

## **A brief explanation on the constituent parts of the Statement of Accounts**

### **Foreword**

1. This is designed to help give readers an understanding of the accounts. It sets out a description of all the individual sections, gives an overview of the revenue and capital position in the year, identifies the position on the Council's borrowing powers and reserves and future issues that may influence how the Council is run. It also provides the opportunity to explain any changes in accounting policies that have been used in the preparation of the Accounts.

### **District Auditors' Report**

2. This is the auditor's certificate on the accuracy or otherwise of the authority's accounts and is issued at the end of the audit process. York has never had a qualification to its audit certificate.

### **Statement of Accounting Policies**

3. This statement sets out all the policies that have been followed in preparation of the accounts. It also intended to demonstrate where, if at all, the policies followed by Council differ from either the best practice or the CIPFA guidelines.

### **Statement of Responsibilities**

4. This is a simple statement that sets out the different legal responsibilities of the Council and the 'Section 151 Officer' (Director of Resources). It is also where the certificate has to be signed by the Director of Resources that the accounts represent fairly the position of the Council, and the Lord Mayor (or Chair of Audit & Governance Committee on the day that the accounts are approved) must sign to demonstrate that the accounts have been approved by Members.

### **Annual Governance Statement**

5. The Accounts and Audit Regulations 2003 introduced the requirement for each local authority to conduct a review of the effectiveness of its system of internal control and to publish a Statement on Internal Control (SIC) as part of the Annual Statement of Accounts. The Council first published a SIC in 2003/04. The SIC formed an important part of the overall process within the Council for monitoring and reporting on the adequacy and effectiveness of its corporate governance arrangements, particularly those in respect of risk management and internal control. Publication of the SIC enabled the Council to formally report on governance related issues identified during the relevant accounting period. The SIC demonstrated openness and accountability to the public and other stakeholders, and provided a framework for improving the adequacy and effectiveness of corporate governance arrangements.
6. The Department for Communities and Local Government issued guidance in 2006 (Circular 03/2006) which gave the existing CIPFA/SOLACE Corporate Governance Framework document 'proper practice' status. CIPFA/SOLACE, in 2007, published an updated Framework document. The new document '*Delivering Good*

*Governance in Local Government Framework* sets out the core principles of governance which authorities are required to adopt.

7. The 2007 guidance also introduced the requirement on local authorities to prepare an Annual Governance Statement (AGS) instead of a SIC (for 2007/08, and future accounting years) In preparing the AGS, the Council must address the overall governance arrangements of the organisation rather than specifically the systems of internal control.

#### **Income and Expenditure Account**

8. The Income and Expenditure Account shows the net cost of all the functions for which the Council is responsible. It compares the cost of service provision with the income raised by fees and charges, from specific Central Government grants and from the Collection Fund. The surplus or deficit on this account represents the amount by which income is greater than or less than expenditure, where income and expenditure are measured using essentially the same accounting conventions that a large (but unlisted) company would use in preparing its audited annual financial statements.

#### **Statement of the Movement on the General Fund Balance**

9. This account reconciles the amounts that must be taken into account when determining the Council Tax of the Council in accordance with statute and non-statutory proper practices and the sums included in the Income and Expenditure Account.

#### **Statement of Total Recognised Gains and Losses**

10. This statement is a requirement which attempts to analyse changes in the council's asset base due to:
  - Surplus or deficits on income and expenditure
  - The revaluation of the council's fixed assets
  - Changes in pension liabilities due to actuarial revaluation

11. In many instances these revaluations impact primarily on the council's balance sheet.

#### **Balance Sheet**

12. The balance sheet shows the overall financial position of the Council with external bodies by bringing together the year-end balances of all the Council's accounts. It shows the balances and reserves at the Council's disposal, the long-term indebtedness, the net current assets and summary information on the fixed assets held.

#### **Cash Flow Statement**

13. This statement provides a link between the Balance Sheet at the beginning of the year, the revenue accounts for the year and the Balance Sheet at the end of the year. It summarises on a subjective basis the expenditure and income of the Council for revenue and capital purposes.

#### **Housing Revenue Account Income and Expenditure**

14. This account summarises the income and expenditure of providing Council houses. There is a statutory requirement to keep this account separate from other Council activities.

**Statement of Movement on the Housing Revenue Account Balance**

15. This statement shows how the deficit on the Housing Revenue Account Income and Expenditure Account for the year reconciles to the surplus for the year on the Statutory Housing Revenue Accounts.

**Collection Fund**

16. This fund shows the transactions of the Council acting as Charging Authority in relation to Council Tax, Community Charge and Non-Domestic Rating in aid of local services and shows how much monies have been distributed to the Council, North Yorkshire Police Authority, North Yorkshire Fire and Rescue Authority, and parish councils.

**Group Accounts**

17. These accounts collate together the Statement of Accounts of City of York Council along with other entities accounts that CYC have an interest in. 2009/10 is the first year that Group Accounts have been prepared to include a subsidiary and an associate. The newly formed company Veritau Ltd which is a 50% subsidiary jointly with North Yorkshire County Council where both Council's now share internal audit services. The associate is Yorwaste that CYC have a significant influence over at 23%.