

FAREHAM

BOROUGH COUNCIL

Report to Portchester Crematorium Joint Committee

Date: 16 June 2014

Report of: Treasurer to the Joint Committee

Subject: ANNUAL RETURN FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

SUMMARY

This report sets out the Annual Return for the financial year ended 31 March 2014.

RECOMMENDATIONS

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

INTRODUCTION

1. The accounts for Portchester Crematorium Joint Committee have been prepared in compliance with the format prescribed by the Accounts and Audit (England) Regulations 2011. The Joint Committee falls within the Audit Commission's limited assurance audit approach as gross annual income and expenditure are less than £6.5 million, and so the external audit opinion will be provided on the Annual Return which includes a summary of the Comprehensive Income and Expenditure Statement and Balance Sheet. The audit opinion will be provided and advertised in due course.
2. The Annual Return for 2013/14 comprises the following sections for approval and information:
 - Section 1 - Accounting Statement - recording financial transactions during the year for both revenue and capital schemes.
 - Section 2 - Annual Governance Statement
 - Section 4 - Annual Internal Audit Report

In support of the Annual Return explanatory notes are set out to summarise the financial position at the end of the financial year 2013/14 which include a Balance Sheet to provide detail on the accounts and operational assets.

3. **Section 1 - Accounting Statement**
The Accounting Statement is presented for approval by the Joint Committee and is supported by details of the variances between the financial year 2013/14 and the previous financial year 2012/13. Supporting explanations are required to be provided and these are drawn from the Comprehensive Income and Expenditure Statement report included as a separate item on today's agenda.
4. **Section 2 - Annual Governance Statement**
The Annual Governance Statement is presented for approval by the Joint Committee and is supported by details of the key components upon which the Joint Committee has relied in agreeing each aspect of the Annual Governance Statement.
5. **Section 4 - Annual Internal Audit Report**
The Annual internal Audit Report is presented for the financial year 2013/14, subject to confirmation by the Head of Audit and Assurance at Fareham Borough Council.
6. In order to preserve consistency of information on the accounts and operational assets that is reported to the Joint Committee this report then provides, for information, a Balance Sheet report, explanatory notes and details of the reserves held by the Joint Committee to complete the summary of the financial position at year end.

Section 1 - Accounting Statement for: Portchester Crematorium Joint Committee

	Year ending		Notes and guidance
	31 March 2013 £	31 March 2014 £	
1. Balances brought forward	1,492,548	860,976	Please round all figures to nearest £1. Do not leave any boxes blank and report £0 or nil balances. All figures must agree to underlying financial records.
2. (+) Income from local taxation and/or levy	0	0	Total amount of local tax and/or levy received or receivable in the year, including funding from a sponsoring body.
3. (+) Total other receipts	2,176,029	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	(2,578,907)	(1,664,173)	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	860,976	1,135,656	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).

<p>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.</p> <p>Signed by Responsible Financial Officer</p> <p>_____</p> <p>Date: _____</p>	<p>I confirm that these accounting statements were approved by the body on:</p> <p>_____</p> <p>And recorded as minute reference:</p> <p>_____</p> <p>Signed by Chair of meeting approving these accounting statements.</p> <p>_____</p> <p>Date: _____</p>
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7. EXPLANATIONS OF VARIANCES BETWEEN ACCOUNTING YEARS

7.1 Annual Return - Other Receipts (line 3)

- 7.1.1 Income from charges and sales of £2,169,067 was £6,875 lower than the previous year with income from cremations fees rising in line with the increased fee and reduced cremation numbers. Income from other areas, such as memorial cards and organ music, has fallen reflecting a continuation in the trend of a small decline in demand for these services.

Variation between accounting years	2012/13	2013/14
<u>INCOME</u>	£	£
Garden Improvement fund contributions	1,497	1,576
Memorial Cards	9,346	6,590
Cremation Fees	2,040,000	2,045,160
Book of Remembrance	57,053	60,744
Organ Music	60,711	50,341
Other	7,422	4,838
TOTAL INCOME	2,176,029	2,169,249
Variation		-6,780
Expressed as a percentage		-0.3%

7.2 Annual Return - Other Payments (line 6)

- 7.2.1 Expenditure was lower in 2013/14 than the previous year largely due to the capital Mercury Abatement Scheme having been completed in 2012/13.

Variation between accounting years	2012/13	2013/14
<u>EXPENDITURE</u>	£	£
Repairs / Renewals expenditure	77,142	74,404
Premises expenditure	414,280	457,866
Contribution to Constituent Authorities	600,000	600,000
Capital Expenditure	1,226,207	217,545
Other Expenditure	261,278	314,358
TOTAL EXPENDITURE	2,578,907	1,664,173
Variation		-914,734
Expressed as a percentage		35.5%

- 7.3 Annual Return - Cash and Short Term Investments have increased in 2013/14 as the capital Mercury Abatement Scheme has been completed, enabling a replenishment of balances held to support future capital expenditure.

Variation between accounting years (line 8)	2012/13	2013/14
<u>CASH AND SHORT-TERM INVESTMENTS</u>	£	£
Short Term Investment	750,000	940,000
Cash at Bank and In Hand	110,976	195,656
	860,976	1,135,656
Variation		274,680
Expressed as a percentage		31.9%

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. Therefore the 2012/13 value is re-stated to £7,689,162 with additions of £217,545 for 2013/14 as shown in the breakdown below.

	2012/13	2013/14
	£	£
<u>BUILDINGS</u>		
CREMATORIUM	2,401,353	2,401,353
New Paved Areas to Gardens	38,859	38,859
Improvements to Pub.Waiting Facilities	831,884	831,884
Replace Glazed Conservatory Roof	15,541	15,541
Renew Conservatory Glazed Screen	25,394	25,394
Overflow car park enlargement	105,901	105,901
EPA - Phase 2 Mercury Abatement scheme	151,844	151,844
CREMATORIUM	718,098	718,098
Staff Facilities	30,024	30,024
TOTAL BUILDINGS	4,318,898	4,318,898
<u>PLANT & EQUIPMENT</u>		
New Cremators - EPA 1990	1,250,073	1,250,073
Refuse Compactor	14,341	14,341
New cremulator	21,952	21,952
Replace cremator venturi ducts/nozzles	34,004	34,004
Cremator furnace relining	75,468	75,468
EPA - Phase 2 Mercury Abatement scheme	1,794,011	1,794,011
Cremator furnace relining	39,540	39,540
Cremators Hearth Replacement	19,858	19,858
Analyser Renewal	121,017	121,017
Mercury Abatement Scheme Retention		128,052
Release		89,493
Cremator furnace relining		89,493
TOTAL PLANT & EQUIPMENT	3,370,264	3,587,809
<u>TOTAL FIXED ASSETS</u>	7,689,162	7,906,707

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.	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 codes of practice that could have a significant financial effect on the ability of the body to conduct its business or on its finances.	YES		has only done things that it has the legal power to do and has 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 _____
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*Note: Please provide explanations to the external auditor on a separate sheet for each 'No' response. Describe how the body will address the weaknesses identified.

8. SUPPORTING THE ANNUAL GOVERNANCE STATEMENT FOR 2013/14

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 2014 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. External Audit and Internal Audit issues arising and subsequent actions reported to the Joint Committee.
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 2009. Zurich Mutual is the Joint Committee's insurer.
6	<ul style="list-style-type: none"> Fareham BC's internal audit service carries out an annual review and every two years it carries out a planned programme of work based on a comprehensive risk assessment. The effectiveness of the internal audit function is undertaken by Fareham BC's Audit Committee, and reviewed annually. External Audit and Internal Audit issues arising and subsequent actions reported to the Joint Committee.
7	<ul style="list-style-type: none"> External Audit and Internal Audit Reports, issues arising and subsequent actions reported to the Joint Committee.
8	<ul style="list-style-type: none"> Any relevant matters have been included within the accounting statements.

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

The body's internal audit, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ended 31 March 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.	Not Covered Last covered in 2011/12 and found to be satisfactory
B. The body's financial regulations have been met, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	Yes
C. The body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	Not Covered 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.	Not Covered Last covered in 2011/12 and found to be satisfactory
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	Yes
F. Petty cash payments were properly supported by receipts, all expenditure was approved and VAT appropriately accounted for.	Not Covered Last covered in 2010/11 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.	Not Covered Last covered in 2012/13 and found to be satisfactory
H. Asset and investments registers were complete and accurate and properly maintained.	Not Covered Last covered in 2011/12 and found to be satisfactory
I. Periodic and year-end bank account reconciliations were properly carried out.	Not Covered Last covered in 2011/12 and found to be satisfactory
J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, were supported by an adequate audit trail from underlying records, and, where appropriate, debtors and creditors were properly recorded.	Not Covered Last covered in 2011/12 and found to be satisfactory

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

Print name of person who carried out the internal audit :

Signature of person who carried out the internal audit:

Date:

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).

BALANCE SHEET AS AT 31 MARCH 2014

<u>2012/13</u> £	<u>Property, Plant & Equipment</u>	<u>2013/14</u> £
3,550,263	Land and buildings	5,093,276
<u>2,268,111</u>	Plant and equipment	<u>2,304,871</u>
5,818,374	Long Term Assets	<u>7,398,147</u>
750,000	Short Term Investments	940,000
48,037	Short term debtors & Prepayments	28,258
<u>110,977</u>	Cash - at Bank and in hand	<u>195,656</u>
909,014	Current Assets	<u>1,163,913</u>
-115,594	Short Term Creditors	-72,511
<u>0</u>	Receipts in advance	<u>0</u>
-115,594	Current Liabilities	<u>-72,511</u>
-960,000	Pension scheme liability	-648,000
<u>-960,000</u>	Long Term Liabilities	<u>-648,000</u>
<u>5,651,792</u>	Net Assets	<u>7,841,549</u>
	Reserves	
-793,418	Usable Reserves	-1,091,402
<u>-4,858,374</u>	Unusable Reserves	<u>-6,750,147</u>
<u>-5,651,792</u>	Total Reserves	<u>-7,841,549</u>

9. BALANCE SHEET AS AT 31 MARCH 2014

9.1. The Balance Sheet shows the final financial position of the Joint Committee as at 31 March 2014. 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 2013	3,550,263	2,268,111	5,818,374
Movements in 2013/14			
	Land & Buildings	Plant & Equipment	Total
	£	£	£
Cost or Valuation			
At 1 April 2013	4,318,899	3,370,266	7,689,163
Additions		217,545	217,545
Donations			0
As at 31 March 2014	4,318,899	3,587,811	7,906,710
Accumulated Depreciation and Impairment			
At 1 April 2013	-768,636	-1,102,155	-1,870,791
Depreciation charge	435,348	-180,785	254,563
As at 31 March 2014	-333,288	-1,282,940	-1,616,228
Net Book Value			
At 31 March 2014	3,985,611	2,304,871	7,398,147
Revaluation Reserve	1,107,665		

9.1 Short-Term Debtors and Short-Term Creditors

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

	2012/13	2013/14
<u>Debtors</u>	£	£
Short Term Debtors – Fees	48,037	28,258

The year end Debtors have reduced overall as at 31 March 2014.

	2012/13	2013/14
<u>Creditors</u>	£	£
Short Term Creditors	115,594	72,511
Fareham Borough Council	9,604	12,525
Portsmouth City Council	9,450	
HM Revenue & Customs	5,072	
Grounds Maintenance	2,854	6,799
Public Utilities	0	11,337
Consultants Fees	41,721	
Medical Referees	22,230	17,046
HCC IAS 19 Actuaries Report	950	
Other Creditors	23,714	24,804

Creditors have decreased overall as shown by the breakdown above.

9.2 Usable Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure during 2013/14.

	Balance at 1 April 2013 £	Transfers Out 2013/14 £	Transfer In 2013/14 £	Balance at 31 March 2014 £
General Fund	133,407		7,995	141,402
Capital Works Fund	576,637	-217,545	470,908	830,000
Repairs & Renewals Fund	83,375	-74,404	111,029	120,000
Total	793,418	-291,949	589,932	1,091,402

9.3 Unusable Reserves

Unusable Reserves summary	2012/13 £	2013/14 £
Revaluation Reserve	0	1,632,095
Capital Adjustment Account	5,818,374	5,766,052
Pensions Reserve	-960,000	-648,000
	<u>4,858,374</u>	<u>6,750,147</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 in 2013/14 following a revaluation of the crematorium buildings.

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	2012/13 £	2013/14 £
Opening Balance as at 1 April	4,839,167	5,818,374
Capital financing from revenue in year	1,226,207	217,545
Less depreciation provision in year	-247,000	-313,915
Historical Cost Adjustment		44,048
Balance as at 31 March	<u>5,818,374</u>	<u>5,766,052</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	2013/14
	£
Balance as at 1 April 2013	-960,000
Net service cost	-49,000
Interest income on assets	51,000
Interest cost	-92,000
Actuarial gain / loss	395,000
Contributions to liabilities	7000
Balance as at 31 March 2014	<u>648,000</u>

Background Papers

Report to the Portchester Crematorium Joint Committee 'Revenue Budget 2014/15' December 2013.

Report to the Portchester Crematorium Joint Committee 'Annual Return 2012/13' June 2013.

Report to the Portchester Crematorium Joint Committee 'Comprehensive Income and Expenditure Statement 2013/14' June 2014.

Andy Wannell CPFA
Treasurer to the Joint Committee
Civic Offices
Fareham

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