

Audit Committee

29 June 2020

**Statement of Accounts for the year
ended 31 March 2020**

Ordinary Decision



Report of John Hewitt, Corporate Director of Resources

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 To present the draft (unaudited) statement of accounts for the year ended 31 March 2020 and raise any significant issues arising from the accounts.

Executive Summary

- 2 The unaudited statement of accounts for Durham County Council for the financial year ended 31 March 2020 was authorised by the responsible financial officer and published on the council's website on 12 June 2020, in accordance with statutory deadlines.
- 3 The statement of accounts is available for public inspection for the period covering 29 June 2020 to 7 August 2020.
- 4 The accounts are currently being reviewed by the external auditor (Mazars LLP). Following this review, we expect to present the final (or audited) statement of accounts to Members of the Audit Committee for approval at the September 2020 meeting.

Recommendation

- 5 It is recommended that Members of the Audit Committee consider the attached statement of accounts for the council for the financial year ended 31 March 2020.

Background

- 6 The 'Accounts and Audit Regulations 2015' stipulates a two stage approval process for the statement of accounts. The first statutory deadline required that the responsible financial officer, by no later than 31 May, should sign and certify that the statement of accounts presents a true and fair view of:
 - (a) the financial position of the council for the year to 31 March previous, and
 - (b) its expenditure and income for the year to 31 March previous, subject to the views of the external auditor.
- 7 The second stage required that on or before 31 July approval needed to be given to the statement of accounts by resolution of a committee, which for Durham County Council is the Audit Committee. This approval will take account of the views of the external auditor. This is done so that the statement of accounts can then be formally published.
- 8 However, for this year only, due to the impact of Covid 19 on local authorities, the statutory deadlines have been extended. The Ministry of Housing, Communities and Local Government confirmed that a statutory instrument amending the Accounts and Audit Regulations had been laid and came into force on 30 April 2020. The Regulations change the dates that local authorities are required to publish their draft and final accounts for 2019/20 and remove the 'common' period during which local electors can inspect and object to those accounts.
- 9 The key changes for the publication of the accounts for 2019/20 are as follows:
 - (a) the deadline for the council to publish its draft accounts is 31 August 2020 (not 31 May); and
 - (b) the deadline for publication of its final (audited) accounts has moved from 31 July to 30 November 2020.
- 10 The requirement for a 'common' public inspection period, to begin on 1st June, has been removed. There is still the requirement for the council to hold a thirty working day inspection period which can commence at any time, but no later than 1 September 2020. This

allows individual local authorities to produce draft accounts and commence inspection periods as soon as practicable for them.

- 11 Despite the extension to the statutory deadlines, and following discussion with external auditors, it was agreed that council officers would, as far as possible, adhere to the deadlines set out in the final accounts timetable for 2019/20 (which was agreed by the Audit Committee in February 2020). The aim was to have the draft accounts approved, published and available for audit by mid June 2020.
- 12 The unaudited statement of accounts for Durham County Council for the financial year ended 31 March 2020 was authorised by the responsible financial officer and published on the council's website on 12 June 2020, in accordance with revised statutory deadlines.
- 13 The statement of accounts is subject to audit by Mazars LLP. The audit of the accounts is currently ongoing; upon completion, the Auditor's report will be incorporated into the published version of the document.
- 14 Mazars are anticipating completing their audit by the end of August 2020. With their agreement, we expect to present the final statement of accounts for 2019/20 for approval at the Audit Committee meeting planned for September 2020.
- 15 The attached statement of accounts is available for inspection by the public from 29 June 2020 to 7 August 2020, in line with the revised regulations, and has been published on the council's website.

Statement of Accounts

- 16 The statement of accounts for the financial year 2019/20 has been prepared in accordance with the 'Accounts and Audit Regulations 2003', as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 and 2009, the 'Accounts and Audit (England) Regulations 2015 and the 'Code of Practice on Local Authority Accounting 2019/20' (the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 17 The Code is based on approved accounting standards in England and Wales and constitutes 'proper accounting practice' under the terms of section 21(2) of the Local Government Act 2003. The council is therefore legally required to follow this code of practice. Explanatory notes are included in the document to assist in the

interpretation of the accounts which are unavoidably technical and complex.

- 18 To help Members in reading and interpreting the contents, Appendix 2 to this report briefly explains the purpose of each section of the statement.

Key information from the Statement of Accounts

- 19 Page numbers used in this report refer to the page numbers on the statement of accounts document, not those used in the full pack of reports.
- 20 There are five core statements to provide fundamental information on the financial activities and position of the Council:
- (a) Comprehensive Income and Expenditure Account (page 34)
 - (b) Movement in Reserves Statement (page 35)
 - (c) Balance Sheet (page 36)
 - (d) Cash Flow Statement (page 37) and
 - (e) Collection Fund (page 138).
- 21 The statement of accounts also includes the accounts for Durham County Council Pension Fund (commencing at page 145) for which the council is the administering authority.
- 22 The financial position of the council remains healthy. The statement of accounts shows that the council's net worth was £229.807 million at 31 March 2020, a decrease of £158.759 million during 2019/20. This is mainly due to an increase in the estimated pension liability calculated by the Pension Fund's Actuary, for which statutory arrangements are in place to fund the deficit.
- 23 The council's usable reserves during 2019/20 have reduced.
- (a) The general reserve has decreased by £1.156 million to £23.950 million. This reserve is held to cushion the impact of uneven cash flows, unexpected events or emergencies.
 - (b) Earmarked reserves have decreased by £9.571 million to £216.840 million, although this reduction would have been £17.5 million higher were it not for the receipt of the first tranche of the Covid 19 Support Grant in March 2020. The unutilised element of the first tranche of £17.5 million has been transferred into an earmarked reserve. Earmarked reserves are held for specific future purposes.

- 24 The Pension Fund accounts show that its net assets as at 31 March 2020 have decreased by £195.8 million to £2.786 billion. Further information on the Pension Fund is contained within the Pension Fund's Annual Report, which will be published following the approval of the accounts.

Audit of Accounts

- 25 The final audit of the statement of accounts is underway. At the end of this process the external auditor will provide an Audit Completion Report detailing their comments and recommendations for improvements, based on the position at 31 March 2020.

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Appendix 1: Implications

Legal Implications

Compliance with the Accounts and Audit Regulations 2015 and the CIPFA Code of Practice on Local Authority Accounting 2019/20 which is based upon approved accounting standards in England and Wales and constitutes proper accounting practice under the terms of section 21(2) of the Local Government Act 2003.

Finance

This report details the financial position of the council as at 31 March 2020

Consultation

None.

Equality and Diversity / Public Sector Equality Duty

None.

Climate Change

None.

Human Rights

None.

Crime and Disorder

None.

Staffing

None.

Accommodation

None.

Risk

None.

Procurement

None.

Appendix 2: Statement of Accounts - Summary and Explanation

Item	Pages	Explanation of Purpose and Content
Narrative Report	3 - 26	To offer interested parties an easily understandable effective guide to the most significant matters reported in the accounts.
Statement of Responsibilities for the Statement of Accounts	27	Sets out the responsibilities of the council and the Corporate Director of Resources for the statement of accounts.
Independent Auditor's Report to Durham County Council	29 - 33	Once the audit is completed the External Auditor's report will be included here.
Durham County Council Core Financial Statements		
Comprehensive Income and Expenditure Account (CIES)	34	This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.
Movement in Reserves Statement	35	This statement shows the movement in the year on the different reserves held by the council analysed into 'usable' reserves and other reserves.
Balance Sheet	36	The balance sheet shows the value of the assets and liabilities recognised by the council as at 31 March. The net assets of the council (assets less liabilities) are matched by the reserves held by the council.
Cash Flow Statement	37	The cash flow statement shows the changes in cash and cash equivalents of the council during the reporting period. The statement shows how the council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.
Notes to the Core Financial Statements	38 - 137	The notes are important in the presentation of a true and fair view. They aim to assist understanding by presenting information about the basis of preparation of the core financial statements, by disclosing information required by the Code that is not presented elsewhere and by providing information that is not provided elsewhere but is relevant to the understanding of the accounts. They also include the policies and procedures adopted in compiling the accounts.

Item	Pages	Explanation of Purpose and Content
Collection Fund	138 - 144	The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities, such as the council, to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.
Durham County Council Pension Fund Accounts	145 – 188	Shows the operation and membership of the Pension Fund, the expenditure and income during the year and its financial position at 31 March. Notes providing further information follow the accounts.
Annual Governance Statement	189 - 211	Gives assurance that appropriate mechanisms are in place for the maintenance of good governance across the activities of the council.
Glossary of Terms used in the Accounts	212 - 227	To assist readers in understanding terminology used in the statement of accounts.