

Glossary of Terms and Abbreviations

Accounting Period – The period of time covered by the accounts that is normally the year commencing on 1st April and finishing on 31st March. The end of the accounting period is the balance sheet date.

Accrual – An amount included in the accounts to cover income or expenditure relating to an accounting period but for which payment has not yet been made or received. The concept is that income and expenditure are recognised as they are earned or incurred, not as cash is received or paid.

Actuarial Gains and Losses – For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or
- the actuarial assumptions have changed

Agency Services – Services, which are performed by the Council, where the authority legally responsible for the service reimburses the Council (the authority doing the work) for the cost of the work.

Amortisation – The reduction in the value of an asset over its useful life.

Assets Held for Sale – Those assets that are actively being marketed with the expectation that disposal will occur within a 12 month period.

Balance Sheet – A statement of the recorded assets, liabilities and other balances as they stand in monetary terms, at the end of an accounting period.

Billing Authority – A local authority responsible for collecting the Council Tax and National Non-Domestic Rates from within its district boundaries (the Council is a billing authority).

Budget – A statement defining the Council's financial plans over a specified period of time (usually an accounting period 1st April to 31st March).

Business Rates/ Non Domestic Rates (NDR) – Income collected from business ratepayers, based on a national rate in the pound set by Central Government multiplied by the rateable value of the premises they occupy. This rate is collected by the billing authority on behalf of Central Government and is redistributed from the billing authority's NDR pool between itself, Central Government and Nottinghamshire County Council and Nottinghamshire Fire and Rescue Authority.

Capital Expenditure – Expenditure on new assets such as land, buildings and other structures or on the enhancement of existing assets so as to significantly prolong their useful life or increase their market value.

Capital Financing – The raising of money to pay for capital expenditure. Methods include borrowing, leasing, using capital receipts, government grants or contributions, major repairs reserve or from revenue contributions.

Capital Financing Charges – The annual costs to services for the use of assets comprising depreciation, leasing charges and other costs of funding capital expenditure.

Capital Receipts – The income from the sale of council houses, buildings, land and other assets. A proportion of capital receipts can be used to finance new capital expenditure, within rules set down by central government, but they cannot be used to finance revenue expenditure.

Cash Equivalents – They are 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.

Code – The Code refers to the code of practice on local authority accounting. The code of practice is based upon approved accounting standards and provides the accounting standards under which the Statement of Accounts is prepared. From 2010/11 the Code is based on International Financial Reporting Standards.

Community Assets – Assets that may have restrictions on their use and disposal. Examples include playing fields and parks.

Council Tax – A tax levied by the local Council, which is the billing authority, on households within its area and distributed to the County Council, Police and Fire Authorities, and to the Council's own General Fund.

Council Tax Bands – All domestic properties in a Local Authority's area are valued by Central Government's Valuation Office Agency, and placed in one of 8 bands ranging from A to H. Each Band is averaged out in relation to Band D, Bands A to C paying less, and Bands E to H paying more on an increasing scale.

Council Tax Benefit – Assistance provided to adults on low incomes to help them pay their council tax bill.

Current Assets – The assets held by an organisation at the balance sheet date that will be used in the next accounting period e.g. inventories, cash and trade receivables.

Current Liability – The liabilities held by an organisation at the balance sheet date that will be repaid within the next year e.g. creditors, overdrafts.

Current Service Cost (Pensions) - The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Defined Benefit Scheme – A pension scheme where the benefits are set independently of the contributions paid and the performance of the investments in the fund.

De Minimis – A term generally used to describe something that is too small to be considered.

Depreciation – The measure of the reduction in value of a non-current asset due to age, consumption or other reduction in useful life during the accounting period.

Discretionary Benefits – Retirement Benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the Council's

discretionary powers.

Earmarked Reserves – Amounts set aside for a specific purpose to meet future commitments or potential liabilities, for which it is not appropriate to establish provisions.

Expected Rate of Return on Pension Assets – For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Fair Value – The amount for which an asset could be exchanged; or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

Financial Instruments – Contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another.

Finance Lease – A lease that transfers all of the risks and rewards of ownership of an asset to the lessee.

General Fund – The main revenue fund of the Council. Day to day spending on services is met from this fund. The exception to this is for the provision of Council dwellings which is met from the Housing Revenue Account.

Housing Benefit – Allowances paid to persons on low income to meet, in whole or part, their rent. The Local authority pays the benefit but most of the cost is refunded by central government through rent allowances for private sector tenants and the rent rebate element of housing subsidy for the Council's own tenants.

Housing Revenue Account / (HRA) – This is a statutory account which covers all revenue expenditure and income related to the provision of Council dwellings. It includes an optional sub – division, the Housing Repairs Account.

Housing Subsidy – The Government grant paid to housing authorities towards the cost of providing, managing and maintaining Council dwellings.

Impairment – The reduction in the market value of a non-current asset due to significant changes in the market (i.e. Introduction of new technology), obsolescence, or damage, etc.

Intangible Assets – Assets that do not have physical substance but are identifiable and controlled by the Council, e.g. IT software.

Interest Cost (Pensions) – For defined benefit schemes, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

IFRS – International Financial Reporting Standards. Guidelines and rules set by the International Accounting Standards Board (IASB) that companies and organisations can follow when compiling financial statements.

Investment Properties - Investment property is property that has been purchased with the intention of earning a return on the investment, either through rental income, the

future resale of the property or both.

Long Term Borrowing / investment – Borrowing / investments repayable after more than one year.

Long Term Receivables – Amounts due to the council more than one year after the Balance Sheet date.

Minimum Revenue Provision (MRP) – The minimum amount that must be charged against the Council's revenue accounts each year, as a provision to repay borrowing and finance leases.

Net Book Value – The amount at which non-current assets are included in the balance sheet, i.e. their historic value or current valuation less depreciation.

Net Realisable Value – The open market value of an asset in its existing use.

Non-Current Assets – Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year, for example, land, buildings and equipment.

Non – Distributed Costs – Overheads for which no specific user benefits and are not apportioned to services.

Non – Operational Assets – Non-current assets held but not currently used by the Council in delivering services; for example property surplus to requirements or land awaiting sale or redevelopment.

Operating Lease – An operating lease is a rental agreement that places all of the risks and rewards of ownership of an asset with the lessor.

Operational Assets – Non-current assets held and used in delivering services.

Past Service Cost - For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Precept – The amounts of tax that the Council is required to raise through Council Tax on behalf of other authorities for services they provide in the Billing Authority's area.

Precepting Authorities – Those Authorities who are not Billing Authorities, e.g. "major" Authorities such as the County Council and Police and Fire Authorities and "local Precepting Authorities" such as Parish, Town or Community Councils.

Projected Unit Method - An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is one in which the scheme liabilities at the valuation date relate to:

- the benefits for pensioners, deferred pensioners and their dependents, allowing where appropriate for future increases, and
- the accrued benefits for members in service on the valuation date. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not.

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

Public Works Loan Board (PWLB) – A Central Government agency, that provides loans to Local Authorities.

Related Party Transactions – A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made.

Reserve – An amount set-aside for a specific purpose in one financial year and used to meet expenditure in future years. There are two types of reserves, usable and unusable reserves. Usable reserves are those reserves that can be applied to fund expenditure or reduce local taxation. Unusable reserves are other reserves, such as the revaluation reserve, that arise from accounting requirements

Residual Value – the net realisable value of an asset at the end of its useful life.

Retirement Benefits – All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

Revenue Expenditure Funded from Capital under Statute (REFCUS) – Spending on items normally classed as revenue but which are defined by statute as capital e.g. improvement grants.

Revenue Expenditure – Spending on day-to-day items, including, salaries and wages, premises costs and supplies and services.

Revenue Support Grant (RSG) – Contribution from Central Government towards the cost of local authority services.

Scheme Liabilities – The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities are measured using the projected unit method to reflect the benefits that the employer is committed to provide for service up to the valuation date.

Service Reporting Code of Practice (SeRCOP) – The SeRCOP provides refers to the code of practice on local authority financial reporting to stakeholders. The SeRCOP is based on International Financial Reporting Standards.

Short Term Borrowing/ Investments – Borrowing and investments repayable on demand or within one year.

Tangible Assets – Assets with physical substance.

Trade Payables (Creditors) – An amount owed by the Council for work done, goods received or services provided but for which payment has not yet been made.

Trade Receivables (Debtors) – An amount owing to the Council but for which money has not yet been received.

Useful Life – The period over which the local authority will derive benefits from the use of a tangible non-current asset.

Vested Rights – In relation to a defined benefit scheme, these are:

- for active members, benefits to which they would unconditionally be entitled on leaving the scheme
- for deferred pensioners, their preserved benefits
- for pensioners, pensions to which they are entitled

They include where appropriate the related benefits for spouses or other dependants.

Work In Progress / WIP – the cost of work done on an uncompleted project as at the Balance Sheet date.