



Report to Members of the Portchester Crematorium Joint Committee

Date: **22 June 2020**

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

Subject: **ANNUAL RETURN FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020**

SUMMARY

This report sets out the Annual Return for the financial year ended 31 March 2020.

RECOMMENDATIONS

- (a) That Section 1 - Accounting Statements for Portchester Crematorium Joint Committee be approved.
- (b) That Section 2 - Annual Governance Statement for Portchester Crematorium Joint Committee be approved.
- (c) That the Income and Expenditure Statement for the year ended 31 March 2020 and Balance Sheet as at 31 March 2020 be noted.

INTRODUCTION

1. The Audit Commission Act 1998 (Section 2 and Schedule 2) required Joint Committees to prepare accounts and undergo an audit separate from their constituent bodies. From 1 April 2015, implementation of the Local Audit and Accountability Act 2014 means that Joint Committees are no longer required to have their accounts separately prepared and audited. The Government has made this change as the appropriate parts of the financial results of Joint Committees are reported in the accounts of their constituent bodies, so they will be audited by auditors appointed to audit the accounts of those bodies, and there is no separate audit appointment.
2. To provide consistency of information for the constituent bodies and to the Joint Committee an Annual Return for 2019/20 has been prepared and comprises the following sections for approval and information:
 - Section 1 - Accounting Statement - recording financial transactions during the year for both revenue and capital schemes.
 - Section 2 - Annual Governance Statement
 - Income and Expenditure Statement for the year ended 31 March 2020 and Balance Sheet as at 31 March 2020.
3. Section 1 - Accounting Statement
The Accounting Statement is presented for approval by the Joint Committee and is supported by details and explanations of the variances between the financial year 2019/20 and the previous financial year 2018/19.
4. Section 2 - Annual Governance Statement
The Annual Governance Statement is presented for approval by the Joint Committee and is supported by details of the key components upon which the Joint Committee has relied in agreeing each aspect of the Annual Governance Statement.
5. An Income and Expenditure statement, Balance Sheet, explanatory notes and details of the reserves held by the Joint Committee are then provided to complete the summary of the financial position at year end.
6. The final accounts for the Joint Committee show a breakeven outturn in line with the revised budget after a small contribution to the revenue surplus account which is in line with the Finance Strategy approved by the Joint Committee in December 2019.

Section 1 - Accounting Statement for: Portchester Crematorium Joint Committee

	Year ending		Notes and guidance
	31 March 2019 £	31 March 2020 £	
1. Balances brought forward	2,509,993	2,627,969	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	2,015,662	2,137,354	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	(270,910)	(290,205)	Total expenditure or payments made to and on behalf of all employees. Include salaries and wages, PAYE and NI (employees and employers), pension contributions and employment expenses.
5. (-) Loan interest/capital repayments	0	0	Total expenditure or payments of capital and interest made during the year on the body's borrowings (if any).
6. (-) All other payments	(1,626,774)	(1,507,685)	Total expenditure or payments as recorded in the cashbook less staff costs (line 4) and loan interest/capital repayments (line 5).
7. (=) Balances carried forward	2,627,969	2,967,432	Total balances and reserves at the end of the year. Must equal (1+2+3) - (4+5+6).
8. Total cash and short term investments	2,642,485	3,015,870	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	8,188,730	8,022,643	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).
<p>I certify that for the year ended 31 March 2020 the accounting statements in this annual return present fairly the financial position of the body and its income and expenditure, or properly present receipts and payments, as the case may be.</p> <p>Signed by Responsible Financial Officer</p> <p>_____</p> <p>Date: _____</p>		<p>I confirm that these accounting statements were approved by the body on:</p> <p>_____</p> <p>And recorded as minute reference:</p> <p>_____</p> <p>Signed by Chair of meeting approving these accounting statements.</p> <p>_____</p> <p>Date: _____</p>	

7. EXPLANATIONS OF VARIANCES BETWEEN ACCOUNTING YEARS

7.1 Annual Return - Other Receipts (line 3)

7.1.1 Income from charges and sales of £2,137,354 was £87,154 above the revised budget and £121,692 higher than the previous year. The number of cremations carried out during 2019/20 has totalled 3,299 of which 195 were walk-through cremation services and 28 were carried out at no charge. This represents an increase of 150 (4.8%) compared with the previous financial year's total of 3,149. The numbers of cremations for 2019/20 and the four previous financial years are set out in the table below. The number of cremations has been higher than anticipated in this financial year with the budget having been based on 3,150 cremations. Income from other areas, such as memorial cards and Book of Remembrance entries have fallen overall reflecting a continuation in the trend of a small decline in demand for this service. £12,977 has been received from the CAMEO TMAC scheme.

	Cremations				
	2015/16	2016/17	2017/18	2018/19	2019/20
Cremations at nil charge (under 16)	26	20	26	19	28
Walk through cremations		80	152	168	195
	3,214	3,324	3,206	2,962	3,076
Total cremations	3,240	3,424	3,384	3,149	3,299

	Actual 2018/19	Actual 2019/20	Budget 2019/20
	£	£	£
Variation between accounting years			
<u>INCOME</u>			
Garden Improvement fund contributions	0	1,478	1,500
Memorial Cards	7,980	7,021	7,000
Cremation Fees	1,888,830	2,015,880	1,950,000
Book of Remembrance	57,639	51,442	55,000
Organ Music	24,263	21,615	22,000
CAMEO TMAC	13,199	12,977	0
Web broadcasting services	2,775	3,950	2,000
Other	20,976	22,991	12,700
TOTAL INCOME	2,015,662	2,137,354	2,050,200
Variation		121,692	
Expressed as a percentage		6.04	

7.2 Annual Return – Staff Costs (line 4) and Other Payments (line 6)

STAFF COSTS AND OTHER PAYMENTS

- 7.2.1 Employee expenditure of £290,205 was £4,305 above the revised estimate of £285,900 for 2019/20. This includes advertising costs for the recruitment of the new crematorium manager, a retirement gift and a cross-over of this position to ensure continuity of management at the crematorium.
- 7.2.2 Other expenditure of £1,507,685 was £119,089 lower in 2019/20 than the previous year.

Variation between accounting years	Actual 2018/19	Actual 2019/20	Budget 2019/20
EXPENDITURE	£	£	£
Premises expenditure	499,402	557,468	524,500
Contribution to Constituent Authorities	600,000	640,000	640,000
Capital Expenditure	97,443	0	0
Repairs and Renewals Expenditure	208,796	60,245	115,000
Supplies and Services	221,133	249,972	234,500
TOTAL EXPENDITURE	1,626,774	1,507,685	1,514,000
Variation		-119,089	
Expressed as a percentage		-7.3	

PREMISES

- 7.2.3. **Repairs and Maintenance.** The total budget for premises repairs and maintenance, including grounds expenditure and energy costs, was £524,500. Actual expenditure of £557,468 was £32,968 above the revised budget level, with increased plant maintenance costs being experienced during the financial year. Energy costs have also increased above the revised budget which had not been increased from the previous year.

SUPPLIES AND SERVICES

- 7.2.5 Expenditure of £249,972 was above the revised budget of £234,500 by £15,472. We have introduced the use of ash boxes during the year which was identified as an improvement for our customers. This was not previously part of the budget with £5,844 being spent in the current financial year. The amount of VAT that we have not being able to reclaim this year has also increased, being £7,365 above the revised budget level.

REPAIRS AND RENEWALS/CAPITAL WORKS FUND

- 7.2.6 During 2019/20 both the Office and the Vestry areas have been refurbished, along with paving work having been completed. Expenditure of £60,245 has been set against the Repairs and Renewals Fund, and a contribution of £60,245 has been made to replenish the fund following this expenditure. The balance of the fund being carried forward at the end of 2019/20 is £150,000; this is set out in Paragraph 9.3.

- 7.2.7. There has been no expenditure set against the Capital Works Fund during 2019/20, and a contribution of £335,000 has been made to the fund. The balance of the fund being carried forward at the end of 2019/20 is £2,660,000; this is set out in paragraph 9.3.
- 7.2.8 During 2019/20 £868 of contributions towards the Garden Improvement Fund were received and £1,461.51 was used for summer bedding plants. At the end of 2019/20 the balance on the Garden Improvement Fund is £699.67.
- 7.3 Annual Return - Cash and Short Term Investments have increased in 2019/20 enabling a replenishment of balances held to support future capital expenditure.

Variation between accounting years (line 8)	2018/19	2019/20
<u>CASH AND SHORT-TERM INVESTMENTS</u>	£	£
Short Term Investment	2,509,988	2,627,969
Cash at Bank and In Hand	132,497	387,901
	<u>2,642,485</u>	<u>3,015,870</u>
Variation		373,385
Expressed as a percentage		14.1%

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

Historically, asset values have been included in the Annual Return at net current value. However, in line with proper practices as noted in Governance and Accountability for Local Councils each asset should be recorded on the asset register as its original purchase cost or where this is not known, a proxy value should be included. These values remain unchanged on the Annual Return until disposal, with only subsequent additions being added to the figure and depreciation is not reflected in the Annual Return value. During 2019/20 there have been no further capital additions, and a revaluation has been completed.

Cost or Valuation	Land & Buildings £	Plant & Equipment £	Total £
At 1 April 2019	4,318,898	3,869,832	8,188,730
Prior Revaluation	1,107,665	0	1,107,665
Prior depreciation	(1,017,318)	(2,235,587)	(3,252,905)
2020 Revaluation	1,069,998	909,155	1,979,153
As at 31 March 2020	5,479,243	2,543,400	8,022,643

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 2020, 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.	YES		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.	YES		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 proper practices that could have a significant financial effect on the ability of the body to conduct its business or on its finances.	YES		has only done 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.	YES		during the year has given all persons interested the opportunity to inspect and ask questions about the body's accounts.
5. We carried out an assessment of the risks facing the body and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	YES		considered the financial and other risks it faces and has dealt with them properly.
6. We maintained throughout the year an adequate and effective system of internal audit of the body's accounting records and control systems.	YES		arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of the body.
7. We took appropriate action on all matters raised in reports from internal and external audit.	YES		responded to matters brought to its attention by internal and external audit.
8. We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on the body and where appropriate have included them in the accounting statements.	YES		disclosed everything it should have about its business activity during the year including events taking place after the yearend if relevant.

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

8. SUPPORTING THE ANNUAL GOVERNANCE STATEMENT FOR 2019/20

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

1	<ul style="list-style-type: none"> The accounting statements, prepared in the way prescribed by law, were approved by the Joint Committee on xx June 2020 under minute []
2	<ul style="list-style-type: none"> The appointment of a professionally qualified and experienced Treasurer and Deputy Treasurer. A system of internal audit undertaken separately by Fareham BC. The Joint Committee's standing orders and Financial Regulations. The adoption of policies in respect of anti-fraud and corruption, and whistle blowing. Internal Audit issues arising and subsequent actions reported to the Joint Committee during 2019/20.
3	<ul style="list-style-type: none"> The Joint Committee is a single purpose body whose officers are well qualified and experienced to undertake their respective roles. The roles and responsibilities of the Joint Committee and the officer functions with clear delegations of their responsibilities are defined in the Memorandum of Agreement between the four constituent authorities and the scheme of delegation to officers. There is a financial strategy and capital programme approved annually. Decisions by the Joint Committee are taken on the basis of written reports from the officers. The Joint Committee is a member of the Federation of Burial and Cremation Authorities (FBCA) and complies with its code of practice and the law on cremation.
4	<ul style="list-style-type: none"> The accounts are open for public inspection, of which public notice is given annually in accordance with the regulations. The agendas, minutes and reports of each Joint Committee meeting are published on the Portchester Crematorium web site and are open for public inspection. An annual report is published and sent to each of the four constituent authorities.
5	<ul style="list-style-type: none"> The Joint Committee has in place a risk management policy and risk registers which are reviewed periodically. Specific risk registers are prepared when needed – for example in respect of the mercury abatement project. There is a business continuity plan. There is a biennial health and safety audit. The FBCA undertook an inspection in November 2019. Allianz was the Joint Committee's insurer during 2019/20
6	<ul style="list-style-type: none"> Fareham BC's internal audit service carries out an annual review and every two years it carries out a planned programme of work based on a comprehensive risk assessment. The effectiveness of the internal audit function is undertaken by Fareham BC's Audit Committee, and reviewed annually. Internal Audit Reports, issues arising and subsequent actions reported to the Joint Committee during 2019/20.
7	<ul style="list-style-type: none"> Internal Audit Reports, issues arising and subsequent actions reported to the Joint Committee 2019/20.
8	<ul style="list-style-type: none"> Any relevant matters have been included within the accounting statements.

INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

	Net Expenditure 2019/20 <u>£</u>
<u>EXPENDITURE and INCOME ON SERVICE</u>	
Employees	290,205
Premises	617,713
Supplies and Services	249,972
Depreciation	363,302
Income	<u>-2,124,106</u>
Cost of Services	-602,914
Other Operating Expenditure and Income	
Pension interest costs and expected return on pension assets	18,000
Interest Receivable	<u>-13,247</u>
Surplus on Provision of Service	-598,162
Actuarial gains / losses on pension assets / liabilities	-18,000
Total Comprehensive Income and Expenditure	<u>-616,161</u>
Reverse actuarial gains / losses on pension assets / liabilities	18,000
Contributions to Constituent Authorities	640,000
Reverse Depreciation of Fixed Assets included in Cost of Service	-363,302
Contributions to Capital Works Fund	335,000
Contributions to Repairs & Renewals Fund	60,245
Contribution to / from pensions reserve	-18,000
Contribution from reserves to finance repairs and renewals / capital works	-60,245
	<u>-4,463</u>

BALANCE SHEET AS AT 31 MARCH 2020

<u>2018/19</u> £	<u>Property, Plant & Equipment</u>	<u>2019/20</u> £
4,409,246	Land and buildings	5,370,281
1,634,244	Plant and equipment	2,289,060
<u>6,043,490</u>	Long Term Assets	<u>7,659,341</u>
2,509,988	Short Term Investments	2,627,969
55,019	Short term debtors & Prepayments	15,666
132,497	Cash - at Bank and in hand	387,901
<u>2,697,504</u>	Current Assets	<u>3,030,514</u>
-68,242	Short Term Creditors	-63,405
-1,293	Receipts in advance	-700
<u>-69,535</u>	Current Liabilities	<u>-63,082</u>
-773,000	Pension scheme liability	-791,000
<u>-773,000</u>	Long Term Liabilities	<u>-791,000</u>
<u>7,898,459</u>	Net Assets	<u>9,835,773</u>
	Reserves	
-2,627,969	Usable Reserves	-2,967,432
-5,270,490	Unusable Reserves	-6,868,341
<u>-7,898,459</u>	Total Reserves	<u>9,835,773</u>

9. BALANCE SHEET AS AT 31 MARCH 2020

9.1. The Balance Sheet shows the final financial position of the Joint Committee as at 31 March 2020. This includes items that are not separately disclosed as part of the Annual Return, namely revaluation and depreciation of non-current assets, short-term debtors and creditors and Pension Scheme Liability and Reserves that are held by the Joint Committee. These are set out in greater detail in the notes below.

	Land & Buildings	Plant & Equipment	Total
	£	£	£
Net Book Value			
At 1 April 2018	4,318,899	3,772,393	8,091,292
Additions	0	97,438	97,438
Donations			0
As at 31 March 2019	4,318,899	3,869,831	8,188,730
Crematorium Building Revaluation in 2013/14			1,107,665
Accumulated Depreciation and Impairment			
At 1 April 2018	-879,593	-2,047,996	-2,927,589
Depreciation charge	-137,725	-187,591	-325,316
Impairment Losses			0
As at 31 March 2019	-1,017,318	-2,235,587	-3,252,905
Net Book Value			
At 31 March 2019	3,301,581	1,634,244	6,043,490
	Land & Buildings	Plant & Equipment	Total
	£	£	£
Cost or Valuation			
At 1 April 2019	4,318,898	3,869,832	8,188,730
Prior Revaluation	1,107,665	0	1,107,665
Prior depreciation	(1,017,318)	(2,235,587)	(3,252,905)
2020 Revaluation	1,069,998	909,155	1,979,153
As at 31 March 2020	5,479,243	2,543,400	8,022,643
Accumulated Depreciation and Impairment			
At 1 April 2019	(1,017,318)	(2,235,587)	(3,252,905)
Depreciation charge	1,017,318	2,235,587	3,252,905
Depreciation charge	(108,962)	(254,340)	(363,302)
As at 31 March 2020	(108,962)	(254,340)	(363,302)
Net Book Value			
At 31 March 2020	5,370,281	2,289,060	7,659,341

9.2 Short-Term Debtors and Short-Term Creditors

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

	2018/9 £	2018/19 £
<u>Debtors</u>		
Short Term Debtors – Fees	55,019	14,644
HMRC		1,022

The year end Cremation Fee Debtors have decreased overall as at 31 March 2020 by £40,375.

	2018/19 £	2018/19 £
<u>Creditors</u>		
Short Term Creditors	68,242	63,404
Fareham Borough Council	4,460	7,109
Grounds Maintenance	7,285	6,312
Utilities	10,954	11,574
Organist Fees	417	0
Medical Referees	15,336	270
Other Creditors	13,844	15,291
Portsmouth City Council	14,666	0
HMRC	1,280	0
Vestry Refurbishment	0	22,848

The year end Creditors have decreased overall as at 31 March 2020 by £4,838.

9.3 Usable Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure during 2019/20.

	Balance at 1 April 2019 £	Transfers Out 2019/20 £	Transfer In 2019/20 £	Balance at 31 March 2020 £
General Fund	152,969	0	4,463	157,432
Capital Works Fund	2,325,000	0	335,000	2,660,000
Repairs & Renewals Fund	150,000	-60,245	60,245	150,000
Total	2,627,969	-60,245	399,708	2,967,432

9.4 Unusable Reserves

Unusable Reserves summary	2018/19	2019/20
	£	£
Revaluation Reserve	1,411,855	3,333,440
Capital Adjustment Account	4,631,635	4,325,901
Pensions Reserve	-773,000	-791,000
	<u>5,270,490</u>	<u>6,868,341</u>

Revaluation Reserve

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. An increase in valuation has been recognised during the current financial year following a revaluation of the crematorium buildings and plant and equipment.

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Capital Adjustment Account is debited with the cost of acquisition, construction or enhancement. Depreciation, impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement. The Account is credited with the amounts set aside by the Joint Committee as finance for the costs of acquisition, construction and enhancement.

Capital Adjustment Account	2018/19	2018/19
	£	£
Opening Balance as at 1 April	4,815,465	4,631,635
Capital financing from revenue in year	97,438	0
Less depreciation provision in year	-325,316	-363,302
Historical Cost Adjustment	44,048	57,568
Balance as at 31 March	<u>4,631,635</u>	<u>4,325,901</u>

Pensions Reserve

The Local Government Pension Scheme (LGPS) is administered by Hampshire County Council. This is a funded defined benefit final salary scheme, meaning that the Joint Committee and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets. The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Joint Committee accounts for post employment benefits in the Income and Expenditure Accounts as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Joint Committee makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a shortfall in the benefits earned by past and current employees and the resources the Joint Committee has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Pension Reserve	2018/19	2019/20
	£	£
Opening Balance	-820,000	-773,000
Net service cost	-71,000	-88,000
Interest income on assets	42,000	43,000
Interest cost	-63,000	-61,000
Actuarial gain / loss	-21,000	247,000
Contributions to liabilities	160,000	-159,000
Closing Balance	<u>-773,000</u>	<u>-791,000</u>

Background Papers

Report to the Portchester Crematorium Joint Committee 'Revenue Budget 2020/21'
9 December 2019.

Report to the Portchester Crematorium Joint Committee 'Annual Return 2018/19'
24 June 2019.

Andy Wannell CPFA
Treasurer to the Joint Committee
Civic Offices
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For further information on this report please contact Kate Busby on 01329 824685.