

---

# NOTICE OF MEETING

---

## **PORTCHESTER CREMATORIUM JOINT COMMITTEE**

**MONDAY, 15 DECEMBER 2014 AT 2.00 PM**

**CONFERENCE ROOM A (THE DUISBURG ROOM) - CIVIC OFFICES,  
PORTSMOUTH**

Telephone enquiries to John Haskell, Clerk to the Joint Committee 023 9283 4913

---

(NB This Agenda should be retained for future reference with the Minutes of this meeting.

The agenda, minutes and non-exempt reports are available to view on-line at [www.portchestercrematorium.org](http://www.portchestercrematorium.org))

### **Membership of the Joint Committee - 2014/15:**

#### **Fareham Borough Council**

Councillor Leslie Keeble  
Councillor Keith Evans

#### **Havant Borough Council**

Councillor Tony Briggs  
Councillor David Guest

#### **Gosport Borough Council**

Councillor Alan Scard  
Councillor Dennis Wright

#### **Portsmouth City Council**

Councillor Ken Ellcome  
Councillor Robert New

---

### **A G E N D A**

- 1 Apologies for Absence**
- 2 Declarations of Members' Interests**
- 3 Minutes of the Meeting held on 15 September 2014**

Attached

**4 Matters Arising from the Minutes not specifically referred to on the Agenda**

**5 Clerk's Items**

The Clerk to the Joint Committee will report on any matters requiring attention.

**6 Portchester Crematorium Accounts Certification Work 2013/14 (Pages 1 - 10)**

Since 2010/11 the Joint Committee has moved to preparing accounts in line with the 'small bodies' annual return procedure. This return includes an annual certificate from internal audit on the adequacy of a number of control objectives.

The purpose of the attached Internal Audit final report no. 1026 is to cover the findings arising from the work carried out to support the 2013/14 certificate.

The Treasurer will report.

**7 Portchester Crematorium Governance Audit 2014/15 (Pages 11 - 24)**

The purpose of the attached report is to detail the Internal Audit work carried out in 2014/15 of some of the governance controls in place for the Joint Committee. The internal audit has been undertaken in accordance with the 5 year plan of work approved by the Joint Committee in June 2013, and supplements the certification audit work, mentioned under Item 6 above.

The Treasurer will report.

**RECOMMENDED that the report be received and the recommendations made and action taken be noted.**

**8 External Audited Annual Return Year Ending 31 March 2014 - Issues Arising Report (Pages 25 - 40)**

BDO LLP, the external auditors for the Portchester Crematorium Joint Committee, have completed their work on the Annual Return for the financial year ended 31 March 2014, and have also provided an 'Issues Arising' report.

The attached report from the Treasurer seeks acceptance and approval of the audited Annual Return, and also sets out the matters raised within the Issues Arising report and details the action taken with regard to them, and any future action required.

**RECOMMENDED (1) that the audited Annual Return be accepted and approved;**

**(2) that the BDO LLP External Audit Issues Arising Report for the year ended 31 March 2014, attached as Appendix A to the**

**Treasurer's report, be noted;**

**(3) that the actions taken and required with regard to Internal and External Audit recommendations be noted.**

**9 Engineer and Surveyor's Report - Planned Maintenance and Building Works Progress Report (Pages 41 - 44)**

A report from the Engineer and Surveyor, dealing with progress being made on planned maintenance building works, is attached.

**RECOMMENDED that the Joint Committee notes the contents of the report.**

**10 South Chapel Refurbishment (Pages 45 - 46)**

The purpose of the attached report from the Engineer and Surveyor is to advise on progress with the South Chapel Refurbishment project.

**RECOMMENDED that the progress with this project be noted.**

**11 Mercury Abatement Project (Pages 47 - 48)**

The purpose of the attached report from the Engineer and Surveyor is to update the Joint Committee on progress towards the noise reduction measures associated with the operation of the mercury abatement equipment.

**RECOMMENDED that the action taken be endorsed and the officers be authorised to continue to take any further action that may be necessary to achieve the satisfactory reduction in noise level.**

**12 Horticultural Consultant's Report (Pages 49 - 50)**

A report from the Horticultural Consultant on grounds maintenance generally is attached.

**RECOMMENDED that the report be received and noted.**

**13 Manager and Registrar's Report**

***(a) General Report attached*** (Pages 51 - 52)

***(b) Any other items of topical interest***

**14 Finance Strategy and Budget for 2015/16 (Pages 53 - 58)**

The Finance Strategy was last approved by Members in December 2013, setting out the principles on which the strategy has been compiled, together with risks and other aspects of the financial management framework that the Crematorium operates in.

The attached report from the Treasurer encloses an updated Finance Strategy which provides added assurance to the Joint Committee and to the constituent authorities that sound and effective arrangements are in place to manage the Crematorium's finances.

**RECOMMENDED (1) that the Finance Strategy 2015/16, attached as Appendix A to the report, be approved;**

**(2) that the Finance Strategy 2015/16 be sent to the four constituent authorities to note for their information.**

**15 Revenue Budget Report - 2015/16 (Pages 59 - 72)**

The purpose of the attached report from the Treasurer is to set out the revenue budget and repairs and renewals programme for 2014/15 and 2015/16, together with a review of fees and charges. The revised capital works programme for 2014/15 and future years has also been included for consideration at Appendix E to the report.

**RECOMMENDED (a) That expenditure of £ 137,250 in 2015/16 to be financed from the repairs and renewals fund as detailed in Appendix D to the report be approved;**

**(b) That the capital works programme as detailed in Appendix E be approved;**

**(c) That the proposed charges as set out in Appendices B and C to the report be approved from 1 April 2015;**

**(d) That the revenue account estimates as set out in Appendix A to the report be approved subject to the Joint Committee's decisions in respect of recommendations a, b & c above;**

**(e) That the Joint Committee considers writing to the Leader of each constituent authority to advise them of the reduction in the annual payment received from the Portchester Crematorium Joint Committee in 2015/16 and beyond.**

**16 Portchester Crematorium Job Evaluation Review (Exempt Item)**

Before considering this item the Joint Committee will be asked to pass the following resolution –

**RECOMMENDED that the public be excluded from the meeting during these items of business because it is likely that if members of the public were present there would be disclosure to them of 'exempt information' within paragraph 1 of Part 1 of Schedule 12A of the Local Government Act 1972.**

The purpose of the attached report containing exempt information is to set out the results of a job evaluation review into the pay and grading of employee posts at Portchester Crematorium.

**RECOMMENDED that the recommendations set out in the exempt report by Fareham Borough Council's Senior Personnel Officer be approved.**

**17      Date of Next Meeting - Monday 16 March 2015 at 2pm in Fareham**

JH/me  
4December 2014  
1061215a

This page is intentionally left blank

# **FAREHAM**

**BOROUGH COUNCIL**

## **PORTCHESTER CREMATORIUM CERTIFICATION WORK**

**2013/14 Certificate**

### **INTERNAL AUDIT FINAL REPORT No. 1026**

**Responsible Service:** Portchester Crematorium Joint Committee

**Lead Auditors:** Lori Hartt (Mazars PSIA Ltd) & Elaine Hammell (FBC)

**Date of Report:** 15 October 2014

## CONTENTS

<b>1</b>	<b>MANAGEMENT SUMMARY .....</b>	<b>3</b>
<b>1.1</b>	<b>INTRODUCTION</b>	<b>3</b>
<b>1.2</b>	<b>MAIN FINDINGS FROM THE AUDIT</b>	<b>3</b>
<b>2</b>	<b>FINDINGS .....</b>	<b>4</b>
<b>2.1</b>	<b>EXPENDITURE</b>	<b>4</b>
2.1.1	APPOINTMENT OF SUPPLIERS AND CONTRACTORS	4
2.1.2	INVOICE PAYMENTS	6
<b>2.2</b>	<b>INCOME</b>	<b>6</b>
2.2.1	CHARGES LEVIED	6
2.2.2	INCOME COLLECTION AND BANKING	7
<b>3</b>	<b>RECOMMENDATION ACTION PLANS.....</b>	<b>8</b>
<b>4</b>	<b>APPENDICES .....</b>	<b>9</b>



# 1 MANAGEMENT SUMMARY

## 1.1 Introduction

Since 2010/11 the Portchester Crematorium Joint Committee has moved to preparing accounts in line with the "small bodies" annual return procedure. This return includes an annual certificate from internal audit on the adequacy of a number of control objectives. A 5 year plan of audit work has therefore been agreed to cover the systems of control set out on the certificate.

This report covers the findings arising from the work carried out to support the 2013/14 certificate. This was a light touch year so testing was only carried out in relation to parts B and E of the certificate as documented in [Appendix A](#).

## 1.2 Main Findings from the Audit

### Key Findings

There is a strong audit trail of income collected to income banked and no issues were found with the fees levied and income collected in the samples tested.

All expenditure tested was deemed appropriate for the Crematorium and supported by a valid invoice. Some arrangements could be strengthened to confirm that value for money is being achieved and Contract Standing Orders complied with.

Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations / Issues Raised		
			Essential (●*)	Important (▲)	Advisory (□)
Expenditure				1	2
Income					
Other Assurances		Finding			
Income and Expenditure Errors identified		There were no errors noted during the audit			

## 2 FINDINGS

### 2.1 Expenditure

#### 2.1.1 Appointment of Suppliers and Contractors

The main requirements of the Contract Standing Orders and or Financial Regulations for the Portchester Crematorium in regards to the appointment of suppliers and contractors are summarised below:

All Expenditure	<p>Value for money should be obtained from purchases by testing the prices of several suppliers by checking price lists, catalogues, trade journals, advertising and obtaining verbal and written quotes.</p> <p>Where a single supplier is used for a large quantity of small purchases throughout the year, documented price checking is only required on a 'basket of goods' basis, at least every year.</p> <p>Subsequent price checks are not needed for a similar purchase within 12 months, unless the market is volatile for the type of purchase, the preferred supplier wishes to increase their charge, or the cost exceeds £10,000.</p>
Contracts under £10,000	<p>The Responsible Officer may enter into a contract with any person that s/he considers competent for the purpose.</p> <p>Competitive prices and products should be sought wherever possible, and price checks undertaken.</p>
Contracts to be let over £10,000	3 quotations should be sought where practicable
Contracts to be let over £50,000	3 tenders should be sought

A report was obtained of payments taken from the General Ledger covering the period 2011 to 2014. The report was sorted into supplier names and each supplier amount was totalled to confirm the total expenditure for that period. A sample of ten suppliers, where expenditure in excess of £10,000 had occurred in the period, was selected to test if the expenditure had been made in line with the requirements above. A summary of the findings is given below and discussed in subsequent paragraphs:

Treatment	Number of Suppliers in Sample	Suppliers
Awarded after Tender and reported to Joint Committee.	2	Parker Torrington Facultative Technologies
Tender and extension as part of Portsmouth CC Tender	1	Brightstone Landscaping
Multiple Suppliers used for provision of same service	3	Organists and Medical Referees
Appointed by Building Maintenance Consultants – Evidence of market testing not available.	2	Lucas, Windebank and McNally Veolia
Historical Supplier which may need some periodic price testing	2	Viewtouch Initial Washrooms

### Contractors Appointed by Consultants

Two contractors were included in the sample which had been selected by the Consultants advising on on-going building maintenance works. One of these contractors (Lucas, Windebank and McNally) had been paid over £50,000 that year for building maintenance work and therefore would fall over the threshold to be subject to tender.

At the time of audit it was not possible to confirm what market testing has been carried out in relation to these contractors or who else was involved in the tender exercise although it is a requirement of Finance Regulation 6.3.4 that *'documentary evidence must be maintained of price comparisons undertaken for at least 1 year after the purchase or end of the contract'*.

Unlike 3 other contractors in the sample this information was not available from the reports to the Joint Committee either.

It is therefore recommended that wherever possible relevant market testing information is included in the Engineers and Surveyors reports to the Joint Committee on the repairs and renewals works programme.

**New Recommendation No. 1 (Important): The results of any market testing carried out for works relating to the Engineer and Surveyor responsibilities are included in the Engineers and Surveyor's reports to the Joint Committee.**

### Historical Suppliers:

Two suppliers were included in the sample which cost between £4,000 and £5,000 a year and had been used for at least 6 years.

The first of these was **View Touch** who are used to digitise the Books of Remembrance so that they can be viewed on line. This company is affiliated to Hilton Studios who provide the artwork required for the Books of Remembrance. There are advantages to using an affiliated company for this work, not least to prevent the books needing to be couriered to more than one organisation. Hilton Studios have been used for many years to ensure that the artwork is kept consistent between books. Their prices are increased each year but are checked that they are reasonable given the rate of inflation. Adjustments to the charges levied by the Crematorium are also made to cover the increased cost.

There is another major supplier available in the market who could be used as an additional way to periodically test the rates that are being offered by Hilton Studios and View Touch and allow further negotiation if necessary. An advisory recommendation is therefore made that this test is carried out every few years to confirm that value for money is still being achieved.

**New Recommendation No. 2 (Advisory): Example rates being charged by an alternative supplier for the provision of the Books of Remembrance art work and digitisation should be obtained every few years to verify that the rates of the current suppliers still represent value for money.**

The second was **Initial Washrooms** which provide the toiletries and waste handling for the washroom facilities. The toiletries need to fit the dispensers installed in the facilities which can limit the available suppliers. The services being purchased are reviewed with the company annually and a written quotation obtained of the rates to be applied that year. It is understood that the washrooms are scheduled for refurbishment in 2014/15 at which point the dispensers are likely to be changed. This would be a good opportunity to review the market to see what other suppliers and charges are available and whether there are any Council agreements with suppliers that the Crematorium could buy in to.

**New Recommendation No. 3 (Advisory):** Consideration should be given to market testing the provision of washroom supplies as part of the washroom refurbishment project, including looking at whether there are any existing Council contracts that could be bought in to.

### 2.1.2 Invoice Payments

A sample of ten individual invoices was selected from a report of payments made in 2013/14. The corresponding invoices were traced to check that they were appropriate for the Crematorium and had been authorised by an officer who has been delegated as an authorised signatory for PCJC on the relevant authorised signatories form. We also checked to confirm that VAT was correct on the invoice and had been correctly treated on the general ledger.

Sample testing confirmed that purchases made were appropriate for the Crematorium service. In nine instances written evidence was obtained to confirm that authorisation for payment had been correctly applied and was supported by an authorised signatory form. In one instance the invoice had been marked by the Deputy Treasurer to state that verbal authorisation had been obtained from the authorised signatory. As this invoice was supported by a written statement from the PCJC's accountant, and the authorising officer was supported by an authorised signatory form, we did not raise this as an issue.

Testing of the invoices above confirmed that VAT was correct on the invoices and had been correctly treated on the General Ledger entries

## 2.2 **Income**

### 2.2.1 Charges Levied

A sample of five funeral director bookings (which included organist's fees) were selected from the electronic booking schedule and reconciled to the relevant year's fees and charges and the income received.

Testing confirmed that charges had been correctly applied and matched to the income recorded on the relevant receipts.

We also selected five entries from the Book of Remembrance, tracked them to the relevant application form and checked to confirm that the correct charges had been applied for the type of entry.

Testing confirmed that the entries were traceable to the application form and supported by a receipt. We also confirmed that the correct fees had been applied in accordance with the type of entry requested.

## 2.2.2 Income Collection and Banking

The receipts for the ten items of income above were traced to the Cash Book and the banking totals. All had been prepared for banking within 4 days of receipt and the total banked agreed to the sum of the individual receipts making up the banking. Checks were also carried out to verify that all receipts issued were accounted for as part of the banking entries.

The total of the banking was also traced to a journal sheet given to the Deputy Treasurer to enter on the General Ledger. The Deputy Treasurer then carries out weekly reconciliations of these amounts to the income received on the bank statement.

Additional testing of five journal entries confirmed that the total amount of cash appeared on the bank statement and that VAT had been correctly handled on the cash journal.

The income audit trail was therefore considered to be strong. However, it was noted that a move to more electronic record keeping (for example setting up the cash book on a spreadsheet) may help save some administration time. It is understood that this may be given some consideration in 2014/15.

### 3 RECOMMENDATION ACTION PLANS

#### New Important Recommendation Raised

Rec. Ref.	Find. Ref.	Recommendation	Reason For Recommendation	Action Owner	Manager's Comment
1	2.1.1	The results of any market testing carried out for works relating to the Engineer and Surveyor responsibilities are included in the Engineers and Surveyor's reports to the Joint Committee.	It was not possible to confirm that Contract Standing Orders had been adhered to in relation to contractors appointed by the building maintenance consultants.	The Engineer and Surveyor to the Committee (TG)	We have no problem in agreeing with this recommendation. In fact it makes sense to expand on the information which the consultant used to give. In reality we will pass on this responsibility to whoever takes on the consultancy.

#### Advisory Issues

Find. Ref.	Recommendation	Reason For Recommendation
2.1.1	Example rates being charged by an alternative supplier for the provision of the Books of Remembrance art work and digitisation should be obtained every few years to verify that the rates of the current suppliers still represent value for money.	This would help demonstrate that value for money is being obtained from the current suppliers.
2.1.1	Consideration should be given to market testing the provision of washroom supplies as part of the washroom refurbishment project, including looking at whether there are any existing Council contracts that could be bought in to.	This would help demonstrate that value for money is being obtained from the current suppliers or alternative suppliers identified.

## 4 APPENDICES

### Appendix A

#### Elements of Portchester Crematorium Audit Scope Covered this Audit

System of Control	Certification Last Audited*	Covered This Year
<b>CERTIFICATION WORK</b>		
A. Book Keeping	2011/12	
B. Expenditure	2012/13	YES
C. Risk Management	2012/13	
D. Financial Management	2011/12	
E. Income	2012/13	YES
F. Petty Cash	2010/11	
G. Payroll	2012/13	
H. Assets	2011/12	
I. Banking	2011/12	
J. Year End Procedures	2011/12	

\*N.B. This is the year of the relevant certification. The audit work will have been carried out early on in the following year.

This page is intentionally left blank



## Fareham Borough Council

## Final Internal Audit Report

## Portchester Crematorium – Governance Audit - 2014/15

November 2014

This report has been prepared on the basis of the limitations set out on page 11.

Date Fieldwork Completed: 1 August 2014  
Date of Draft Report: 28 October 2014  
Date of Final Report: 11 November 2014  
Report Number: 1037

This report and the work connected therewith are subject to the Terms and Conditions of the Contract dated 13 April 2010 and subsequent Letter of Extension dated 01 April 2013 between Fareham Borough Council and Mazars Public Sector Internal Audit Limited. This report is confidential and has been prepared for the sole use of Fareham Borough Council. This report must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law, we accept no responsibility or liability to any third party who purports to use or rely, for any reason whatsoever, on this report, its contents or conclusions.

Contents

1. Executive Summary .....1

2. Summary of Findings.....3

3. Recommendations and Management Action Plan.....5

4. Follow Up of Outstanding Actions from Previous Audits.....7


Appendix A - Reporting Definitions .....9

Appendix B - Staff Interviewed.....10

Statement of Responsibility.....11

# 1. Executive Summary

This report details the Internal Audit work carried out in 2014/15 of some of the governance controls in place for the Portchester Crematorium partnership. This Internal Audit has been undertaken in accordance with the 5 year plan of work approved by the Joint Committee in June 2013 and supplements the certification audit work.. Our audit approach and a summary of the work undertaken are provided in the Audit Framework in Appendix A.

	Minimal	Limited	Reasonable	Strong
<b>Audit Opinion &amp; Direction of Travel</b>				
			↔ 2012/13	

## Key Findings

Our findings in the areas examined has indicated that control is generally effective and all 4 recommendations from previous audits were found to have been implemented.

### Strengths

- A Partnership Agreement is in place, which has been signed by all relevant parties and which sets out the key details including accounting arrangements.
- Roles and responsibilities of officers are set out in a Scheme of Delegations (SoD).
- Each year an Annual Governance Statement is drawn up, which contains eight statements and describes how the PCJC complies with each statement.
- A Business Continuity Plan (BCP) is in place. IT systems are backed up daily to server held remote by the supplier.
- The PCJC Memorandum of Agreement sets out the Committee's policy in respect of borrowing arrangements and the PCJC's SoD determines that the Treasurer to the Committee is responsible for the management of all aspects of the financial affairs of the Committee

### Weaknesses

- Monitoring reports taken to the PCJC by the Engineers/Surveyors need additional information to allow informed decisions to be made.
- The Committee's arrangements for managing the excess cash of the PCJC need to be more formally documented.

Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations/Issues Raised		
			Essential (☛)	Important (▲)	Advisory (℞)
Partnership arrangements			-	-	-
Roles, responsibilities and accountability			-	1	-
Corporate governance framework			-	-	-
Business continuity			-	-	-
Treasury management			-	1	-
Follow up			-	-	-

Other Assurances	Finding
<b>Income and Expenditure Errors</b>	None identified during this audit
<b>Level of Previous Recommendation Implementation</b>	We followed up on four important previous recommendations. All were found to have been implemented. (See section 4)

For the full scale of audit opinions and recommendation priorities used please follow this link to the intranet.  
<http://fbcweb/sid/working/departments/internalservices/audit/gotanauditdue.asp#opinions>

## 2. Summary of Findings

### Partnership Arrangements

A Partnership Agreement is in place for the Portchester Crematorium Joint Committee (PCJC) which covers the four participating councils (Fareham Borough Council, Gosport Borough Council, Havant Borough Council and Portsmouth City Council). The Agreement is dated 23rd November 2006 and has been signed by all relevant parties. Examination of the agreement confirmed that it clearly sets out the Constitution, Membership and Powers of the Committee, Including accountability arrangements, arbitration and termination arrangements.

We confirmed that a Scheme of Delegations (SoD) was in place and this was last amended in April 2010. Examination of the SoD confirmed that the powers, duties and functions are set out for each specific delegated officer.

### Roles, Responsibilities and Accountability

The PGJC is constituted of eight Members (two from each of the participating councils) and meets four times a year.

The Partnership Agreement sets out the responsibilities of the 4 partners and the requirement for the PCJC to keep proper accounts of all income and expenditure transactions. At the end of each year a report is published which includes the final accounts and the operations of the Committee for that financial year.

We confirmed that 11 sets of new Financial Regulations have been drawn up and were formally approved at the PCJC on 17<sup>th</sup> June 2013.

Reports are regularly taken to the PCJC by the Engineers / Surveyors, Horticultural Consultant and the Crematorium Registrar/Manager. Examination of these reports found that there was limited financial details within the Engineers/Surveyors reports. An [important recommendation](#) was therefore raised.

### Corporate Governance Framework

We confirmed that the PCJC has a Corporate Governance Framework and that it is detailed in the Annual Governance Statement (AGS) which is reported within the Annual Financial Return, in June each year. We confirmed that the AGS for the 2013/14 financial year was reported to the PCJC in June 2014. Examination of the AGS found that it included eight statements and how the PCJC complied with each statement.

There are also a number of policies and procedures in place specifically written for the Crematorium.

On election Members of the PCJC are required to make a general declaration of interest and to update it as and when changes occur. These declarations are made to each constituent Councils' Monitoring Officer and are published by that Council on their websites.

At each Committee meeting the first item on the agenda is 'declarations of interest' at which time any member with a declarable interest in an item due for discussion is required to state what it is and for that interest to be recorded in the minutes.

### Business Continuity

A Business Continuity Plan (BCP) is in place and is dated May 2012. All Crematorium contacts listed within the BCP were confirmed as current employees. We also confirmed that a hardware and software suppliers contact list is in place.

We also noted that at the PCJC Governance Assurance Group meeting on 12<sup>th</sup> February 2014 it was noted that the BCP should be revisited thus demonstrating the intention to review the BCP.

A new IT package is in place which backs up to the supplier's servers every day. The software supplier's servers (including back-up to their servers) are off site from the Crematorium. We were informed that the data can be accessed by the Crematorium staff in an emergency situation.

### **Treasury Management**

The PCJC Memorandum of Agreement sets out the Committee's policy in respect of borrowing arrangements but does not state what the Committee's arrangements are in respect of investments. Clarification sought from the Deputy Treasurer confirmed that there is minimal treasury management activity and that PCJC only invests excess funds with FBC.

We confirmed that the PCJC's SoD determines that the Treasurer to the Committee is responsible for the management of all aspects of the financial affairs of the Committee and clarification sought from the Treasurer confirmed that the PCJC's policy for investments is 0.5% below the base interest rate and that this arrangement had been agreed by the PCJC many years previous. We were however, unable to evidence this through any documented minutes or agreements and an [important recommendation](#) has been made to address this.

Examination of the investments folder confirmed that for each sum invested a Bond Certificate is drawn up and signed by the FBC Director of Finance and Resources (Treasurer to PCJC). Each sum invested has a sequentially numbered bond certificate, the certificate sets out the investment amount, who the 'lender' is and the interest percentage payable. On repayment of the loan, the bond is updated with the loan re-paid date and signed to say that sum has been received. As the base interest rate has been 0.5% for a considerable time due to the extended recession, the recent investments have therefore been at 0%. The last investment made was £151,400 on 19th June 2014 taking the cumulative investment with FBC at that time to £1,091,400.

### **Acknowledgement**

We would like to thank management and staff at Fareham Borough Council for their time, kindness and hospitality during the course of the internal audit.

### 3. Recommendations and Management Action Plan

#### New Important Issues

1. Monitoring reports from the Engineer and Surveyor to PCJC (Important)

Recommendation	Rationale	Managers Comments
Monitoring reports from the Engineer and Surveyor should contain sufficient and detailed information to allow the PCJC Members to make informed decisions and sufficiently challenge officers.	Providing the PCJC with sufficiently detailed reports assists Members to make decisions based on information and to sufficiently challenge officers at Committee meetings.	Deputy Engineer (Mark Pam) - I have no problem in agreeing with this recommendation in fact it makes sense to expand on the information which was previously provided by PT (Parker Torrington).
	Examination of reports to the PCJC noted that the Maintenance/progress report by the Engineer and Surveyor sets out the Progress and Financial Statement, which lists schemes, progress steps, budget target and actual cost. It does not set out the actual / variation percentage and provides no detailed narrative regarding progress and future action against each scheme.	In reality we will pass on this responsibility to Chris Newman or whoever else takes on the consultancy.
	Where sufficient detailed information is not provided within monitoring reports presented to the PCJC, there is an increased risk that the Committee's Members do not have enough information to allow them to make informed decisions or to allow them to challenge officers where necessary.	<b>Audit Response</b> Action taken addresses the issue.
Agreed Action		Responsibility
The monitoring reports to the Joint Committee from the Engineer and Surveyor will now include the actual / variation percentage of budget spent against each scheme, plus a narrative regarding progress and future action against each scheme.  This has been implemented; the structure of the Engineer and Surveyor's report has been revised and will include these details where required.		The Engineer and Surveyor to the Committee (TG)

## 2. Arrangements for managing PCJC's excess funds

(Important)

Recommendation	Rationale	Managers Comments
The arrangements for managing the excess cash of the Committee should be formally documented and approved by PCJC.	Formally determining the investment arrangements for PCJC will ensure that the PCJC's Members are aware of and have approved how investment of any surplus cash can occur.	Agreed.
	The PCJC Memorandum of Agreement sets out the Committee's policy in respect of borrowing arrangements but does not state what the arrangements are in respect of investments.	<b>Audit Response</b>
	<p>Clarification sought from the Treasurer and Deputy Treasurer confirmed that investments are only made with FBC at 0.5% below base rate and that this arrangement had been agreed by the PCJC many years previous. We were however, unable to evidence this through any documented minutes or agreements.</p> <p>We acknowledge that the SoD states that the Treasurer is responsible for the management of all financial aspects of the Committee and examination of the investments file confirmed that each investment was supported by a Bond Certificate signed by the Treasurer.</p> <p>Where arrangements for the investment of the PCJC's surplus funds are not formally documented and approved, there is a risk that Committee Members are not aware of the arrangements and this may lead to conflict and possible reputation damage.</p>	Action taken addresses the issue.
Agreed Action		Responsibility
<p>The arrangements for investing any surplus cash will be included in the annual Finance Strategy which is approved by the PCJC.</p> <p>This has been implemented, with the Finance Strategy for 2015/16 being presented to the Joint Committee for approval at their December meeting.</p>		Treasurer to the PCJC (AW)



## 4. Follow Up of Outstanding Actions from Previous Audits

Reference (Year)	Priority	Action Required	Audit Findings
922/7	Important	Explore the opportunities for offsite storage of back up files on a periodic basis, with the Head of ICT at FBC.	Status: <b><u>Implemented</u></b> The Registrar / Manager advised that a new IT package is in place which backs up to the supplier's servers every day. We were informed that the data can be accessed by the Crematorium staff in an emergency situation. The software supplier's servers (including back-up to their servers) are off site from the Crematorium.
922/8 (2011/12)	Important	The contact list and BCP be updated to include key contact details of hardware and software suppliers for the Crematorium. The BCP will be reviewed on a regular basis.	Status: <b><u>Implemented</u></b> We confirmed that the contact list is up to date. We examined the BCP and confirmed that version control had been applied. The plan dated May 2012 was version 2, which has been drawn up after the 2011/12 audit. We confirmed that a list of computer contacts is now in place, listing contact details for the software and hardware suppliers.
990/1	Important	Controls or action plans should be added within the risk registers.	Status: <b><u>Implemented</u></b> Examination of the risk registers confirmed that controls have been added to both the operational and strategic risk registers. We also confirmed that both the risk registers and the Risk Management Strategic Framework and Policy were reported to the PCJC in March 2014.

990/2	Important	The alarm system and CCTV should be fixed.	<p>Status: <b><u>Implemented</u></b></p> <p>We confirmed with by the Registrar / Manager that both the alarm and the CCTV systems were in working order and that the alarm system is zoned, as per the insurer's recommendation. We visited the Crematorium and confirmed by observation that the office has a monitoring screen for the CCTV system which was working and the cameras were operational. For practical reasons we were unable to physically test the fire alarm system.</p>
-------	-----------	--	---

## Appendix A - Reporting Definitions

### Audit Objectives

The audit was designed to provide assurance that management have implemented adequate and effective controls over Portchester Crematorium's governance arrangements.

### Audit Approach and Methodology

The aim of the audit was to establish that:

- there are adequate internal controls in effective and efficient operation;
- the processes are meeting the requirements of internal policy and procedural standards; and
- the processes are meeting external codes of practice, professional and statutory regulations.

Significant weaknesses have then been brought to the attention of management and advice issued on how particular problems may be resolved and control improved to minimise future occurrence.

### Areas Covered

The audit specifically covered the following areas:

- Partnership Arrangements;
- Roles, Responsibilities and Accountabilities;
- Corporate Governance Framework;
- Business Continuity; and
- Treasury Management.

### Specific Tests Completed / Additional Areas

- Follow up of four important actions

## Appendix B - Staff Interviewed

- Andy Wannell                      Director of Finance and Resources and Treasurer to PCJC
- Kate Busby                        Senior Management Accountant and Deputy Treasurer to PCJC
- James Clark                      Portchester Crematorium Registrar / Manager
- John Haskell (via email)        Clerk to the Committee

A planning meeting was held to agree the Terms of Reference on 11 June 2014.

An exit meeting was held with the Director of Finance and Resources and Treasurer to PCJC and the Senior Management Accountant and Deputy Treasurer to PCJC on 9<sup>th</sup> October 2014. Email confirmation was also received on 28<sup>th</sup> October 2014 from the Engineer and Surveyor to the Committee in respect of recommendation1.

## Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

### **Mazars Public Sector Internal Audit Limited**

#### **London**

#### **November 2014**

This document is confidential and prepared solely for your information. Therefore you should not, without our prior written consent, refer to or use our name or this document for any other purpose, disclose them or refer to them in any prospectus or other document, or make them available or communicate them to any other party. No other party is entitled to rely on our document for any purpose whatsoever and thus we accept no liability to any other party who is shown or gains access to this document.

In this document references to Mazars are references to Mazars Public Sector Internal Audit Limited.

Registered office: Tower Bridge House, St Katharine's Way, London E1W 1DD, United Kingdom. Registered in England and Wales No 4585162.

Mazars Public Sector Internal Audit Limited is a subsidiary of Mazars LLP. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales to carry out company audit work.

This page is intentionally left blank

# Agenda Item 8

## FAREHAM BOROUGH COUNCIL

### **Report to Portchester Crematorium Joint Committee**

*Date:*           **15 December 2014**

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

*Subject:*       **EXTERNAL AUDIT FOR THE YEAR ENDED 31 MARCH 2014  
AUDITED ANNUAL RETURN  
ISSUES ARISING REPORT**

#### **SUMMARY**

BDO LLP, the External Auditors for Portchester Crematorium Joint Committee, have completed their work on the Annual Return for the financial year ended 31 March 2014 and have also provided an Issues Arising report.

This report seeks acceptance and approval of the audited Annual Return, and also sets out the matters raised within the Issues Arising Report and details the action taken with regard to them, and any future action required.

#### **RECOMMENDATIONS**

- (a) That the audited Annual Return is accepted and approved;
- (b) That the BDP LLP External Audit Issues Arising Report for the year ended 31 March 2014, attached as Appendix A to this report, be noted;
- (c) That the actions taken and required with regard to Internal and External Audit recommendations be noted.

## **PORTCHESTER CREMATORIUM JOINT COMMITTEE**

### **EXTERNAL AUDIT REPORT FOR PORTCHESTER CREMATORIUM JOINT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2014**

#### **INTRODUCTION**

1. BDO LLP, the External Auditors for Portchester Crematorium Joint Committee, have completed their work and provided an unqualified Certificate and Opinion on the Annual Return for the year ended 31 March 2014, attached as Appendix A to this report.
2. BDO LLP have also provided an Issues Arising Report, attached as Appendix B to this report, raised to draw matters to the attention of Portchester Crematorium Joint Committee.
3. The matters raised within the report are set out below, along with an update of action already taken or required in the future, either as a matter of course or in direct response to the report.

#### **MATTERS ARISING**

##### **FIDELITY GUARANTEE**

4. BDO LLP have noted that the Fidelity Guarantee Cover held as part of the insurance policy with Zurich Municipal for Portchester Crematorium was insufficient in light of the bank balances held at 31 March 2014.

##### ACTION COMPLETED

5. The level of Fidelity Guarantee Cover has been increased to £600,000 as part of the Insurance Renewal process for 2014/15.

#### **INTERNAL AUDITOR'S RECOMMENDATIONS**

6. BDO LLP have recommended that the recommendations made by internal audit be implemented.

##### ACTIONS COMPLETED

7. The Internal Audit Report for 2013/14 is presented to the Joint Committee as a separate item at this meeting. Three new recommendations have been made and accepted, with action planned and completed as follows :
  - (i) Important recommendation  
Market testing results are included in the Engineer and Surveyor's reports where required. This has been implemented; the structure of the Engineer and Surveyor's report has been revised and will include these details where required.



- (ii) Advisory recommendations  
Example rates for Book of Remembrance art work and digitisation are obtained every few years – to be completed during 2014/15.  
Market testing the provision of washroom supplies as part of the washroom refurbishment project – to be completed during 2014/15.
8. The Governance Audit 2014/15 has been completed, and is presented to the Joint Committee as a separate item at this meeting. Two new recommendations have been made and accepted, with action completed as follows :
- (i) Agreed Action  
The monitoring reports to the Joint Committee from the Engineer and Surveyor will now include the actual / variation percentage of budget spent against each scheme, plus a narrative regarding progress and future action against each scheme. This has been implemented; the structure of the Engineer and Surveyor's report has been revised and will include these details where required.
  - (ii) Agreed Action  
The arrangements for investing any surplus cash will be included in the annual Finance Strategy which is approved by the PCJC. This has been implemented, with the Finance Strategy for 2015/16 presented to the Joint Committee for approval as a separate item at this meeting.
9. The following action has already been taken in respect of findings reported in the Internal Audit Report for 2012/13 being presented and noted by the Joint Committee at its meeting held on 23 September 2013.
- (i) Control / Actions Plans included in Risk Registers – completed; with control / action plans incorporated into the Risk Register and circulated to the Joint Committee in September 2013.
  - (ii) Alarm System and CCTV will be fixed – works completed.
  - (iii) Annual Review of Risk Management Policy Statement – completed in June 2013
  - (iv) Staffing Structure – completed; with up to date staffing structure now held at the Crematorium.
  - (v) Expenses Claims – implemented; expense claims for postage stamps will only be processed if receipts are present.
  - (vi) Software Licence documentation – implemented; documentation now retained where required.

Andy Wannell CPFA  
Treasurer to the Joint Committee  
Civic Offices  
Fareham

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

ANNUAL RETURN FOR  
PORTCHESTER CREMATORIUM JOINT COMMITTEE  
FOR THE YEAR ENDED 31 MARCH 2014



# Small Bodies in England

## Annual return for the financial year ended 31 March 2014

Small relevant bodies in England with an annual turnover of £6.5 million or less must complete an annual return in accordance with proper practices summarising their annual activities at the end of each financial year.

The annual return on pages 2 to 5 is made up of four sections:

- Sections 1 and 2 are completed by the person nominated by the body.
- Section 3 is completed by the external auditor appointed by the Audit Commission.
- Section 4 is completed by the body's internal audit provider.

Each body must approve this annual return no later than 30 June 2014.

### Completing your annual return

Guidance notes, including a completion checklist, are provided on page 6 and at relevant points in the annual return.

Complete all sections highlighted in red. Do not leave any red box blank. Incomplete or incorrect returns require additional external audit work and may incur additional costs.

Send the annual return, together with your bank reconciliation as at 31 March 2014, an explanation of any significant year on year variances in the accounting statements and any additional information requested, to your external auditor by the due date.

Your external auditor will identify and ask for any additional documents needed for audit. Therefore, unless requested, do not send any original financial records to the external auditor.




Audited and certified annual returns will be returned to the body for publication or public display of sections 1, 2 and 3. You must publish or display the audited annual return by 30 September 2014.

It should not be necessary for you to contact the external auditor or the Audit Commission directly for guidance.

More guidance on completing this annual return is available in the Practitioners' Guides for either local councils or internal drainage boards. These publications may be downloaded from the National Association of Local Councils (NALC) or Society of Local Council Clerks (SLCC) websites ([www.nalc.gov.uk](http://www.nalc.gov.uk) or [www.slcc.co.uk](http://www.slcc.co.uk)) or from the members area of the Association of Drainage Authorities website ([www.ada.org.uk](http://www.ada.org.uk)).




**Section 1 - Accounting Statements 2013/14 for:**  
**Portchester Crematorium Joint Committee**

	Year ending		Notes and guidance
	31 March 2013 £	31 March 2014 £	
1. Balances brought forward 	<del>1,492,548</del> 1,432,884	<del>860,976</del> 793,418	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. 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	2,176,029	2,169,249	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	(228,694)	(230,396)	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 	<del>(2,578,907)</del> (2,586,801)	<del>(1,664,173)</del> (1,640,869)	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 	<del>860,976</del> 793,418	<del>1,135,656</del> 1,091,402	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	860,976	1,135,656	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 plus other long term investments and assets	7,689,162 RESTATED FROM 6,065,374	7,906,707	The original Asset and Investment Register value of all fixed assets, plus other long term assets owned by the body as at 31 March.
10. Total borrowings	0	0	The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).

I certify that for the year ended 31 March 2014 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.

Signed by Responsible Financial Officer

Date:


  
 16/6/2014

I confirm that these accounting statements were approved by the body on:

And recorded as minute reference:

Signed by Chair of meeting approving these accounting statements.

Date:

16/6/2014  
 583(a)  
  
 16/6/2014



## 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 2014, that:

	Agreed -		'Yes'
	Yes	No	Means that the body :
1. We approved the accounting statements prepared in accordance with the requirements of the Accounts and Audit Regulations and proper practices.	✓		prepared its accounting statements in the way prescribed by law.
2. We maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.	✓		made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.
3. We took 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.	✓		has only done what it has the legal power to do and has complied with proper practices in doing so.
4. We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.	✓		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.	✓		considered the financial and other risks it faces and has dealt with them properly.
6. We maintained throughout the year an adequate and effective system of internal audit of the body's accounting records and control systems.	✓		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 took appropriate action on all matters raised in reports from internal and external audit.	✓		responded to matters brought to its attention by internal and external audit.
8. We 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.	✓		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:	
583(b)		Chair	
Dated: 16/6/2014		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 3 – External auditor certificate and opinion 2013/14

### Certificate

We certify that we have completed the audit of the annual return for the year ended 31 March 2014 of:

### Portchester Crematorium Joint Committee

#### Respective responsibilities of the body and the auditor

The body is responsible for ensuring that its financial management is adequate and effective and that it has a sound system of internal control. The body prepares an annual return in accordance with proper practices which:

- summarises the accounting records for the year ended 31 March 2014; and
- confirms and provides assurance 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 auditor report

(~~Except for the matters reported below~~)\* on the basis of our review, in our opinion the information in the annual return is in accordance with proper practices 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~~).

(continue on a separate sheet if required)

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

Please see enclosed report

(continue on a separate sheet if required)

External auditor signature



External auditor name

ADD LLP Southampton  
United Kingdom

Date:

23/9/14

**Note:** The auditor signing this page has been appointed by the Audit Commission and is reporting to you that they have carried out and completed all the work that is required of them by law. For further information please refer to the Audit Commission's publication entitled *Statement of Responsibilities of Auditors and of Audited Small Bodies*.



## Section 4 - Annual Internal Audit Report 2013/14 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 2014.

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.

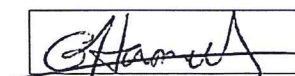
Internal control objective	Agreed? Please choose from one of the following Yes/No*/Not covered**
A. Appropriate accounting records have been kept properly throughout the year.	<b>Not Covered</b> Last covered in 2011/12 and found to be satisfactory
B. The body's financial regulations have been met, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	<b>Yes</b>
C. The body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	<b>Not Covered</b> Last covered in 2012/13 and found to be satisfactory
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.	<b>Not Covered</b> 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.	<b>Yes</b>
F. Petty cash payments were properly supported by receipts, all expenditure was approved and VAT appropriately accounted for.	<b>Not Covered</b> 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.	<b>Not Covered</b> Last covered in 2012/13 and found to be satisfactory
H. Asset and investments registers were complete and accurate and properly maintained.	<b>Not Covered</b> Last covered in 2011/12 and found to be satisfactory
I. Periodic and year-end bank account reconciliations were properly carried out.	<b>Not Covered</b> 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.	<b>Not Covered</b> 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 : ELAINE HAMMELL

Signature of person who carried out the internal audit:



Date: 25th June 2014

**\*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).



## Guidance notes on completing the 2013/14 annual return

- 1 You must apply proper practices for preparing this annual return. Proper practices are found in the Practitioners' Guides\* which are updated from time to time and contain everything you should need to prepare successfully for your financial year-end and the subsequent audit. Both NALC and SLCC have helplines if you want to talk through any problem you may encounter.
- 2 Make sure that your annual return is complete (i.e. no empty red boxes), and is properly signed and dated. Avoid making any amendments to the completed return. But, if this is unavoidable, make sure the amendments are drawn to the attention of and approved by the body, properly initialled and an explanation is provided to the external auditor. Annual returns containing unapproved or unexplained amendments will be returned unaudited and may incur additional costs.
- 3 Use the checklist provided below. Use a second pair of eyes, perhaps a member or the Chair, to review your annual return for completeness before sending it to the external auditor.
- 4 Do not send the external auditor any information not specifically asked for. Doing so is not helpful. However, you must notify the external auditor of any change of Clerk, Responsible Financial Officer or Chair.
- 5 Make sure that the copy of the bank reconciliation which you send to your external auditor with the annual return covers all your bank accounts. If your body holds any short-term investments, note their value on the bank reconciliation. The external auditor must be able to agree your bank reconciliation to Box 8 on the Accounting statements. You must provide an explanation for any difference between Box 7 and Box 8. More help on bank reconciliation is available in the Practitioners' Guides\*.
- 6 Explain fully significant variances in the accounting statements on page 2. Do not just send in a copy of your detailed accounting records instead of this explanation. The external auditor wants to know that you understand the reasons for all variances. Include a complete analysis to support your explanation. There are a number of examples provided in the Practitioners' Guides\* to assist you.
- 7 If the external auditor has to review unsolicited information, or receives an incomplete bank reconciliation, or you do not fully explain variances, this may incur additional costs for which the auditor will make a charge.
- 8 Make sure that your accounting statements add up and the balance carried forward from the previous year (Box 7 of 2012) equals the balance brought forward in the current year (Box 1 of 2014).
- 9 Do not complete section 3. The external auditor will complete it at the conclusion of their audit.

Completion checklist – 'No' answers mean you may not have met requirements		Done?
All sections	All red boxes have been completed?	
	All information requested by the external auditor has been sent with this annual return? Please refer to your notice of audit.	
Section 1	Approval by the body confirmed by signature of Chair of meeting approving the accounting statements?	
	An explanation of significant variations from last year to this year is provided?	
	Bank reconciliation as at 31 March 2014 agreed to Box 8?	
	An explanation of any difference between Box 7 and Box 8 is provided?	
Section 2	For any statement to which the response is 'no', an explanation is provided?	
Section 4	All red boxes completed by internal audit and explanations provided?	

\*Note: Governance and Accountability for Local Councils in England – A Practitioners' Guides, is available from NALC and SLCC representatives or Governance and Accountability for Internal Drainage Boards in England – A Practitioners' Guides, is available from the ADA at The Association of Drainage Authorities, 12 Cranes Drive, Surbiton, Surrey, KT5 8AL or from the NALC, SLCC or ADA websites - see page 1 for addresses.



BDO LLP

ISSUES ARISING REPORT FOR  
PORTCHESTER CREMATORIUM JOINT COMMITTEE  
AUDIT FOR THE YEAR ENDED 31 MARCH 2014

**ISSUES ARISING REPORT FOR  
Portchester Crematorium Joint Committee  
Audit for the year ended 31 March 2014**



## Introduction

The following matters have been raised to draw items to the attention of Portchester Crematorium Joint Committee. These matters came to the attention of BDO LLP during the audit of the annual return for the year ended 31 March 2014.

The audit of the annual return may not disclose all shortcomings of the systems as some matters may not have come to the attention of the auditor. For this reason, the matters raised may not be the only ones that exist.

The matters listed below are explained in further detail on the page(s) that follow;

- Internal auditor's recommendations
- Fidelity Guarantee

---

The following issue(s) have been raised to assist the body. The body is recommended to take action on the following issue(s) to ensure that the body acts within its statutory and regulatory framework.

#### **Internal auditor's recommendations**

##### *What is the issue?*

The internal auditor has noted a number of weaknesses in the financial systems of the body.

##### *Why has this issue been raised?*

The body is exposed to the risks associated with these weaknesses.

##### *What do we recommend you do?*

The body must implement the recommendations made by the internal auditor to improve the financial systems of the body as soon as possible or in any event before the end of the current financial year.

If the body addresses all the issues raised by the internal auditor the body should improve internal controls which will help to prevent and detect error and fraud and assist the body to operate in an effective and efficient manner.

Further guidance on this matter can be obtained from the following source(s):

Governance and Accountability in Local Councils in England - A Practitioners Guide, NALC/SLCC

#### **Fidelity Guarantee**

##### *What is the issue?*

The body has fidelity guarantee cover, however this appears to be insufficient in light of the bank balances held at 31 March 2014.

##### *Why has this issue been raised?*

A body, under S114 of the Local Government Act 1972, must take security as it considers sufficient in the case of any of its officers likely to handle its money. The body may decide that insurance is not 'sufficient' for them, but in order to come to this opinion it must have reviewed the requirement annually and have objective grounds for such a conclusion.

##### *What do we recommend you do?*

The body should consider the level of insurance cover and set it to a level that will protect the body against potential loss. The body should review the level of cover at least annually as circumstances may change throughout the year.

The amount should be sufficient to cover the maximum amount of money the body holds at any one time during the year. A body does not have to have fidelity guarantee insurance if it considers that no security is 'sufficient' but there must be objective grounds for such a conclusion.

Further guidance on this matter can be obtained from the following source(s):

Local Council Administration, 8th Edition, Charles Arnold-Baker, Chapter 9.8

Governance and Accountability in Local Councils in England - A Practitioners Guide, NALC/SLCC

---

No other matters came to our attention.

For and on behalf of  
BDO LLP

Date: 23 September 2014

This page is intentionally left blank

**REPORT TO: PORTCHESTER CREMATORIUM JOINT COMMITTEE**

**ON: 15 DECEMBER 2014**

**REPORT OF: THE ENGINEER AND SURVEYOR**

**SUBJECT: BUILDING WORKS REPORT – 2014/5**

Ref	Item Description	Status	Budget £	Anticipated Cost £	Variation £	Commentary
1501	South Chapel – Minor redecoration	Completed	2,900	2,900	Nil	This work was completed over the Easter period as part of the budget for item 1505
1502	South Chapel – refurbishment	Design stage	175,000	175,000	Nil	See separate report to this meeting
1503	South Chapel – air conditioning	Design stage	10,000	10,000	Nil	See separate report to this meeting
1504	Internal redecoration – rolling programme	Assessing requirements	5,000	5,000	Nil	Works anticipated to be undertaken towards the end of the financial year
1505	Steam cleaning paving – rolling programme	Assessing requirements	3,000	3,000	Nil	Works anticipated to be undertaken, and completed, in the final quarter of the financial year
1506	Fence and gate works	Completed	500	400	100	Minor cost variation due to change in scope of works

Ref	Item Description	Status	Budget £	Anticipated Cost £	Variation £	Commentary
1507	Waiting room toilet facilities	Assessing requirements	8,800	8,800	Nil	Works are anticipated to be undertaken, and completed, in the final quarter of the financial year.
1508	Water feature	Assessing requirements	3,000	3,000	Nil	There is a need to re-evaluate the working of the water feature and this will be the subject of a future report of the Joint Committee.
1509	Works to Mess Room	Assessing requirements	2,600	2,600	Nil	Works are anticipated to be undertaken, and completed, in the final quarter of the financial year.
1510	Crematory/Committal areas	Assessing requirements	9,000	9,000	Nil	Works are anticipated to be undertaken, and completed, in the final quarter of the financial year.
1511	Mercury abatement project – sound attenuation	Design/ procurement stage	9,500	9,500	Nil	See separate report to this meeting.
1512	Legionella risk assessment report	Completed	300	300	Nil	Minor items of work have been recommended and these will be undertaken in the final quarter of the financial year.
1513	Asbestos register	Completed	500	500	Nil	No actions requiring immediate attention were identified but a minor item of work will be undertaken in the final quarter of the financial year.



Ref	Item Description	Status	Budget £	Anticipated Cost £	Variation £	Commentary
1514	Fire risk assessment and register	Completed	600	600	Nil	No comment

*Terry Garvey*  
Engineer and Surveyor

*Background List of Documents –  
Section 100D of the Local Government Act 1972 - None*

This page is intentionally left blank

# Agenda Item 10

**REPORT TO: PORTCHESTER CREMATORIUM JOINT COMMITTEE –  
15 DECEMBER 2014**

**REPORT OF: THE ENGINEER AND SURVEYOR**

## **SOUTH CHAPEL REFURBISHMENT**

### **1.0 Purpose of this Report**

- 1.1 To advise on the progress of the South Chapel Refurbishment project

### **2.0 Introduction**

- 2.1 At the meeting of the Joint Committee on 15 September 2014 details were given of the proposals to refurbish the South Chapel. At that stage a formal contract was still to be entered into with our consultant architects RBA Architects Ltd. Following detailed discussions a formal contract has now been signed and the project continues to progress.

### **3.0 Design Issues**

- 3.1 At the last meeting discussion took place regarding the orientation of the proposed wooden cladding. This has been discussed with RBA who are considering the design implications of this change. If there are design concerns about this change these will be, as agreed at the last meeting, discussed with the Chairman.

### **4.0 Scope of the works**

- 4.1 Discussions have been held with the Manager and Registrar who indicated that he would like to install air conditioning into the South Chapel in 2015/6. Given that a delay has occurred in progressing the scheme it would now be appropriate to incorporate this work into the refurbishment thereby minimising further future disruption in the Chapel. I have therefore requested RBA to incorporate this additional work into their project. The cost of this additional work is preliminarily estimated at £10,000 (excluding VAT and fees) and an appropriate provision has been made in the budgets.

### **5.0 Project Programme**

- 5.1 The project programme has now been revised and works are now scheduled to commence on site in March and last for a period of three months.

## **6.0 Other Matters**

- 6.1 Separate quotations have been sought for the role of Coordinator in respect of the requirements of the Construction (Design and Management) Regulations 2007. I anticipate updating the Committee orally on this and other issues as appropriate.

## **7.0 Recommendation**

- 7.1 That the report be noted

*Terry Garvey*  
Engineer and Surveyor

*Background List of Documents –  
Section 100D of the Local Government Act 1972 - None*

# Agenda Item 11

## **REPORT TO: PORTCHESTER CREMATORIUM JOINT COMMITTEE – 15 DECEMBER 2014**

### **REPORT OF: THE ENGINEER AND SURVEYOR**

#### **MERCURY ABATEMENT PROJECT**

##### **1.0 Purpose of this Report**

- 1.1 To update the Joint Committee on progress towards noise reduction measures associated with the operation of the mercury abatement equipment.

##### **2.0 Introduction**

- 2.1 The Joint Committee has previously been advised of one possible solution to reduce noise emanating from the mercury abatement plant room, particularly during outside of normal operating hours. As previously reported a solution has been identified by our interim consultants (Fareham BC's Building Services) working in conjunction with acoustic engineers, Fareham Borough Council's Environmental Health Officers and a European specialist acoustic grille manufacturer.

##### **3.0 Current Situation**

- 3.1 The need for cooling in the mercury abatement plant room is a requirement of Facultative Technologies (FT): the installers of the equipment. The gases from the cremation process are in the order of 900°C and this inevitably can create a high volume of residual heat inside the building which needs to be safely dissipated. It is therefore essential to ensure that any modifications to the grilles which affect the airflow are approved by FT in order to ensure the integrity of the building, the abatement equipment and the associated control systems.
- 3.2 Our consultants are of the opinion that the suggested solution should prove acceptable and that being the case an order has been placed with the acoustic grille manufacturer. In the meantime both FT and the acoustic grille manufacturer have been asked to confirm specific airflow data. When the existing grilles have been replaced careful monitoring will take place to ensure that the new grilles work satisfactorily and do not affect the operation of the abatement equipment.
- 3.3 A letter was sent to local residents by the Clerk in June 2014 and a further letter was sent in November 2014 explaining the steps being taken to provide a permanent solution.

##### **4.0 Recommendation**

**That the action taken be endorsed and the officers be authorised to continue to take any further action that may be necessary to achieve the satisfactory reduction in noise level.**

*Terry Garvey*  
Engineer and Surveyor

*Background List of Documents –  
Section 100D of the Local Government Act 1972 - None*

This page is intentionally left blank

# Agenda Item 12

**REPORT TO: PORTCHESTER CREMATORIUM JOINT COMMITTEE**  
**Monday 15 December 2014**

**REPORT BY: THE HORTICULTURAL CONSULTANT**

## **CREMATORIUM GROUNDS – GENERAL UPDATE**

Many tasks have been undertaken by Brighstone Landscapes (our contractor) recently including the replanting of the flower beds, which should look stunning in the spring.

The rose beds have been dressed with farm yard manure to improve soil quality, act as a mulch and to adjust the acidity of the soil after years of applying spent mushroom compost.

The lawns have been aerated and I am hoping to cut them before Christmas to tidy the site prior to the influx of Christmas visitors.

The various seats around the site have received preservative as appropriate and the bins will be re-painted shortly.

We have planted a large number of cyclamen and narcissus bulbs under the beech tree to the north of the building. This will give colour in the autumn and spring.

I have confirmed adequate Christmas staffing arrangements with the contractor and additional bins will be provided.

Brighstone Landscapes continue to perform well and we have secured their services for a further two years, with the contract now continuing until December 2016.

*Ashley Humphrey*  
Horticultural Consultant

*Background List of Documents –*  
*Section 100D of the Local Government Act 1972 - None*

AH/jh  
3 December 2014

This page is intentionally left blank



# Agenda Item 13

**REPORT TO: PORTCHESTER CREMATORIUM JOINT COMMITTEE –  
15<sup>th</sup> DECEMBER 2014**

**REPORT BY: MANAGER AND REGISTRAR**

## **STATISTICS**

### **1. MONTHLY COMPARISON**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
SEPT	295	287	294	246
OCT	318	331	329	270
NOV	312	336	305	244

### **2. TOTAL CREMATIONS**

	<u>YEAR</u>	<u>TO END NOVEMBER</u>
2011	4015	3697
2012	3975	3656
2013	4248	3926
2014	-	3087

### **3. DISPOSAL OF REMAINS**

Ashes received from other Crematoria.....	26
i) Total disposals within grounds.....	290
ii) Remains removed from crematorium.....	433
iii) Retained.....	37
<b>TOTAL</b>	<b>760</b>

Scattered 40%                      Removed 60%

### **4. GAS CONSUMPTION**

Total gas consumption (cu.m.).....	63933
Total cremations.....	760
Average gas consumption(cu.m).....	84

**JAMES CLARK**  
**MANAGER & REGISTRAR**  
27<sup>th</sup> NOVEMBER 2014

This page is intentionally left blank

## FAREHAM BOROUGH COUNCIL

### **Report to Portchester Crematorium Joint Committee**

*Date:* 15 December 2014

*Report of:* Treasurer to the Joint Committee

*Subject:* **FINANCE STRATEGY AND BUDGET FOR 2015/16**

#### **SUMMARY**

At its meeting on 9 December 2013, the Joint Committee approved the Finance Strategy and the revenue budget for 2014/15.

The Finance Strategy for 2015/16 has been prepared and is attached as appendix A of this report, for the Joint Committee's consideration.

The updated Finance Strategy provides a clear overview of the Joint Committee's financial framework and provides added assurance to the Committee and to the constituent authorities that sound and effective arrangements are in place to manage the Crematorium's finances.

Subject to approval, the Finance Strategy will be sent to the constituent authorities. Any comments received from them in response to the strategy will be brought back to the Joint Committee and, if appropriate, incorporated into the strategy when it is reviewed again.

#### **RECOMMENDATIONS**

- (a) That the Finance Strategy 2015/16, attached as Appendix A to this report, be approved;
- (b) That the Finance Strategy 2015/16 be sent to the constituent authorities to note.

## **APPENDIX A**

### **PORTCHESTER CREMATORIUM JOINT COMMITTEE**

#### **FINANCE STRATEGY AND BUDGET FOR 2015/16**

##### **INTRODUCTION**

1. The Portchester Crematorium was opened on 27 September 1958 and is the busiest crematorium in south-east Hampshire. It is managed by a Joint Committee of eight councillors, two from each of the constituent authorities of Fareham, Gosport, Havant and Portsmouth.
2. The key financial policies of the Joint Committee are set out in the Portchester Crematorium Development Plan – a document that is revisited and reviewed approximately every two years, supported by approved Financial Regulations.
3. The current Development Plan was approved by the Joint Committee on 11 March 2013 and covers the period from 2013 to 2018.

##### **FINANCIAL MANAGEMENT**

4. The main focus of prudent financial management is the Joint Committee's Finance Strategy, the overall objective of which is to structure and manage the Joint Committee's financial resources to ensure that they match and support the achievement of the Joint Committee's objectives.
5. At the same time the strategy must ensure that the requirement to set a balanced budget is fully met and that the Joint Committee is able to respond to year-on-year changes and short-term service delivery issues.
6. This can be difficult to achieve when faced with increasing expenditure and one main source of income that is directly affected by fluctuations in the mortality rate and increased local competition.
7. To overcome these difficulties there are a number of fundamental principles that are followed by the Joint Committee and which form the basis of the Finance Strategy.

##### **THE FUNDAMENTAL POLICIES**

8. These fundamental and long-standing policies (set out in the following paragraph) on which the Joint Committee's Finance Strategy is based are subject to annual review as part of the budget process:
  - (i) Sufficient reserves and provisions will continue to be made to ensure that:
    - (a) no precept will be required from the constituent authorities within the foreseeable future and;
    - (b) all anticipated capital works can be funded from revenue income.

- (ii) That subject to (i) above, an optimum annual contribution be available for re-distribution to each of the constituent authorities.
9. The distribution of the annual contribution in this way is effectively recognition of the significant original investment by each of the authorities in the Crematorium. These payments also assist them indirectly to support their own cemeteries and bereavement services.

### **TREASURY MANAGEMENT**

10. The function of treasury management is to support the funding of the Joint Committee's planned capital works, which should be funded from revenue income. To earmark resources for this purpose any surplus funds are invested with Fareham Borough Council at 0.5% below base rate.

### **FINANCIAL PLANNING**

11. The financial planning process supports the preparation of this Finance Strategy and gives the necessary flexibility to allow the Joint Committee to consider objectives and priorities, as well as the maintenance of service standards and the scope for improvements where necessary, but at the same time seeking to minimise the increase in the overall net budget and the fees and charges for cremation.
12. The Finance Strategy, revenue budget and capital programme are the subject of a report to the Joint Committee by the Treasurer each December.

### **BUDGETARY CONTROL AND REPORTING**

13. An essential pre-requisite of good financial management is to ensure that everyone with responsibility for the control of budgets has access to up to date information on the budgets for which they are responsible to inform their decision making and ensure that strict control of budgets is maintained.
14. Budgets are monitored by the Finance staff on a weekly basis and significant variances are brought to the attention of the appropriate officer and to the Treasurer.
15. Budgetary control information is provided to the Treasurer on a daily basis in respect of revenue expenditure and monthly in respect of capital expenditure.

### **BUDGET RESPONSIBILITIES**

16. Responsibility for budgets rests formally with the Joint Committee but there are arrangements in place as part of the Constitution that delegates certain responsibilities to the officers.

#### Joint Committee

17. The Joint Committee has the general responsibility for setting the policy and budget framework and must ensure the following:

- Spending plans are approved in accordance with the projected resources of the Joint Committee;
- Approved revenue budgets, capital programmes and the level of fees and charges are in accordance with the Finance Strategy;
- Supplementary estimates are only approved after consideration of the Joint Committee's overall financial position.

#### The Appointed Officers

18. The Appointed Officers have general responsibility for the preparation of the detailed estimates of expenditure and income and the proposed fees and charges are prepared within the context of the Finance Strategy for approval by the Joint Committee.
19. They must also ensure that expenditure is only incurred if it forms part of the revenue budget or capital programme and that the overall revenue budget and capital programme are not exceeded.
20. Any decision to reallocate revenue or capital budgets from one service to another should not exceed the virement rules.

#### **THE OVERALL FINANCIAL POSITION**

21. Adherence to these fundamental policies means that the Joint Committee is in a strong financial position and able to meet all planned expenditure from income. Since 1999-2000 the Joint Committee has achieved sufficient surpluses to allow an amount to be distributed to each of the constituent authorities.
22. During 2013/14, however, the operating environment of Portchester Crematorium has significantly changed, with the opening of 'The Oaks', a private crematorium facility in the district of East Hampshire, very close to the border with the borough of Havant. The risk that this facility poses to the operation at Portchester has been fully evaluated and a report detailing measures to develop and enhance our service was presented to the Joint Committee in September 2013 when all of the recommendations were approved.
23. Considered reductions in revenue were allowed for in the budget for 2014/15, based on a 30% annual reduction in the number of cremations at Portchester once the new crematorium opened. The impact on revenue income to the crematorium has been closely monitored throughout the 2014/15 financial year to date and compared with a ten year average of cremation numbers it is hoped that the reduction will not be as high as 30% in the opening year of the new crematorium. In the first half of 2014/15 the reduction against the ten year average figure is approximately 15%, although it is likely that this figure will increase over time as the new crematorium becomes more established.
24. In December 2014 a decision was made to maintain the 2014/15 payment to each authority at the same level as for 2013/14 at £150,000 whilst the impact of on actual revenue levels could be monitored. In order to preserve the payment to each authority the budgeted contribution to the Capital Works Fund was

reduced in 2013/14 and in 2014/15 no budget provision for this contribution was made. It was acknowledged that this situation would be reviewed in order to provide a sustainable level of investment in the capital works fund to meet future demand for the crematorium, whilst taking into account the need to keep the constituent authorities informed of the impact of proposed reductions in the payment made to them.

25. In light of the level of reduced cremations and related income it is proposed that the payment to the constituent authorities is reduced over a two year period, initially to £125,000 in 2015/16 and to £100,000 in 2016/17.

### **THE CAPITAL POSITION**

26. To ensure that sufficient resources are in place to finance all anticipated capital works, an annual contribution is made out of revenue income to the Committee's Capital Works Fund.
27. The Capital Works Fund as at 1 April 2014 was £830,000. In order to preserve the payment to each authority in 2014/15 there was no budgeted contribution to the Capital Works Fund. In view of the reduction in cremation numbers not being as high as initially anticipated and a reduced programme of repairs and renewal it will be possible to include a budgeted contribution of £230,000 for 2014/15 as part of the revised budget. In order to replenish the Capital Works Fund to levels that will meet future demands of the crematorium a budget of £330,000 will be included in the budget for 2015/16.
28. The Joint Committee also approves annually a programme of repairs and renewal work. To finance this expenditure an annual contribution is made from revenue income to the Repairs and Renewals Fund to ensure that these works are fully funded. The Repairs and Renewals Fund as at 1 April 2014 was £120,000. The programme of works has been reduced for 2014/15 and therefore the budgeted contribution will be reduced by £30,000 to supplement the contribution to be made to the Capital Works Fund. The budgeted contribution for 2014/15 will remain at £80,000.

### **THE REVENUE POSITION**

29. It is the Joint Committee's policy to maintain a significant Revenue Reserve in order to deal with fluctuations in revenue income and expenditure that are outside of the Joint Committee's control.
30. The principal fluctuations are variations in the number of cremations, external competition and the significant variations in energy costs.
31. The Revenue Reserve is an accumulation of budget surpluses from previous years and was approximately £141,402 as at 1 April 2014, being 5.35% of gross expenditure for 2013/14.
32. It is prudent to maintain the level of this reserve at over £100,000.

## **FINANCIAL RISK ASSESSMENT**

33. Each year the revenue budget is prepared on a going-concern basis, taking account of current and previous year's activity as well as changes that are known to occur in the future that will have a bearing on the forecast for the financial year ahead. Changes in the crematorium's operating environment that impact on the current revenue budget are taken into account as part of the revised budget preparation.
34. The revenue reserve provides a small retained resource to meet unforeseen costs or changes in activity. Measures are also considered throughout the year in order to preserve the Joint Committee's income streams and keep costs to a minimum.

## **SUMMARY**

35. Historically, Portchester Crematorium has always strived to provide the best quality of service that it can and to achieve this, the Joint Committee is committed to the maintenance of high standards in relation to both staff performance and to the maintenance, repair and improvement of the Crematorium infrastructure.
36. In addition increases in cremation charges have been kept to a minimum with the current charge being the lowest in Hampshire and well below the national average.
37. The principles of financial management set out in the Finance Strategy continue to support the achievement of these aims and objectives by ensuring that the Joint Committee remains in a strong financial position, able to meet all planned expenditure from income.



## FAREHAM BOROUGH COUNCIL

### **Report to Portchester Crematorium Joint Committee**

*Date:* **15 December 2014**

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

*Subject:* **REVENUE BUDGET 2015/16**

#### **SUMMARY**

This report sets out the revenue budget and repairs and renewals programme for 2014/15 and 2015/16, together with a review of fees and charges. The revised capital works programme for 2014/15 and future years has also been included for consideration.

#### **RECOMMENDATIONS**

- (a) That expenditure of £137,250 in 2015/16 to be financed from the repairs and renewals fund as detailed in Appendix D is approved;
- (b) That the capital works programme as detailed in Appendix E be approved;
- (c) That the proposed charges as set out in Appendices B and C are approved from 1 April 2015;
- (d) That the proposed revenue account estimates as set out in Appendix A be approved subject to the Joint Committee's decisions in respect of the recommendations (a, b & c) above.
- (e) That the Joint Committee considers writing to the Leader of each constituent authority to advise them of the reduction in the annual payment received from the Portchester Crematorium Joint Committee in 2015/16 and beyond.

## **INTRODUCTION**

1. The Joint Committee has in place a co-ordinated finance strategy that allows the consideration of availability of resources to finance both capital and revenue at the same time. There are a number of fundamental principles that are followed by the Joint Committee which form the basis of the finance strategy which are:
  - (i) Sufficient reserves and provisions will continue to be made to ensure that:
    - (a) no precept will be required from the constituent authorities within the foreseeable future and;
    - (b) all anticipated capital works can be funded from revenue income
  - (ii) That subject to (i) above, an optimum annual contribution be available for re-distribution to each of the constituent authorities.
2. This report has been prepared following the finance strategy principles so that members of the Joint Committee can consider in detail the financial position of Portchester Crematorium in the current year and the anticipated position in 2015/16.
3. Detailed information is set out in the various appendices to this report which cover the following:
  - Appendix A - Revised revenue budget for 2014/15 and the revenue budget for 2015/16;
  - Appendix B - Optional charges 2015/16;
  - Appendix C - Cremation fees 2015/16;
  - Appendix D - Repairs and renewals programme and funding;
  - Appendix E - Capital works programme and funding;

## **BASE REVENUE BUDGET 2013/14**

4. The original revenue budget for 2014/15 was prepared on a projected outturn basis with an allowance for price increases included within the various budget heads as appropriate. The estimated surplus for the year was £1,000 based on an estimate of 2,856 cremations during the year.

## **BUDGET ISSUES**

5. Since December 2013 the operating environment of Portchester Crematorium has significantly changed, with the opening of 'The Oaks', a private crematorium facility in the district of East Hampshire, very close to the border with the borough of Havant. The risk that this facility poses to the operation at Portchester has been fully evaluated and a report detailing measures to develop and enhance our service was presented to the Joint Committee in September 2013 when all of the recommendations were approved.
6. Considered reductions in revenue were allowed for in the budget for 2014/15, based on a 30% annual reduction to 2,856 in the number of cremations at Portchester once the new crematorium opened. The impact on revenue income to the crematorium has been closely monitored throughout the 2014/15 financial year to date and compared with a ten year average of cremation numbers it is hoped that the reduction will not be as high as 30% in the opening year of the new

crematorium. In the first half of 2014/15 the reduction against the ten year average figure is approximately 15%, although it is likely that this figure will increase over time as the new crematorium becomes more established.

7. In December 2014 a decision was made to maintain the 2014/15 payment to each authority at the same level as for 2013/14 at £150,000 whilst the impact of on actual revenue levels could be monitored. In order to preserve the payment to each authority the budgeted contribution to the Capital Works Fund was reduced in 2013/14 and in 2014/15 no budget provision for this contribution was made. It was acknowledged that this situation would be reviewed in order to provide a sustainable level of investment in the capital works fund to meet future demand for the crematorium, whilst taking into account the need to keep the constituent authorities informed of the impact of proposed reductions in the payment made to them.
8. In light of the level of reduced cremations and related income it is proposed that the payment to the constituent authorities is reduced over a two year period, initially to £125,000 in 2015/16 and to £100,000 in 2016/17. The impact of this reduction, along with the repairs and renewals and capital programmes and other budget variations are fully explained in the following paragraphs.

#### REVISED BUDGET 2014/15

9. The revised budget has been set to a break-even level. The budget variations are shown in the following table, and explained further below.

	<b>Actuals 2013/14</b>	<b>Base Estimate 2014/15</b>	<b>Revised Estimate 2014/15</b>	<b>Variation</b>
	£	£	£	£
EMPLOYEE RELATED EXPENDITURE	230,396	239,300	240,400	1,100
PREMISES RELATED EXPENDITURE	532,271	508,900	594,500	85,600
SUPPLIES AND SERVICES	291,054	226,100	235,700	9,600
CAPITAL CHARGES	313,915	250,000	310,000	60,000
SPECIAL EXPENDITURE	1,273,937	790,000	990,000	200,000
<b>GROSS EXPENDITURE</b>	<b>2,641,573</b>	<b>2,014,300</b>	<b>2,370,600</b>	<b>356,300</b>
<b>GROSS INCOME</b>	<b>2,649,568</b>	<b>2,015,300</b>	<b>2,370,600</b>	<b>355,300</b>
<b>SURPLUS / (DEFICIT)</b>	<b>7,995</b>	<b>1,000</b>	<b>-</b>	<b>-1,000</b>

10. Premises related expenditure has increased overall by £85,600; from £508,900 to £594,500. A budget of £146,100 has been set against repairs and renewals expenditure to reflect the programme set out in Appendix D. This expenditure budget is fully offset by the use of the Repairs and Renewals Fund reserve to finance these works so there is no overall effect on the revenue budget deficit / surplus. The budget for repair and maintenance of fixed plant has been increased by £15,000.
11. Supplies and services related expenditure has increased overall by £9,600; from £226,100 to £235,700. The budget for the amount of VAT that we are not able to reclaim has been increased by £10,000 from £40,000 to £50,000. The recharge from Fareham Borough Council has increased by £10,000 to £20,000 reflecting the

revised planned maintenance arrangements. This is fully offset by a budget reduction in consultancy costs of £15,000.

12. Special Expenditure has been increased by £200,000. To ensure that sufficient resources are in place to finance all anticipated capital works, an annual contribution is made out of revenue income to the Committee's Capital Works Fund. The Capital Works Fund as at 1 April 2014 was £830,000. In order to preserve the payment to each authority in 2014/15 there was no budgeted contribution to the Capital Works Fund. In view of the reduction in cremation numbers not being as high as initially anticipated and a reduced programme of repairs and renewal it will be possible to include a budgeted contribution of £180,000 for 2014/15 as part of the revised budget. In order to replenish the Capital Works Fund to levels that will meet future demands of the crematorium a budget of £330,000 has been included in the budget for 2015/16.
13. Gross income has increased overall by £355,300 from £2,015,300 to £2,370,600. The impact on revenue income to the crematorium has been closely monitored throughout the 2014/15 financial year to date. In the first half of 2014/15 the reduction against a ten year average figure is approximately 15%, substantially less than allowed for in the original base budget, although it is likely that this figure will increase over time as the new crematorium becomes more established.

#### BASE BUDGET 2015/16

14. The base budget for 2015/16 has been set to a breakeven level. The budget variations are shown in the following table, and explained further below.

	Actuals 2013/14	Base Estimate 2014/15	Base Estimate 2015/16	Variation
	£	£	£	£
EMPLOYEE RELATED EXPENDITURE	230,396	239,300	243,600	4,300
PREMISES RELATED EXPENDITURE	532,271	508,900	587,700	78,800
SUPPLIES AND SERVICES	291,054	226,100	234,800	8,700
CAPITAL CHARGES	313,915	250,000	310,000	60,000
SPECIAL EXPENDITURE	1,273,937	790,000	1,020,000	230,000
<b>GROSS EXPENDITURE</b>	<b>2,641,573</b>	<b>2,014,300</b>	<b>2,396,050</b>	<b>381,800</b>
<b>GROSS INCOME</b>	<b>2,649,568</b>	<b>2,015,300</b>	<b>2,396,050</b>	<b>380,800</b>
<b>SURPLUS / (DEFICIT)</b>	<b>7,995</b>	<b>1,000</b>	<b>-</b>	<b>-1,000</b>

15. Premises related expenditure has increased overall by £78,800; from £508,900 to £587,700. A budget of £137,300 has been set against repairs and renewals expenditure to reflect the programme set out in Appendix D. This expenditure budget is fully offset by the use of the Repairs and Renewals Fund reserve to finance these works so there is no overall effect on the revenue budget deficit / surplus. The budget for repair and maintenance of fixed plant has been increased by £15,000.
16. Supplies and services related expenditure has increased overall by £8,700; from £226,411 to £234,800. The budget for the amount of VAT that we are not able to reclaim has been increased by £10,000 from £40,000 to £50,000. The recharge

from Fareham Borough Council has increased by £10,000 to £20,000 reflecting the revised planned maintenance arrangements. This is fully offset by a budget reduction in consultancy costs of £15,000.

17. Special Expenditure has been increased by £230,000. In order to replenish the Capital Works Fund to levels that will meet future demands of the crematorium a budget of £330,000 has been included in the budget for 2015/16. In light of the level of reduced cremations and related income it is proposed that the payment to the constituent authorities is reduced over a two year period, initially to £125,000 in 2015/16, resulting in a reduction in this budget of £100,000.
18. Gross income has increased overall by £380,800 from £2,015,300 to £2,396,100. The impact on revenue income to the crematorium has been closely monitored throughout the 2014/15 financial year to date. In the first half of 2014/15 the reduction against a ten year average figure is approximately 15%, substantially less than allowed for in the original base budget, although it is likely that this figure will increase over time as the new crematorium becomes more established.

## **REVIEW OF FEES & CHARGES**

19. The optional charges are set out in Appendix B to this report, with increases proposed against Book of Remembrance and Memorial Cards charges. The charge increase against the inclusion of a badge or crest has been standardised against all entries, rather than varying between the type of purchase and the number of lines. Charges are rounded to the nearest pound for ease of cash handling and it is proposed that these charges are increased from 1 April 2015.
20. The cremation fees are set out in Appendix C to this report, with a £10 increase proposed for 2015/16, equating to 1.92%. The fee level of £530 is still below the 2014 average cremation fee for the UK of £646.31, and the 2014 average cremation fee for Hampshire of £685.83. The table below shows a comparison of the 2014 fees with the nearest crematoria:

Chichester	£845
Southampton	£645
Eastleigh	£695
Portchester	£530
Havant	£725

## **REPAIRS AND RENEWALS FUND**

21. Appendix D sets out the revised repairs and renewals programme for 2014/15 which totals £146,050. The programme of repairs and renewals projects for 2015/16 which totals £137,250 is presented for approval.
22. The revenue budget within the premises heading 'repairs and renewals and capital works fund repairs financed from revenue', reflects the revenue element of the programme for the year. However, this is fully offset by the use of the Repairs and Renewals Fund to finance these works, so there is no overall effect on the revenue budget deficit / surplus.

## **CAPITAL WORKS FUND**

23. Appendix E sets out the future programme for capital works schemes which total approximately £2,960,000.
24. Although the cremators are unlikely to be replaced for many years, the estimated cost of £2,760,000 is shown in the programme as it is essential that sufficient contributions are made to the Capital Works Fund annually to ensure that when the work is required, funding is available to meet the very significant costs.

## **GENERAL FUND REVENUE RESERVE**

25. The Revenue Reserve is an accumulation of budget surpluses from previous years and was approximately £141,402 as at 1 April 2014, being 5.35% of gross expenditure for 2013/14. In accordance with the Finance Strategy for 2014/15 it is prudent to maintain the level of this reserve at over £100,000 in order to deal with fluctuations in revenue income and expenditure that are outside of the Joint Committee's control. After taking into account the revised estimates for this year, and the proposed charges for 2015/16, the balance of the General Fund Revenue Reserve will not be increased.

## **FINANCIAL RISK ASSESSMENT**

26. The revenue budget has been prepared based on a going-concern basis, taking account of current and previous year's activity as well as changes that are known to occur in the current and next financial year.
27. The General Fund Revenue Reserve has been accumulated to provide a small retained resource to meet unforeseen costs or changes in activity. Measures are also considered on an on-going basis in order to preserve the Joint Committee's income streams and keep costs to a minimum.
28. The repairs and renewals programme is fully funded from an earmarked fund, and it is estimated that there will be a retained balance of 16,700 as at 31<sup>st</sup> March 2015. A programme of repairs and renewals projects has been prepared within the available balance carried forward and the budgeted contribution to the earmarked fund of £100,000 for 2014/15.
29. The 6 year capital programme, from 2014/15 to 2019/20, totals £2,960,000. The programme is set out as being fully funded from the existing Capital Works Fund balance of £830,000 plus annual contributions over the life of the programme totalling £1,910,000. This demonstrates that the programme is heavily reliant on continued revenue contributions to the Capital Works Fund so that the programme of work can be fulfilled along with required reactive capital expenditure for mechanical equipment to maintain the crematory function. It has already been highlighted within this report that in order to preserve the annual payment to the constituent authorities in 2015/16 and beyond the budgeted contribution to the Capital Works Fund has been reduced. However wherever possible, steps will be taken to strengthen the Capital Works Fund balance, for example, where underspends occur in the year. The Capital programme will also be reviewed in full during the coming year in response to the actual reduced level of cremations experienced.

## CONCLUSION

21. This report includes various amendments to the budgets which, together with the proposed increase in fees and charges, will ensure that the Joint Committee remains in a strong financial position and that sufficient reserves are built up to cover any future budget shortfall.

## APPENDICES

APPENDIX A – Revenue account for the year ended 31 March 2015

APPENDIX B – Optional charges

APPENDIX C – Cremation fees

APPENDIX D – Repairs and renewals programme

APPENDIX E – Capital works programme

## Reference Papers

- (a) Report of the Treasurer to the Portchester Crematorium Joint Committee 'Revenue Budget 2014/15' - 9 December 2013.
- (b) Report of the Treasurer to the Portchester Crematorium Joint Committee 'Actual Income and Expenditure Account 2013/14' - 16 June 2014.

Andrew Wannell, CPFA  
Treasurer to the Joint Committee  
Civic Offices, Fareham

For further information on this report, contact Kate Busby, 01329 824685

**REVENUE ACCOUNT FOR THE YEAR ENDING 31 MARCH 2015**

	Actual 2013/14 £	Base Estimate 2014/15 £	Revised Estimate 2014/15 £	Base Estimate 2015/16 £
<b>EMPLOYEES</b>				
Salaries-Full Time Officers	181,728.23	178,500	181,000	182,200
Salaries-Part Time Officers		8,300	9,000	9,000
Salaries-Overtime	4,168.01	5,000	5,000	5,000
National Insurance	10,930.36	12,100	11,400	12,000
Superannuation	32,751.26	35,000	33,600	35,000
First Aid Allowances	342.71	400	400	400
Training Expenses	475.00	0	0	0
Staff Advertising	0.00	0	0	0
<b>TOTAL EMPLOYEES</b>	<b>230,395.57</b>	<b>239,300</b>	<b>240,400</b>	<b>243,600</b>
<b>PREMISES</b>				
- Buildings	30,099.39	20,000	20,000	20,000
- Plant and Cremators	75,635.31	60,000	75,000	75,000
RR/CW financed from revenue	74,403.99	71,500	146,100	137,300
- Repairs & Maintenance - Grounds	72,763.24	70,000	70,000	70,000
- Garden Improvement Scheme - PCC	1,576.00	1,500	1,500	1,500
Electricity	32,867.68	30,000	34,500	34,500
Gas	94,609.95	95,000	90,000	90,000
Rent payable-Premises	10,684.75	11,000	11,500	11,500
NNDR	128,583.00	133,000	132,000	132,000
Water Charges - Portsmouth Water Co	0.00	2,000	1,500	2,000
Sewerage & Env Services (SWS)	121.44	500	500	500
Cleaning Materials	350.41	400	400	400
Toilet Requisites	4,665.68	4,000	5,000	5,000
Removals of Wreaths	5,911.05	10,000	7,000	8,000
<b>TOTAL PREMISES</b>	<b>532,271.89</b>	<b>508,900</b>	<b>594,500</b>	<b>587,700</b>
<b>SUPPLIES AND SERVICES</b>				
Furniture and Equipment - Purchase	13,530.62	3,000	3,000	3,000
Materials (Operational)	0.00	100	100	100
Floral Decorations	500.00	0	0	0
Furniture and Equipment - Maintenance	2,155.11	6,000	3,000	3,000
Protective Clothing and Uniforms	1,254.58	1,600	1,600	1,600
Laundry	41.25	500	300	500
Books and Publications	998.60	1,200	1,000	1,000
External Printing	3,601.38	4,000	3,500	3,500
Stationery	2,482.23	2,500	2,500	2,500
Inscriptions - Book of Remembrance	19,626.95	20,000	20,000	20,000
Inscriptions - Memorial Cards	4,565.79	5,000	5,000	5,000
Legal fees – PCC	0	0	1,600	0
Consultants fees HCC/other	1,390.00	1,500	1,500	1,500
Administrative Expenses - Fareham	12,525.80	10,000	20,000	20,000
Consultants fee - Gosport	26,654.86	15,000	0	0
Administrative Expenses - Portsmouth	9,540.00	9,500	9,500	9,500
Medical Referees Fees	71,280.00	51,400	57,400	57,400
Organists Fees	18,755.10	17,000	17,000	17,000
Audit Fees	2,430.00	4,000	2,400	2,400
Pest Control	419.44	0	0	0



- 9 -

Postages	1,343.12	1,200	1,200	1,200
Telephones	2,063.29	1,700	1,700	1,700
Computer Software	2,247.75	3,000	2,500	3,000
Travel/Subsistence Expenses - Officers	778.15	700	700	700
Conference Expenses - Officers	260.00	500	500	500
Subscriptions	3,255.59	3,500	3,500	3,500
Miscellaneous Insurances	24,383.78	21,000	24,000	24,000
Advertising	707.13	1,000	1,000	1,000
Non Reclaimable VAT	62,390.87	40,000	50,000	50,000
Bank Charges	1,174.82	1,200	1,200	1,200
Special Expenditure	696.52	0	0	0
<b>TOTAL SUPPLIES AND SERVICES</b>	<b>291,052.73</b>	<b>226,100</b>	<b>235,700</b>	<b>234,800</b>

#### CAPITAL FINANCING COSTS

Depreciation	313,915.00	250,000	310,000	310,000
<b>TOTAL CAPITAL FINANCING COSTS</b>	<b>313,915.00</b>	<b>250,000</b>	<b>310,000</b>	<b>310,000</b>

#### SPECIAL EXPENDITURE

Contributions to Capital Works Fund	470,908.15	0	180,000	330,000
Pension interest cost and return assets	92,000.00	110,000	110,000	110,000
Contributions to R & R Fund	111,029.37	80,000	100,000	80,000
Contribution to Constituent Authorities	600,000.00	600,000	600,000	500,000
<b>TOTAL SPECIAL EXPENDITURE</b>	<b>1,273,937.52</b>	<b>790,000</b>	<b>990,000</b>	<b>1,020,000</b>

#### GROSS EXPENDITURE

<b>2,641,572.71</b>	<b>2,014,300.00</b>	<b>2,370,600</b>	<b>2,396,050</b>
---------------------	---------------------	------------------	------------------

#### INCOME

Contribution from Garden Imp. Fund	-1,576.00	-1,500	-1,500	-1,500
Memorial Cards	-6,590.00	-8,000	-8,000	-8,000
Cremation Fees No's	-2,045,160.00	-1,485,200	-1,697,800	-1,730,500
Book of Remembrance	-60,744.17	-42,000	-50,000	-53,600
Organists Fees	-50,341.49	-42,000	-42,000	-40,000
Other	-4,656.00	-5,000	-5,000	-5,000
Bank Investment Account	-181.50	-100	-200	-200
Asset Rental Recharge	-313,915.00	-250,000	-310,000	-310,000
Contribution from reserves to RR/CW Fund	-74,403.99	-71,500	-146,100	-137,300
Return on pension fund asset	-51,000.00	-50,000	-50,000	-50,000
Movement on Pension reserve	-41,000.00	-60,000	-60,000	-60,000

#### GROSS INCOME

<b>-2,649,568.15</b>	<b>-2,015,300</b>	<b>-2,370,600</b>	<b>-2,396,050</b>
----------------------	-------------------	-------------------	-------------------

#### NET EXPENDITURE

<b>-7,995.44</b>	<b>-1,000</b>	<b>0</b>	<b>0</b>
------------------	---------------	----------	----------

PORTCHESTER CREMATORIUM JOINT COMMITTEE

OPTIONAL CHARGES

<b><u>BOOK OF REMEMBRANCE (INC. VAT)</u></b>	Charges <u>2014/15</u> £	Proposed Charges <u>2015/16</u> £	% <u>Increase</u>
Single entry (2 lines)	48.00	49.00	2.08
Double entry (5 lines)	78.00	80.00	2.56
Double entry with badge or crest	129.00	130.00	0.78
Treble entry (8 lines)	108.00	110.00	1.85
Treble entry with badge or crest	150.00	160.00	6.67

**MEMORIAL CARDS (INC. VAT)**

Single entry (2 lines)	34.00	35.00	2.94
Double entry (5 lines)	41.00	42.00	2.44
Double entry with badge or crest	78.00	92.00	17.95
Treble entry (8 lines)	47.00	48.00	2.13
Treble entry with badge or crest	82.00	98.00	19.51

**USE OF ORGAN (INC. VAT)**

Use of Organ	32.00	32.00	0.00
Services of Organist	30.00	30.00	0.00
Services of Organist	20.00	20.00	0.00

**OTHER**

Scattering of ashes from other Crematoria	49.00	50.00	2.04
Temporary retention of cremated remains	11.00	11.00	0.00

**APPENDIX C**

**PORTCHESTER CREMATORIUM JOINT COMMITTEE**

**CREMATION FEES**

	Number of Cremations 2013/14	Existing Charge 2014/15 £	Proposed Charge 2015/16 £	% Increase
A young person whose age at the time of death did not exceed 16 years	27	No charge	No charge	
A person whose age at the time of death exceeded 16 years	3,933	520	530	1.92

**PORTCHESTER CREMATORIUM JOINT COMMITTEE**

**STATEMENT OF REPAIRS AND RENEWALS FUND**

Balance 1.4.2014		120,000
Contribution from Revenue Account 2014/15		<u>100,000</u>
		220,000
<b>Proposed applications 2014/15</b>		
- Fence and gate works and car parking	500	
- Legionella Risk Assessment and register	300	
- Asbestos register	500	
- Fire risk assessment and register	600	
- Steam cleaning paving – rolling programme	3,000	
- Waiting rooms and toilet refurbishment	8,800	
- Works to Mess room	2,600	
- Internal decoration – rolling programme	5,000	
- Crematory / Committal areas	9,000	
- South Chapel refurbishment including fees	96,250	
- Mercury Abatement – sound attenuation	9,500	
- Air Conditioning	<u>10,000</u>	
		<u>-146,050</u>
<b>Estimated Balance 31.3.2015</b>		73,950
Contribution from Revenue Account 2015/16		<u>80,000</u>
<b>Proposed applications 2015/16</b>		
- South Chapel refurbishment including fees	96,250	
- Redecoration of North Chapel and Foyer	10,000	
- External redecoration – rolling programme	5,000	
- Steam cleaning paving – rolling programme	3,000	
- Consultants fees for building consultancy	10,000	
- Buildings and external paving-asset management plan	3,000	
- Renewal of white lining	2,000	
- Internal decoration – rolling programme	5,000	
- Water feature	<u>3,000</u>	
		<u>-137,250</u>
<b>Estimated Balance 31.3.2016</b>		<u>16,700</u>

**APPENDIX E**

**PORTCHESTER CREMATORIUM JOINT COMMITTEE**

**CAPITAL WORKS PROGRAMME**

**CAPITAL WORKS PROGRAMME**

	Revised Budget 2014/15	Budget 2015/16	Budget 2016/17	Budget 2017/18	Budget 2018/19	Budget 2019/20
	£	£	£	£	£	£
Balance of Fund as at 1.4.2014	830,000	910,000	1,140,000	1,490,000	1,840,000	2,190,000
Advance during year	180,000	330,000	350,000	350,000	350,000	350,000
	1,010,000	1,240,000	1,490,000	1,840,000	2,190,000	2,540,000
<b>Less Applications</b>						
Cremator Furnace Relining	80,000	80,000				
Hearth Replacement	20,000	20,000				
Replacement cremator programme						2,760,000
	100,000	100,000	0	0	0	2,760,000
<b>Balance of Fund</b>	<b>910,000</b>	<b>1,140,000</b>	<b>1,490,000</b>	<b>1,840,000</b>	<b>2,190,000</b>	<b>-220,000</b>

This page is intentionally left blank