

# Glossary of Terms

## **Accruals**

Adjustments made to reflect the cost of goods and services in the financial year in which they were incurred rather than when cash is paid/received. E.g. work completed but invoice not yet received; invoice paid in advance of receipt of goods.

## **Actuarial Gain (Loss)**

The changes in the valuation of the net pension liability that arise because of:

- a) Events have not coincided with the assumption used by the actuary when carrying out the previous triennial (three-yearly) valuation of the fund or
- b) The actuary changing the assumptions used in the current valuation from those used previously.

## **Amortisation**

The decrease in the value of intangible capital assets over their useful life as they become out of date or are used up.

## **Assets**

A resource with positive economic value that is owned or controlled by the Council e.g. cash, property

## **Band D Equivalent**

Council tax is a tax on domestic properties. Each domestic property is placed in a 'Band' from A to H, based on the capital value of that property in April 1991. Band D is the middle band and the other bands are weighted in relation to Band D (e.g. Band A is weighted 6/9ths of Band D and Band H is 18/9ths of Band D). Using the weighted number of the domestic properties in the area produces the 'Band D Equivalent' number of properties.

## **Best Value**

Under the Local Government Act 1999, local authorities must constantly aim to improve their services. Best Value is the approach introduced that gives local authorities a duty to provide local people with high-quality and efficient services.

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### **Billing Authority**

This is the local authority which collects the council tax and business rates for its area. In shire counties the district or borough councils are the billing authorities. Cherwell District Council is the billing authority for Cherwell District.

### **Bond / Guarantee**

Where the Council has agreed to stand surety for a bond sum or to make payment if the Owner fails to pay any part of the County Contributions due under provision of an agreement.

### **Bond Fund**

A fund primarily invested in government and corporate bonds. The value of the investment changes as the market value of assets held by the fund changes.

### **Budget**

A statement of our spending plans for a financial year, which starts on 1 April and ends on 31 March.

### **Business Rates (Non-Domestic Rates – NDR)**

Non-domestic rates, or business rates, collected by local authorities are the way that those who occupy non-domestic property contribute towards the cost of local services. Under the business rates retention arrangements introduced from 1 April 2013, authorities keep a proportion of the business rates paid locally. The amount charged is based on multiplying the rateable value of each business property by the appropriate non-domestic multiplier. The Government sets a standard multiplier and small business multiplier for each financial year.

### **Business Rate Retention Scheme**

Council's are able to keep a proportion of the business rates revenue, as well as growth on the revenue that is generated in their local area. The remainder is retained centrally by the government and used to provide grant funding to local authorities. It provides a direct link between business rates growth and the amount of money council's will have to spend on local people and local services.

### **Call Account**

A call account is a deposit account with a financial institution without a fixed maturity date.

### **Capital Adjustment Account**

The Capital Adjustment Account is an unusable reserve that 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.

### **Capital Financing Requirement**

A measure of the capital expenditure incurred historically by the council that has yet to be financed. This measure also shows the underlying need to borrow for a capital purpose, although this borrowing may not necessarily take place externally.

### **Capital Programme**

Our plan of future spending on capital projects such as buying land, buildings, vehicles, and equipment.

### **Capital Receipt**

Cash received from selling non-current assets. Capital receipts can be used to finance new capital expenditure or repay long term debt within rules set by central Government, but they cannot be used to finance day-to-day revenue spending.

### **Capital Spending**

Spending on non-current assets that have long-term service and/or economic benefits for example, land, buildings, and large items of equipment such as vehicles.

### **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.

### **Cash-flow Statement**

Summarises cash paid to and received from other organisations and individuals for capital and revenue purposes, as opposed to accounting entries which do not involve a cash transaction (e.g. charges for depreciation).

## **CIPFA**

Chartered Institute of Public Finance and Accountancy. One of the major accountancy institutes that specialises in the public sector.

## **Collection Fund**

The Council as a billing authority has a statutory obligation to maintain a separate Collection Fund. This shows the transactions of the Council in relation to the collection of business rates income and council tax income from taxpayers and its distribution to the County Council, Police Authority, and the Government.

## **Counterparties**

The opposite party in a contract or financial transaction. This may include the Central Government, Local Authorities, Banks and Building societies to name a few.

## **Community Assets**

The class of fixed assets held by an authority in perpetuity that have no determinable useful life and may have restriction on their disposal, such as parks and open spaces, historical buildings, works of art, etc.

## **Component Depreciation**

Is a procedure in which the cost of a large item of property, plant and equipment is split up into different components which have different useful lives, and each component is depreciated separately. This procedure is also referred to as componentisation.

## **Contingent Asset**

An asset arising from past events, whereby its existence can only be confirmed by one or more uncertain future events not wholly within the control of the Council.

## **Contingent Liability**

A condition which exists at the balance sheet date, where the outcome will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the Council's control, or where it is not probable that an outflow of resources will be required to settle the obligation.

## **Council Tax**

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A tax charged on domestic householders based on which of eight Council Tax Bands their property falls into. There is a reduction for empty properties or if you live on your own. Since 1 April 2013 councils must have a council tax reduction scheme, which allows for council tax reductions for people, or classes of people, who are considered to be in financial need. In Oxfordshire, the district or borough council issues council tax bills and collects the council tax. The level is determined by the revenue expenditure requirements for each authority divided by the council tax base for the year.

### **Council Tax Base**

An assessment by each billing authority of the number of properties, converted to Band D equivalents (the average band), on which a tax can be charged. The calculation allows for new properties, exemptions and discounts and a provision for non-collection.

### **Cost of Carry**

The difference between the interest payable on borrowing on debt and the interest receivable from investing surplus cash.

### **Credit Rating**

A credit rating assesses the credit worthiness of an individual, corporation or country. Credit ratings are calculated from financial history and current assets and liabilities. Typically, a credit rating tells a lender or investor the probability of the entity being able to pay back a loan.

### **Creditors**

People or organisations we owe money to for work, goods or services which have not yet been paid for by the end of the financial year.

### **Current Asset**

An asset which is expected to be used up during the next accounting period e.g. cash, inventories.

### **Current Liabilities**

Liabilities that are due to be settled in less than one year, such as bank overdrafts and money owed to suppliers.

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### **Current Service Cost**

The current service cost is the increase in the value of the pension scheme's future pension liabilities arising from the employee's ongoing membership of the pension scheme.

### **Curtailment Costs**

Curtailment costs are the amounts of money that are paid to a new pension scheme when a defined group of staff transfer from one pension scheme to another. The costs represent the value of the pension rights accrued by the transferring staff.

### **Debtors**

Amounts owed to the Council for goods and services that have not yet been received.

### **Deferred Income**

Prepaid income credited to the Balance Sheet and amortised to the Comprehensive Income and Expenditure Statement to match the benefit of the receipts over the term of the contractual arrangement.

### **Depreciation**

The systematic write-off of the reduction in value of a tangible fixed asset due to wear and tear, passing of time and technological changes over its economic useful life.

### **Derecognition**

Removal of an asset or liability from the Balance Sheet.

### **Earmarked Reserves**

Money set aside for a specific purpose.

### **Equity instrument**

A contract such as an equity share in a company.

### **Expected Credit Loss**

The probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of a financial instrument.

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### **Fair Value**

The price that could be received for an asset sold or a liability settled in an orderly transaction, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy or sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

### **Financial Asset**

Financial Assets are any assets that is: Cash, equity, a contractual right to receive cash or another financial asset from another entity (e.g. trade debtors), or a contractual right to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the Council.

### **Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Financial instruments include bank deposits, investments, debtors, long-term debtors, creditors, temporary loans and borrowings.

### **Financial liability**

An obligation to transfer economic benefits controlled by the District Council that is represented by a contractual obligation to deliver cash (or another financial asset) to another entity, or a contractual obligation to exchange financial assets/liabilities with another entity under conditions that are potentially unfavourable to the District Council.

### **Financial Year**

The District Council's accounts cover the period from 1 April in one year to 31 March in the next year.

### **Fixed Asset**

A tangible asset that yields benefit to the District Council and the services it provides for a period of more than one year.

### **General Fund**

The account that records and finances Council revenue expenditure that is funded by taxpayers.

### **Going Concern**

All accounts prepared in accordance with International Financial Reporting Standards (IFRS) are prepared on a going concern basis unless management either intends to liquidate the entity, to cease trading, or has no realistic alternative but to do so. For public sector bodies, such as NHS bodies and local authorities, this definition is interpreted to focus on whether the services provided by the entity are going to be continued rather than whether the entity providing the service will continue to exist. So, a body that is about to merge with another will still be a going concern as the services it provides will be provided by the newly merged body.

### **Government Grants**

Payments by the Government towards the cost of local authority services. These are either for particular purposes or services (specific grants) or to fund local services generally (non-specific grants).

### **Heritage Asset**

A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

### **Impairment**

A reduction in the carrying value of an asset arising from physical damage, obsolescence or a significant decline in market value.

### **Infrastructure Assets**

A class of assets whose life is of indefinite length and which are not usually capable of being sold, such as highways, drains and footpaths.

### **Intangible Asset**

An asset that does not have physical substance but is identifiable and controlled by the organisation through custody or legal rights e.g. software licenses.

### **Internal Borrowing**

Instead of taking external loans to fund activities such as Capital expenditure, a Local Authority may use income and grants received in advance, to fund these activities. Usually, surplus funds are invested to earn interest, however it is prudent to use these

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funds instead of loaning money as loans generally cost more than could be earned by investing the funds.

### **International Financial Reporting Standards (IFRS)**

These are issued by the International Accounting Standards Board and provide standards for the preparation of financial statements.

### **Inventories**

Raw materials and stores which the Council has bought and holds in stock for use as required.

### **Investment Properties**

Land and/or buildings held solely to earn rentals or for capital appreciation or both, rather than for operational purposes.

### **Lease**

An agreement where a rental charge is paid for use of an asset for a specified period of time.

### **Lessee**

A party to a lease agreement who makes payment to use an asset.

### **Lessor**

A party to a lease agreement who receives payment for the use of an asset.

### **Liabilities**

Amounts owed by the Council which will be paid at some time in the future.

### **Local Government Pension Scheme (LGPS)**

A nationwide scheme for employees in local government (excluding teachers, police and fire fighters, who have separate arrangements). It is a funded defined benefit scheme with investments managed by local authorities. Cherwell District Council is a member of the Oxfordshire LGPS, which is managed by Oxfordshire County Council.

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### **Materiality**

Information is material if its omission or misstatement, individually or collectively, could influence the decisions that users make on the basis of financial information about a specific reporting entity.

### **Medium-term Financial Strategy (MTFS)**

The MTFS is a rolling financial plan that is updated annually by local authorities. This includes planned expenditure for the following five years.

### **Minimum Revenue Provision (MRP)**

The prudent minimum amount which the Council must set aside each year to repay loans and other long-term liabilities such as finance leases. This has the effect of reducing the Capital Financing Requirement.

### **Money Market Fund**

Funds are invested in short-dated assets including certificates of deposits, government securities and commercial papers making them highly liquid. Money Market Funds must be AAAMf rated, invest in high credit quality assets and maintain a weighted average maturity of 60 days or fewer. Investments have a stable net asset value and dividends are paid to investors on their investment.

### **Movement in reserves Statement**

This statement shows the impact of the financial year on the organisation's reserves.

### **Net Book Value (NBV)**

The balance sheet value of a non-current asset after depreciation and/or impairment.

### **Net Debt**

The District Council's borrowings and finance liabilities less cash and liquid resources.

### **Net Spending**

The cost of providing a service after allowing for specific grants and other income from fees and charges (i.e. not including council tax and money from the Government).

### **Non-current Asset**

A long-term asset that is not expected to be used up or realised within the next 12 months e.g. Property, Plant Equipment.

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### **Non-Domestic Rate**

A levy on businesses based on a national rate in the pound set by the government multiplied by the 'rateable value' of the premises they occupy.

### **Operating Lease**

A type of lease, usually of computer equipment, vehicles, office equipment, etc., where the ownership of the goods and any risks and rewards remain with the lessor, therefore it is revenue expenditure and not capital expenditure.

### **Operational Asset**

An asset held partly, primarily or solely for the purpose of delivering against the council's corporate objectives and day-to-day services.

### **Past Service Costs**

The past service cost is the extra liability that arises when we grant extra retirement benefits that did not exist before, such as when we agree early retirement or extra years of service.

### **Petty Cash**

Small sums of cash kept by departments to pay minor expenses.

### **Precept**

The demand levied by a non-billing authority (County Council, Police Authority, parish and town councils) on the Collection Fund managed by a billing authority (this Council) towards their annual spending.

### **Property, Plant and Equipment**

A physical (tangible) asset that is expected to be held for operational purposes for several years, such as land, buildings, and vehicles.

### **Provision**

An amount of money put aside in the accounts for anticipated liabilities which are of uncertain timing or amount.

### **Public Works Loan Board (PWLB)**

A central government agency which provides long and shorter-term loans to local authorities at interest rates slightly higher than those at which the government itself

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can borrow. Local authorities are able to borrow a proportion of their requirement to finance capital spending from this source.

### **Rateable Value (RV)**

A value placed on all non-domestic properties (businesses) on which rates have to be paid, broadly based on the rent that the property might earn, after deducting the cost of repairs and insurance. The rateable value is determined by the Valuation Office Agency.

### **Related-Party**

Two or more organisations are 'related parties' if, during the year, one of them has significant control over the other.

### **Reserves**

Amounts of money put aside to meet certain categories of expenditure in order to avoid fluctuations in the charge to the General Fund.

### **Revenue Expenditure**

The District Council's day-to-day expenditure on items which include wages, supplies and services, running costs for premises, and interest charges.

### **Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset. Examples include works on property owned by other parties, renovation grants and capital grants to other organisations.

### **Section 151 Officer**

Section 151 of the Local Government Act 1972 requires every local authority to make arrangements for the proper administration of their financial affairs. This includes the requirement for one officer to be nominated to take responsibility for the administration of those affairs. The Section 151 officer is usually the local authority's treasurer and must be a qualified accountant belonging to one of the recognised chartered accountancy bodies. For Cherwell District Council the Section 151 officer is the Assistant Director of Finance.

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### **Specific Grants**

Payments from the Government to cover local authority spending on a particular service or project. Specific grants are usually a fixed percentage of the costs of a service or project.

### **SPPI (Solely Payments of Principal and Interest) Test**

A test under IFRS 9 that determines whether the contractual cash flows of a financial asset are only principal and interest. Assets that pass this test may be measured at amortised cost if they are held within a business model to collect contractual cash flows.