 during 2011/12.

	Balance at 1 April 2011 £	Transfers Out 2011/12 £	Transfer In 2011/12 £	Balance at 31 March 2012 £
General Fund	108,320		16,202	124,522
Capital Works Fund	2,234,184	-1,496,340	490,000	1,227,844
Repairs & Renewals Fund	95,353	-94,835	80,000	80,518

Total	2,437,857	1,591,175	586,202	1,432,884
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6.3 Unusable Reserves

Unusable Reserves summary	2010/11	2011/12
	£	£
Revaluation Reserve	0	0
Capital Adjustment Account	3,560,805	4,839,165
Pensions Reserve	-650,000	-860,000
	<u>2,910,805</u>	<u>3,979,165</u>

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 Capital Adjustment Account is debited with the cost of acquisition, construction or enhancement. Depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement. 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.

Capital Adjustment Account	2010/11	2011/12
	£	£
Balance as at 1 April 2011	3,599,995	3,560,807
Capital financing from revenue in year	142,645	1,496,340
Less depreciation provision in year	-181,835	-217,980
Balance as at 31 March 2012	<u>3,560,805</u>	<u>4,839,165</u>

Pensions Reserve

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. 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.

Pension Reserve	2010/11	2011/12
	£	£
Balance as at 1 April 2011	1,180,000	650,000
Actuarial gains or losses on pensions assets & liabilities	-330,000	0
Reversal of items relating to retirement benefits debited or credited to the Surplus Or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement	-200,000	210,000
Balance as at 31 March 2012	<u>650,000</u>	<u>860,000</u>

Background Papers

Report to the Portchester Crematorium Joint Committee 'Revenue Budget 2012/13' December 2011.

Report to the Portchester Crematorium Joint Committee 'Annual Financial Return 2010/11' June 2011.

Andy Wannell CPFA
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For further information on this report please contact Kate Busby on 01329 824685.