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Report to Portchester Crematorium Joint Committee

Date: **17 June 2013**

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

Subject: **ANNUAL RETURN FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013**

SUMMARY

This report sets out the Annual Return for the financial year ended 31 March 2013.

RECOMMENDATIONS

- (a) That Section 1 - Accounting Statements for Portchester Crematorium Joint Committee be approved.
- (b) That Section 2 - Annual Governance Statement for Portchester Crematorium Joint Committee be approved.
- (c) That Section 4 - Annual Internal Audit Report for Portchester Crematorium Joint Committee 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 2012/13 comprises the following sections for approval and information:
 - Section 1 - Accounting Statement - recording financial transactions during the year for both revenue and capital schemes.
 - Section 2 - Annual Governance Statement
 - Section 4 - Annual Internal Audit Report

In support of the Annual Return explanatory notes are set out to summarise the financial position at the end of the financial year 2012/13 which include a Balance Sheet to provide detail on the accounts and operational assets.

3. **Section 1 - Accounting Statement**
The Accounting Statement is presented for approval by the Joint Committee and is supported by details of the variances between the financial year 2012/13 and the previous financial year 2011/12. Supporting explanations are required to be provided and these are drawn from the Comprehensive Income and Expenditure Statement report included as a separate item on today's agenda.
4. **Section 2 - Annual Governance Statement**
The Annual Governance Statement is presented for approval by the Joint Committee and is supported by details of the key components upon which the Joint Committee has relied in agreeing each aspect of the Annual Governance Statement.
5. **Section 4 - Annual Internal Audit Report**
The Annual internal Audit Report is presented for the financial year 2012/13.
6. 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 2012 £	31 March 2013 £	
1. Balances brought forward	2,499,993	1,492,548	Please round all figures to nearest £1. Do not leave any boxes blank and report £0 or nil balances. All figures must agree to underlying financial records.
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	2,063,655	2,176,029	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	(231,319)	(228,694)	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	(2,839,781)	(2,578,907)	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	1,492,548	860,976	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	1,492,548	860,976	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	4,839,165	5,818,372	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 2013 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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7. EXPLANATIONS OF VARIANCES BETWEEN ACCOUNTING YEARS

7.1 Annual Return - Other Receipts (line 3)

7.1.1 Income from charges and sales in 2012/13 was higher than the previous year with income from cremation fees rising in line with the charge and an increase in the number of cremations. Income from other areas, such as Book of Remembrance entries and organ music, has remained at similar levels to last year.

Variation between accounting years	2011/12	2012/13
<u>INCOME</u>	£	£
Garden Improvement fund contributions	1,927	1,497
Memorial Cards	7,833	9,346
Cremation Fees	1,928,576	2,040,000
Book of Remembrance	59,574	57,053
Organ Music	60,525	60,711
Other	5,220	7,422
TOTAL INCOME	2,063,655	2,176,029

Variation	£112,374
Expressed as a percentage	5.4%

7.2 Annual Return - Other Payments (line 6)

7.2.1 Expenditure was lower in 2012/13 than the previous year against supplies and services following a successful valuation rating appeal and against the capital Mercury Abatement Scheme which has now been completed.

Variation between accounting years	2011/12	2012/13
<u>EXPENDITURE</u>	£	£
Repairs / Renewals expenditure	94,835	77,142
Premises expenditure	390,133	414,280
Contribution to Constituent Authorities	560,000	600,000
Capital Expenditure	1,496,340	1,226,207
Other Expenditure	298,474	261,278
TOTAL EXPENDITURE	2,839,782	2,578,907

Variation	-£260,875
Expressed as a percentage	-9.2%

7.3 Annual Return - Cash and Short Term Investments

Variation between accounting years (line 8)	2011/12	2012/13
<u>CASH AND SHORT-TERM INVESTMENTS</u>	£	£
Short Term Investment	1,370,000	750,000
Cash at Bank and In Hand	122,548	110,976
	1,492,548	860,976

Variation	£-631,572
Expressed as a percentage	-42.3%

7.4 Annual Return - Fixed and Long Term Assets (line 9)

Variations between accounting years

	Land & Buildings	Plant & Equipment	Total
	£	£	£
Net Book Value			
At 1 April 2012	3,546,285	1,292,880	4,839,165
Movements in 2012/13			
	Land & Buildings	Plant & Equipment	Total
	£	£	£
Cost or Valuation			
At 1 April 2012	4,240,581	2,222,375	6,462,956
Additions	78,318	1,147,889	1,226,207
Donations			0
As at 31 March 2013	4,318,899	3,370,264	7,689,163
Accumulated Depreciation and Impairment			
At 1 April 2012	-694,296	-929,495	-1,623,791
Depreciation charge	-89,082	-157,918	-247,000
As at 31 March 2013	-783,378	-1,087,413	-1,870,791
Net Book Value			
At 31 March 2013	3,535,521	2,282,851	5,818,372
Capital expenditure			£1,226,207
Depreciation			(£247,000)
Variation			£979,207
Expressed as a percentage			20%

7.4.1 The large variations in cash and short-term investments 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 2012/13

Actual 2012/13

Balance of Fund as at 1.4.2012
ADVANCES 2012/13

£
1,227,844
575,000

Less Applications 2012/13

EPA Phase 2 Mercury Emissions
Crematorium Buildings
Analyser Renewal

1,026,872
78,318
121,017

Balance of Fund as at 31.03.2013

576,637

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 2013, 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.

<p>This annual governance statement is approved by the body and recorded as minute reference :</p> <p style="text-align: center;">_____</p> <p>Dated: _____</p>	<p>Signed by:</p> <p>Chair _____</p> <p>Dated _____</p> <p>Signed by:</p> <p>Clerk _____</p> <p>Dated _____</p>
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*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.

8. SUPPORTING THE ANNUAL GOVERNANCE STATEMENT FOR 2012/13

8.1 The table below sets out a short explanation of the key components upon which the Joint Committee has relied in agreeing each aspect of the Annual Governance Statement.

1	<ul style="list-style-type: none"> The accounting statements were approved by the Joint Committee on 17 June 2013 under minute []
2	<ul style="list-style-type: none"> The appointment of a professionally qualified and experienced Treasurer and Deputy Treasurer. A system of internal audit undertaken separately by Fareham BC. The Joint Committee's standing orders. The adoption of policies in respect of anti-fraud and corruption, and whistle blowing.
3	<ul style="list-style-type: none"> The Joint Committee is a single purpose body whose officers are well qualified and experienced to undertake their respective roles. The roles and responsibilities of the Joint Committee and the officer functions with clear delegations of their responsibilities are defined in the Memorandum of Agreement between the four constituent authorities and the scheme of delegation to officers. There is a financial strategy and capital programme approved annually. Decisions by the Joint Committee are taken on the basis of written reports from the officers. The Joint Committee is a member of the Federation of Burial and Cremation Authorities (FBCA) and complies with its code of practice and the law on cremation.
4	<ul style="list-style-type: none"> The accounts are open for public inspection, of which public notice is given annually in accordance with the regulations. The agendas, minutes and reports of each Joint Committee meeting are published on the Portchester Crematorium web site and are open for public inspection. An annual report is published and sent to each of the 4 constituent authorities.
5	<ul style="list-style-type: none"> The Joint Committee has in place a risk management policy and risk registers which are reviewed periodically. Specific risk registers are prepared when needed – for example in respect of the mercury abatement project. There is a business continuity plan. There is a biennial health and safety audit. The FBCA undertook an inspection in November 2009. Zurich Mutual is the Joint Committee's insurer.
6	<ul style="list-style-type: none"> Fareham BC's internal audit service carries out an annual review and every two years it carries out a planned programme of work based on a comprehensive risk assessment. The effectiveness of the internal audit function is undertaken by Fareham BC's Audit Committee, and reviewed annually.
7	<ul style="list-style-type: none"> Any matter of substance would be reported to the Joint Committee.
8	<ul style="list-style-type: none"> Any relevant matters have been included within the accounting statements.

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 2013.

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.	Not Covered Last covered in 2011/12 and found to be satisfactory
B. The body's financial regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for.	Yes
C. The body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	Yes
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.	Not Covered Last covered in 2011/12 and found to be satisfactory
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.	Not Covered Last covered in 2011/12 and found to be satisfactory
G. Salaries to employees and allowances to members were paid in accordance with body approvals, and PAYE and NI requirements were properly applied.	Yes
H. Asset and investments registers were complete and accurate and properly maintained.	Not Covered Last covered in 2011/12 and found to be satisfactory
I. Periodic and year-end bank account reconciliations were properly carried out.	Not Covered Last covered in 2011/12 and found to be satisfactory
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.	Not Covered Last covered in 2011/12 and found to be satisfactory

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

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 2013

<u>2011/12</u> £	<u>Property, Plant & Equipment</u>	<u>2012/13</u> £
3,546,285	Land and buildings	3,535,521
1,292,880	Plant and equipment	2,282,851
<u>4,839,165</u>	Long Term Assets	<u>5,818,372</u>
1,370,000	Short Term Investments	750,000
49,686	Short term debtors & Prepayments	48,037
122,548	Cash - at Bank and in hand	110,977
<u>1,542,234</u>	Current Assets	<u>909,014</u>
-109,349	Short Term Creditors	-115,594
0	Receipts in advance	0
<u>-109,349</u>	Current Liabilities	<u>-115,594</u>
-860,000	Pension scheme liability	-960,000
<u>-860,000</u>	Long Term Liabilities	<u>-960,000</u>
<u>5,412,051</u>	Net Assets	<u>5,651,792</u>
	Reserves	
-1,432,884	Usable Reserves	-793,418
-3,979,167	Unusable Reserves	-4,858,374
<u>-5,412,051</u>	Total Reserves	<u>-5,651,792</u>

9. BALANCE SHEET AS AT 31 MARCH 2013

9.1. The Balance Sheet shows the final financial position of the Joint Committee as at 31st March 2013. This includes items that are not separately disclosed as part of the Annual Return, namely short-term debtors and creditors and Pension Scheme Liability and Reserves that are held by the Joint Committee. These are set out in greater detail in the notes below.

9.1 Short-Term Debtors and Short-Term Creditors

The variation between Short Term Debtors and Short Term Creditors is set out in the table below :-

<u>Debtors</u>	2011/12 £	2012/13 £
Short Term Debtors - Fees	49,686	48,037

The year end Debtors have reduced overall as at 31 March 2013.

<u>Creditors</u>	2011/12 £	2012/13 £
Short Term Creditors	109,349	115,594
Fareham Borough Council	13,205	9,604
Portsmouth City Council	0	9,450
HM Revenue & Customs	21,430	5,072
Audit Commission	5,000	0
Grounds Maintenance	7,278	2,854
Public Utilities	9,722	0
Consultants Fees	26,140	41,721
Medical Referees	20,051	22,230
HCC IAS 19 Actuaries Report	0	950
Other Creditors	6,523	23,714

Creditors have increased overall as shown by the breakdown above.

9.2 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 2012/13.

	Balance at 1 April 2012 £	Transfers Out 2012/13 £	Transfer In 2012/13 £	Balance at 31 March 2013 £
General Fund	124,522		8,883	133,405
Capital Works Fund	1,227,844	-1,226,207	575,000	576,637
Repairs & Renewals Fund	80,518	-77,142	80,000	83,376
Total	1,432,884	-1,303,349	663,883	793,418

9.3 Unusable Reserves

Unusable Reserves summary	2011/12	2012/13
	£	£
Revaluation Reserve	0	0
Capital Adjustment Account	4,839,165	5,818,374
Pensions Reserve	-860,000	-960,000
	<u>3,979,165</u>	<u>4,858,374</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 amortisation 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	2011/12	2012/13
	£	£
Balance as at 1 April 2011	3,560,807	4,839,167
Capital financing from revenue in year	1,496,340	1,226,207
Less depreciation provision in year	-217,980	-247,000
Balance as at 31 March 2012	<u>4,839,167</u>	<u>5,818,374</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	2012/13
	£
Balance as at 1 April 2012	860,000
Net service cost less contributions to liabilities	10,000
Expected return on assets	-70,000
Interest Cost	90,000
Actuarial Gain / Loss	70,000
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Balance as at 31 March 2013	960,000

Background Papers

Report to the Portchester Crematorium Joint Committee 'Revenue Budget 2013/14' December 2012.

Report to the Portchester Crematorium Joint Committee 'Annual Financial Return 2011/12' June 2012.

Report to the Portchester Crematorium Joint Committee 'Comprehensive Income and Expenditure Statement 2012/13' June 2013.

Andy Wannell CPFA
Treasurer to the Joint Committee
Civic Offices
Fareham

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