

Glossary of Terms

While the Council makes every effort to make the Statement of Accounts as simple as possible, it is necessary to comply with accounting regulations and standards and as such terms and phrases not in ordinary usage are necessary. This glossary explains some of the main accounting terms and phrases used in the Statement of Accounts.

Accounting Policies

The principles, bases, conventions, rules and practices the Council applies that specify how the effects of transactions and other events are to be reflected in the financial statements.

Accounting Period

The period of time covered by the statements/reports/accounts (*e.g. financial year*).

Accounts

Statements setting out records of income and expenditure.

Accrual

A sum included in the accounts to cover spending on goods or services received during the accounting period for which payment has not been made by the year end.

Actual Expenditure and Income

Costs incurred/income attributable to an accounting period, as opposed to budgeted expenditure and income.

Actuarial Gains and Losses

A pension fund actuary is a business professional who deals with the financial impact of risk and uncertainty relating to, for example, assumptions on mortality rates and future investment growths. The actuary calculates changes in gains and losses, which, for a defined benefit pension scheme, arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses).
- The actuarial assumptions have changed.

Asset

Anything owned which can be given a monetary value, for example, building, land, vehicles, machinery, cash, investments etc. It is always considered in comparison with liabilities in an organisation's accounts.

Budget

The representation in financial terms of an organisation's policy for a specified period of time.

Business Rates

Sometimes referred to as National Non-Domestic Rates (NNDR) these are rates charged on properties other than domestic properties. The business rate 'multiplier' or 'poundage' is set annually by Central Government and is a flat rate throughout England.

Capital Expenditure

Expenditure on the acquisition of assets such as land, buildings and equipment which will benefit more than one accounting period and expenditure on refurbishment of existing assets that will increase the value of an extend the life of those assets.

CFR – Capital Financing Requirement

This was introduced in accordance with the Local Government Act 2003 and associated regulations. It measures the net capital indebtedness of a Council. It increases when capital expenditure is financed by borrowing (*whether internal or external*) and reduces by the amount of Minimum Revenue Provision applied. It is split into Housing and other (General Fund) elements.

Capital Receipts

Income derived from the disposal of capital assets. In accordance with legislation a proportion of the value of the disposal of housing assets must be paid into the Government's National Pool. The balance can be used for re-investment in capital programmes.

Cash Equivalent

Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The Council has defined 'short term' as being under 3 months.

Central Services Charges (Support Services)

Charges made to reflect the support provided to service departments by the central departments. This includes financial, legal, estates, audit, purchasing, human resources, information technology, corporate policy and general administrative support. Also called Central Establishment Charges.

CIPFA

Chartered Institute of Public Finance and Accountancy – the professional body for accountants in the public sector.

(The) Code

This is the code of practice on Local Authority accounting in the United Kingdom issued by the professional accounting body for the Public Sector – CIPFA. It sets out the rules on how to prepare the Statement of Accounts and the disclosure requirements.

Contingency

A sum set aside in the budget to provide for foreseen, but unquantifiable future commitments, or for unforeseen expenditure which may become necessary.

Collection Fund

A fund administered by charging authorities into which Council Tax income and Business Rates collected locally is paid. Precepts, demands and shares are paid from the fund and allowable costs charged. The balance on the fund is shared between the precepting bodies and taken into account in distribution in future years.

Collection Fund Adjustment Account

This account holds the difference between the income included in the Consolidated Income and Expenditure Account and the amount required by regulation to be credited to the General Fund.

Community Assets

Assets that a local Council intends to hold in perpetuity and for the benefit of the whole community that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks, cemeteries and allotments. The value of the assets in the Balance Sheet is usually nil.

Council Tax

This is a local tax set by local Councils to help pay for local services.

Counterparty Lists and Limits

The Counterparty list of institutions that the Council will place excess funds with and limit is the monetary limit to be placed with either a specific institution or a class of institutions. The list and limits is based on criteria in the Treasury Management System approved at least annually by full Council.

Creditor

An amount owed by the Council for work done, goods received, or services rendered to the Council within the accounting period and for which payment has not been made at Balance Sheet Date.

Debtor

Sums of money due to the Council but not received at the Balance Sheet Date.

Depreciation

Depreciation is a measure of the wearing out, consumption or other reduction in the useful economic life of assets, whether from use, passage of time or obsolescence through technology and market changes.

Exceptional Items

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Expenditure

Amounts paid for goods and services received.

External Auditors

Auditors appointed to carry out independent examinations of the activities and accounts of local authorities.

Fees and Charges

Income arising from direct charges made to users of services (e.g. car parks, building control, markets, etc).

Final Accounts

Accounts prepared relating to an accounting period.

Financial Year (also referred to as Fiscal Year)

The annual period of accounting (1 April to 31 March for local authorities).

Financial Regulations

A written code approved by a Council to provide a framework within which its financial affairs are conducted.

FRS – Financing Reporting Standard

A statement of accounting practice issued by the Accounting Standards Board.

General Fund

An account showing the cost of carrying out the Council's functions/activities other than housing.

Going Concern

The concept that the authority will remain in operational existence for the foreseeable future, in particular that the income and expenditure accounts and Balance Sheet assume no intention to curtail significantly the scale of operations.

Government Grants

Assistance by Government and inter-Government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to a Council in return for past or future compliance with certain conditions relating to the activities of the Council.

Gross (Expenditure/Income)

The term gross indicates that there has been no setting off income against expenditure or vice-versa. They are the total amounts received or spent.

Housing Benefits

A system of financial assistance to individuals towards certain housing costs, which is administered by Local Authorities. Assistance takes the form of rent rebates, rent allowances and council tax rebates towards which central government pays a subsidy.

Housing Revenue Account (HRA)

An account showing expenditure incurred and income received in connection with managing and maintaining the Council's housing stock.

IFRS – International Financial Reporting Standards

A combination of authoritative standards (set by policy boards and the accepted methods of accountancy). The idea behind IFRS is to ensure that financial accounting information is assembled and reported objectively to a certain standard, so ensuring that data is accurate and comparable between organisations.

Impairment

The diminution in value of an asset due to 'consumption of economic value' (e.g. physical damage or wearing out).

Income

Amounts due to the Council which have been, or are expected to be, received.

Infrastructure Assets

Expenditure on works of construction or improvement but have no tangible value, such as construction or improvement to highways and footpaths.

Inventories

Comprise the following categories

- Goods or other assets purchased for resale;
- Consumable stores;
- Raw materials and components purchased for incorporation into products for sale;
- Products and services in intermediate stages of completion;
- Long term contract balances; and
- Products for sale; finished goods

Investments

A long term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments which do not meet criteria are short term investments and are qualified as current assets.

Liabilities

Amounts owed by the Council for goods or services received.

Liquid Resources

Liquid Resources are current asset investments held as cash or that are quickly and easily convertible into cash.

Local Authority Business Growth Initiative (LABGI)

The Local Authority Business Growth Incentive (LABGI) is a government grant designed to give local authorities an incentive to encourage local economic and business growth.

Minimum Revenue Provision (MRP)

This is the amount prescribed by legislation, that local authorities have to set aside annually to repay their capital debt. There is no statutory requirement to provide for the repayment of HRA debt but the Council makes voluntary contributions equivalent to the debt repayment schedule.

Net (Expenditure/Income)

The term 'net' indicates that expenditure has been set off against or combined with income to give a combined result. If income is greater than expenditure then netting the two will give a net income.

Non-Current Assets

Tangible assets that yield benefits to the Council for a period of more than one year.

Operational Assets

Non-Current Assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Outturn

Actual expenditure and income for the whole financial year.

Performance Plan

An annual report outlining the Council's performance against targets and performance indicators.

Post Balance Sheet Events

Those events, both favourable and unfavourable, which occur between Balance Sheet date and the date on which the Statement of Accounts is signed by the responsible officer.

Precepts

The levy made by one Council on another. Hertfordshire County Council and the Police and Crime Commissioner for Hertfordshire, who do not administer the council tax system, each levy an amount on the Council, which collects the required income from local taxpayers on their behalf.

Provisions

An amount set aside to provide for a liability that is likely to be incurred, but the exact amount and date on which it will arise is uncertain.

Public Works Loan Board (PWLB)

A government agency established to provide long-term loans to local authorities to finance part of their capital expenditure.

REFCUS – Revenue Expenditure Funded from Capital Under Statute

This is expenditure that does not fall within the Code's definition of Non-Current Assets, but is classified as expenditure for capital purposes with respect to the prudential framework. Examples are home improvement grants, and grants to housing associations to build or buy houses.

Related Party Transactions

The objective is to identify any transactions which may have taken place as a result of the control or influence exercised by one party over another. The

concern is that such transactions may not be, or may not be perceived to be, in the best interest of the Council.

Rent Allowances

Subsidies payable by local authorities to tenants in private rented accommodation (either furnished or unfurnished) whose incomes fall below prescribed amounts.

Rent Rebates

Subsidies payable by local authorities to their own housing tenants whose incomes fall below prescribed amounts.

Reserve

A reserve can be established by contributions with a view to defraying expenditure in future years. Reserves may be established for specific purposes (*for example repairs and renewals*) or for general purposes.

Revenue Expenditure

Spending on day-to-day items including salaries and wages, premises costs and running costs (*e.g. supplies and services*).

Revenue Support Grant

Central Government Grant towards the cost of Local Council Services.

Specific Grant

A grant paid by central government or other bodies towards the cost of a specific service. The grant is only received if the money is spent on the services specified.

Total Cost

The total cost of a service or activity reflects all associated costs and exists in both gross and net terms.

Trading Account

A statement detailing expenditure and income for a discrete activity.

Variance

A difference between the amount budgeted for an item or service and the actual income or expenditure on that item or service.