

## Glossary of Terms

### **Accrual**

The accruals concept requires that the cost or benefit of a transaction is shown in the period to which the goods or services are received or provided, rather than when the cash is paid or received.

### **Accountable Body**

An accountable body is an organisation which takes financial responsibility for the management of funds which comprise of contributions from multiple organisations; the fund itself is not a legal entity.

### **Actuarial Basis**

The estimation technique applied when estimating the liabilities to be recognised for defined benefit pension schemes in the financial statements of an organisation.

### **Amortisation**

The term used to describe the charge made for the cost of using intangible fixed assets. The charge for the year will represent the amount of economic benefits consumed aka wear and tear.

### **Amortised Cost**

The cost of intangible assets reduced by the amount of amortisation charged to date.

### **Appropriation**

The process of transferring balances from revenue to reserves and vice versa.

### **Area Based Grant**

General Government Grant introduced in 2008-09 to replace many specific Government Grants.

### **Assets**

Right or other access to future economic benefits.

### **Assets Held for Sale**

Non-Current Assets which meet the relevant criteria to be classified as held for sale.

### **Associates**

An entity (including partnerships) which is not a subsidiary or joint venture, where the Authority has significant influence.

### **Available for Sale Assets**

Financial assets that have a quoted market price and/or do not have fixed or determinable payments.

### **Balance Sheet**

Shows all balances including reserves, long-term debt, fixed and net current assets, together with summarised information on the fixed assets held.

### **Balance Sheet Date**

The date at which the Authority reports its financial statements. For Derbyshire County Council, this date is the 31st March.

### **Best Value Accounting Code of Practice (BVACOP)**

Establishes 'proper practice' with regard to consistent financial reporting, which allows direct comparisons to be made with the financial information published by other local authorities.

### **Bonds**

Investment in certificates of debts issued by a Government or company. These certificates represent loans which are repayable at a future date with interest.

### **Budget**

The financial plan reflecting the Council's policies and priorities over a period of time.

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### **Cabinet**

A group of councillors who provide the executive function of the Council, their decision-making powers are set out in the Council's Constitution.

### **Cap And Trade Scheme**

Schemes where a 'cap' or limit is imposed on authorities for certain activities. Authorities can increase or decrease their limit by 'trading' for allowances.

### **Capital Adjustment Account**

Capital reserve largely comprising of resource applied to capital financing and is not available to the Authority to support new investment

### **Capital Costs**

Reflects the element of annual payment for PFI or Leased assets which is in relation to the reduction in the long term debt associated with the asset.

### **Capital Expenditure**

Expenditure on the acquisition of, or enhancement to fixed assets. This cannot be merely to maintain the value of an existing asset.

### **Capital Financing**

The cost of financing capital expenditure.

### **Capital Grant**

Grant which is intended to fund capital expenditure.

### **Capital Grant Unapplied Reserve**

Capital reserve reflecting the value of capital grant received where there are no conditions outstanding; however expenditure on the associated asset has not been incurred.

### **Capital Receipts**

Money received from the sale of fixed assets. Subject to certain limitations, this can be used to finance other capital expenditure, or to repay outstanding debt associated with the asset.

### **Capital Reserves**

Reserve balances held for capital purposes

### **Carbon Reduction Commitment**

Cap and trade scheme aimed at improving the impact Local Authorities have on Climate Change.

### **Cash Flow Statement**

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

### **Central Support Services**

The provision of services by the central departments of the County Council. For example; finance, personnel, legal, administration, information technology and property.

### **CIPFA Code**

A publication produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) that provides comprehensive guidance on the content of a Council's Statement of Accounts.

### **Collection Fund**

The fund maintained by authorities who have responsibility to bill Council Tax and Non-Domestic Rate payers (billing authorities).

### **Collection Fund Adjustment Account**

Revenue reserve to represent the difference between the income received by a Local Authority in Council Tax and the amount attributable to them.

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### **Collection Fund Statements**

The statutory financial statements produced as part of the Statement of Accounts by authorities who have responsibility to bill Council Tax and Non-Domestic Rate payers (billing authorities).

### **Community Assets**

Assets which are held for the benefit of the community where there is no determinable useful life, such as works of art.

### **Community Schools**

Schools which the Council run, employ the staff and normally owns and maintains the land and buildings (with the exception of PFI schools).

### **Comprehensive Income and Expenditure Statement (CIES)**

This statement reports the net cost of all the services which the Council is responsible for, and demonstrates how that cost has been financed.

### **Constitution**

The document that sets out how the Council operates, how decisions are made and the procedures which are followed.

### **Contingent Liability**

Potential costs that the Council may incur in the future because of something that happened in the past, but there is no certainty that a cost will occur.

### **Core Service Areas**

The services provided by the Authority externally, such as education, highway maintenance and adult social care.

### **Corporate & Democratic Core**

Costs associated with the democratic management of the Authority such as the Chief Executives salary and Members Allowances.

### **Council**

The Council comprises all of the democratically elected Councillors who represent the various electoral divisions.

### **Council Tax**

Council Tax is a local taxation that is levied on dwellings within the local Council area and funds all Council services.

### **Council Tax Base**

This is a figure that expresses the total band D equivalent properties. The amount to be funded by Council Tax is divided by this, and charges for all other bands of property are based on this charge.

### **Council Tax Precept**

The amount of income due to the County Council from the District Authorities, who are responsible for collecting Council Tax.

### **Credit**

A credit represents income to an account.

### **Creditors**

Represents the amount that the Council owes other parties.

### **Debit**

A debit represents expenditure against an account.

### **Debt Charges**

This represents the interest payable on outstanding debt.

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### **Debtors**

Represents the amounts owed to the Council.

### **Dedicated Schools Grant (DSG)**

A specific grant paid to Local Authorities to fund the cost of running its schools.

### **Deficit**

Arises when expenditure exceeds income or when expenditure exceeds available budget.

### **Defined Benefit Scheme**

Also known as a Final Salary Scheme. Pension scheme arrangement where the benefits payable to the members are determined by the scheme rules. In most cases there is a compulsory members' contribution but over and above this all costs of meeting the quoted benefits are the responsibility of the employer.

### **Defined Contribution Scheme**

Also known as a Money Purchase Scheme. Pension scheme arrangement where the employer's liability is restricted to the amount that they contribute. Benefits payable to the members depend on the performance of the invested contributions of the members and the employer, the level of contributions invested, the charges deducted by the product provider and the annuity rate at retirement.

### **Depreciation**

The term used to describe the charge made for the cost of using tangible fixed assets. The charge for the year will represent the amount of economic benefits consumed aka wear and tear.

### **Derecognition**

The process upon which assets are no longer deemed to belong to the Authority either by sale, destruction or other form of disposal.

### **Direct Revenue Financing**

The cost of capital projects that is charged against revenue budgets.

### **Discount**

An allowance received through the early repayment of debt

### **Discounted Cash Flow**

A method of analysing future cash flows, by removing the impact time has on the value of money, and producing an equivalent current value (present value).

### **Donated Assets**

Assets which have been acquired at below market cost.

### **Earmarked Reserves**

Reserve balances which have been set aside for future spending in a specific area.

### **Employee**

A person who holds an office within the Authority, but does not include a person who is an elected councillor.

### **Employee Costs**

The costs directly associated with employees, including but not exhaustively salaries and wages, National Insurance contributions and pension's costs.

### **Enhancement Expenditure**

Expenditure which increases the value of an asset.

### **Equities**

Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholder's meetings.

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### **Exceptional Items**

Events which are material in terms of the Authority's overall expenditure and are not expected to recur frequently or regularly.

### **Extraordinary Items**

Material items possessing a high degree of abnormality which arise from events or transactions that fall outside the ordinary activities of the reporting entity and which are not expected to recur.

### **Fair Value**

Usually the amount that would be paid for an asset in an active market, however where there is no market for a certain type of asset (such as schools) other methods to determine fair value are used.

### **Finance Costs**

Reflects the element of annual payment for PFI or Leased assets which is in relation to interest payable on the loan liability.

### **Finance Lease**

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

### **Financial Assets**

A right to future economic benefits controlled by the Authority.

### **Financial Instruments**

Financial instruments are formally defined in the CIPFA Code as contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### **Financial Instruments Adjustment Account**

Revenue reserve which records the timing differences between the rate at which gains and losses are recognised and the rate at which debits and credits are required to be made against Council Tax.

### **Financial Liabilities**

An obligation to transfer economic benefits controlled by the Authority.

### **Fixed Assets**

Assets that yield benefits to the Council for a period of more than one year, examples include land, buildings and vehicles.

### **Formula Grant**

The general grant paid to Local Authorities by the Government to support the day to day costs of running its services.

### **Foundation Schools**

Schools run by their own governing body, which employs the staff and sets the admissions criteria. Land and buildings are usually owned by the governing body or a charitable foundation.

### **General Fund Balance**

The reserve held by the County Council for general purposes, i.e. against which there are no specific commitments.

### **General Reserves / General Fund Balance**

The reserve held by the County Council for general purposes, i.e. against which there are no specific commitments.

### **Going Concern**

The going concern accounting concept assumes that the organisation will not significantly curtail the scale of its operation in the foreseeable future.

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### **Government Grants**

Payment by Government towards the cost of Local Authority services. These are either for particular purposes or services (specific grants) or in aid of local services generally (formula grant).

### **Grants**

Payment towards the cost of Local Authority services. These are either for particular purposes or services (specific grants) or in aid of local services generally (formula grant).

### **Group Accounts**

Where a Council has a controlling interest in another organisation, group accounts have to be produced. These accounts report the financial position of all of the group entities.

### **Impairment**

Impairment of an asset is caused either by a consumption of economic benefits, a deterioration in the service provided by an asset, or by a general fall in prices of that particular asset.

### **Inflow**

This represents cash coming into the Council.

### **Infrastructure Assets**

Assets associated with the road networks owned and maintained by Derbyshire County Council.

### **Intangible Asset**

Non-current assets which do not have physical form such as software.

### **Internal Service Costs**

The provision of services by the central departments of the County Council. Examples finance, personnel, legal, administration, information technology and property.

### **International Accounting Standard (IAS's)**

Regulations outlining the method of accounting for activities, IAS's are currently being replaced with International Financial Reporting Standards (IFRS's) issued by the International Accounting Standards Board.

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

Regulations outlining the method of accounting for activities, issued by the International Accounting Standards Board.

### **Inventories**

Fair value of current assets purchased which have not yet been consumed.

### **Investment Property Assets**

Assets held solely for the purposes of rental generation or for increasing the value pre-sale (capital appreciation).

### **Investments**

An asset which is purchased which is expected to increase in value by providing income, capital appreciation or both.

### **Joint Venture**

An organisation which the Council has partial control and ownership, but decisions require the consent of all participants.

### **Landfill Allowance Trading Scheme**

Cap and trade scheme aimed at improving reducing the level of waste taken to landfill and encourage alternative refuse processes.

### **Leases**

A method of funding expenditure by payment over a defined period of time.

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### **Lessee**

The person or organisation that is using or occupying an asset under lease (tenant).

### **Lessor**

The person or organisation that owns an asset under lease (landlord).

### **Liabilities**

An obligation to transfer economic benefits. Current liabilities are payable within one year.

### **Liquid Resources**

These are resources that the Council can easily access and use, e.g. cash or investments of less than 1 year.

### **Loans and Receivables**

Financial assets which are not quoted in an active market and have either a fixed or determinable payment.

### **Local Authority Business Growth Incentive (LABGI)**

Incentive for local authorities to promote economic growth. The scheme allows the retention of a proportion of increases in revenue derived from national non-domestic rates.

### **Local Public Service Agreements (LPSA)**

A voluntary agreement, negotiated between a Local Authority and the government, which aims to improve local public services by focusing on targeted outcomes for local people.

### **Materiality**

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.

### **Members**

Elected councillors responsible for the democratic leadership of the Council.

### **Members Allowances**

Allowances paid to members in association with their roles and responsibilities.

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

A minimum amount, set by law, which the Council must charge to the income and expenditure account, for debt redemption or for the discharge of other credit liabilities (e.g. finance lease).

### **Movement in Reserves Statement**

The statement detailing the movement in the reserves of the Authority.

### **National Non Domestic Rates (NNDR)**

Taxation that is levied on business properties, billing authorities collect this on behalf of the Government. The Government then redistribute these resources to Councils.

### **Net Book Value**

The amount at which fixed assets are included in the balance sheet. It represents historical cost or current value less the cumulative amounts provided for Depreciation or Impairment.

### **Net Expenditure / Net Cost of Service**

The actual cost of a service to an organisation after taking account of all income received for services provided.

### **Non-Current Assets**

Assets that yield benefits to the Council for a period of more than one year, examples include land, buildings and vehicles.

### **Non-Distributed Costs**

The value of revenue operating expenditure that is not able to be apportioned to one of the authorities core service areas.

### **Operating Lease**

A lease where an asset is used only for a small proportion of its economic life.

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### **Outflow**

This represents cash going out of the Council.

### **Pensions Costs**

The benefits paid by the Authority which are accrued during the period of employment and paid to ex-employees after retirement.

### **Pensions Liability**

The cost, calculated by an Actuary, of providing the current members of a pension scheme with retirement benefits as set out in the pension scheme rules.

### **PFI**

See Private Finance Initiative

### **PFI Credits**

The financial support provided to Local Authorities to part fund PFI capital projects.

### **Premium**

A payment made in association with the early repayment of debt.

### **Previous Year Adjustments**

These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction of fundamental errors.

### **Principal**

The amount of repayment to a lender which relates to the reduction in the loan, rather than the interest paid on the loan.

### **Prior Period Adjustments**

These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction of fundamental errors.

### **Private Finance Initiative (PFI)**

A Government initiative that enables, through the provision of financial support, Authorities to carry out capital projects through partnership with the private sector.

### **Projected Unit Method**

This is a common actuarial funding method to value pension scheme liabilities.

### **Provision for Bad & Doubtful Debts**

A prudent reduction in the reported level of income owed to the Authority for non payment of invoices and other debt.

### **Provisions**

Potential costs that the Council may incur in the future because of something that happened in the past, which are likely or certain to be incurred and a reliable estimate can be made to the costs.

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

A Government agency which provides longer term loans to local authorities at favourable interest rates only slightly higher than those at which the Government itself can borrow.

### **Quoted Market Prices**

A method of determining the fair value of financial assets via prices quoted on an active market.

### **Recognition**

The process upon which assets are deemed to belong to the Authority either by purchase, construction or other form of acquisition.



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### **Reserves**

Sums are set aside in reserves for future purposes rather than to fund past events.

### **Revaluation Gain**

The increase to the fair value of an asset following a valuation.

### **Revaluation Reserve**

This reserve contains revaluation gains on assets recognised since 1 April 2007 only, the date of its formal implementation.

### **Revenue Expenditure**

Expenditure which is not capital.

### **Revenue Expenditure Funded from Capital under Statute**

This is expenditure that is classified as capital although it does not result in the creation of a fixed asset.

### **Revenue Grant**

Grant which is not capital.

### **Service Concession Arrangements**

Arrangements which involve the supply and maintenance of assets and service delivery.

### **Service Costs**

Reflects the element of annual payment for PFI or Leased assets which is in relation to services provided within the contract.

### **Short Term Benefits**

Employee benefits earned and consumed during employment.

### **Soft Loans**

Low interest rate loans.

### **Specific Grant**

A grant awarded to a Council for a specific purpose or service that can not be spent on anything else.

### **Straight Line Basis**

The method of calculating depreciation via charging the same amount each year over the life of the asset.

### **Subsidiary**

An organisation that is under the control of the Council i.e. the Council is the majority share holder.

### **Surplus**

Arises when income exceeds expenditure or when expenditure is less than available budget.

### **Surplus Assets**

Assets which are no longer in operation.

### **Tenant**

The person or organisation that is occupying an asset under lease.

### **Termination Benefits**

Employee benefits paid upon termination of employment such as redundancy.

### **Trading Accounts**

A service run in a commercial style and environment, providing services that are mainly funded from fees and charges levied on customers.

### **Treasury Management**

Utilisation of cash flows through investments and loans.

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### **UK GAAP**

United Kingdom Generally Accepted Accountancy Practice.

### **Unidentified Income**

Income received by the Authority where the reason for the income is unknown.

### **Usable Capital Receipts Reserve**

Represents the resources held by the Council that have arisen from the sale of fixed assets that are yet to be spent on other capital projects.

### **Useful Life**

The period with which an asset is expected to be useful to the Authority in its current state.

### **Value Added Tax**

National taxation charged on goods and services.

### **Voluntary-aided schools**

Schools which are mainly religious or 'faith' schools, the governing body employ the staff and sets the admission criteria. Buildings and land are normally owned by a charitable foundation.

### **Voluntary-controlled schools**

Schools which the Council run, employ staff, set admission criteria and maintain land & buildings. But normally are owned by a charity, who appoints members to the governing body.

### **Waste Disposal Authorities**

Authorities with the statutory responsibility for disposal of refuse.

### **Work in Progress**

The fair value of incomplete contracts for goods and services which are to be charged to external customers.