

## **A brief explanation on the constituent parts of the Annual Financial Report**

### **Narrative Report**

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.

### **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. This will be inserted into the Statement of Accounts for approval by Members of Audit & Governance Committee at the end of September.

### **Annual Governance Statement**

3. The 2007 guidance also introduced the requirement on local authorities to prepare an Annual Governance Statement (AGS) instead of a Statement of Internal Control (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.

### **Statement of Responsibilities**

4. This is a simple statement that sets out the different legal responsibilities of the Council and the 'Section 151 Officer' / Chief Finance Officer). It is where the certificate has to be signed by the CFO to authorise the draft pre-audit Statement of Accounts to state that the accounts represent fairly the position of the Council.

### **Statement of Accounting Policies**

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

### **Comprehensive Income and Expenditure Statement**

6. The Income and Expenditure Statement 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.
  
7. This statement also 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 revaluationIn many instances these revaluations impact primarily on the council's balance sheet.

### **Movement in Reserves Statement**

8. 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.

### **Balance Sheet**

9. 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**

10. 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**

11. 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**

12. 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**

13. 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 has been distributed to the Council, North Yorkshire Police Authority, North Yorkshire Fire and Rescue Authority and parish councils.