

Glossary of Local Government Financial Terms

This glossary of Local Government Finance Terms is revised regularly. This version includes terms for the new methods of capital accounting and the asset register.

Terms in *italics* are themselves defined in this glossary.

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A

Above the line

Suppose Service A receives a support service from Central Service B. There are two possibilities from Service A's point of view.

(i) Below the line - Central Service B holds the budget for the support service. The cost of this service counts against Central Service B's cash limit and is controlled by Central Service B. It does not count against Service A's cash limit (but it does count as part of the total cost of A's service in the accounts).

(ii) Above the line - Service A holds the budget for its share of the support service. Service A decides how much of the service to buy from Central Service B and therefore controls the amount spent. Expenditure on the service counts against Service A's cash limit.

ACA

See [Area cost adjustment](#).

Accounts

All operating bodies, including charities, are obliged by law to keep detailed accounts of financial expenditure and income, and to present them annually in a publicly available report.

Accruals basis

Accounting for income and expenditure during the financial year in which they are earned or incurred, not when money is received or paid.

Actuary

A person or firm who analyses the assets and future liabilities of a pension fund and calculates the level of employers' contributions needed to keep it solvent.

ACG

See [Annual capital guideline](#).

ACL

See [Aggregated credit limit](#).

Adjusted credit ceiling

The Adjusted Credit Ceiling is part of the Government's capital control regime over local authorities, and is used to calculate the *Minimum Revenue Provision*. This is the minimum amount that authorities have to set aside from revenue as provision for credit liabilities.

Admitted bodies

These are employers who have been allowed into the Hampshire Pension Fund at the County Council's discretion.

Aggregate credit limit (ACL)

The Aggregate Credit Limit is part of the Government's capital control regime over local authorities. It is the limit on the total value of a local authority's outstanding liabilities resulting from borrowing or other credit arrangements.

The statutory basis for the ACL can be found in s.62 of the Local Government & Housing Act 1989.

Aggregate external finance (AEF)

The total level of support the Government provides to local authorities. This support is normally made up of general formula grant (Revenue Support Grant, Business rates - NNDR) police grant, and specific formula and ring-fenced grants.

Alternative investments

These are less traditional investments where risks can be greater but potential returns higher over the long term, for example investments in private equity partnerships, hedge funds, commodities, foreign currency and futures.

Amending report

May be issued by the Government to correct errors subsequently discovered in the data used in the *Local government finance settlement*. Only one Amending Report may be issued for each settlement year.

Amortisation

The concept of writing off the capital cost of a deferred charge (e.g. a capital grant to a third party) to the *Revenue account*.

AMRA

See [Asset management revenue account](#).

Annual capital guideline (ACG)

There are separate definitions of this according to the context.

- i) The relevant Central Government Departments issue annual capital guidelines (ACGs) for five main groups of local authority services incurring *capital expenditure* (Education, Transport, Personal Social Services, Housing and Other Services). ACGs are the government's measure of local authority need to incur *capital expenditure* and represent the sum of an authority's *basic credit approval* less an assumed level of capital receipts available to finance capital expenditure.
- ii) At Hampshire County Council capital guidelines are the totals, set by the Policy and Resources Committee, within which Committees are asked to prepare their *capital programmes* for consideration by the Policy and Resources Committee and the County Council.

Appropriations to/from reserves

These are respectively, the movement of monies into earmarked reserves from the *general fund* balance, or out of earmarked reserves to the General Fund.

Approved investments

Local authorities may only invest their balances in instruments prescribed by Government regulations.

Area Based Grant

A general Government grant allocated to local authorities as additional revenue funding to areas. Local authorities are free to use the grant to support the delivery of local, regional and national priorities.

Area cost adjustment (ACA)

These are respectively, the movement of monies into earmarked reserves from the *general fund* balance, or out of earmarked reserves to the General Fund.

Asset management plan

A process which seeks to maximise efficient use of assets and help prioritise capital investment, based on detailed knowledge of the existing asset base and current/forecast service needs. The AMP is a rolling plan, covering a three - five year period. It is supported by a framework of national and local policies governing the management of capital. The AMP is closely linked to *Best Value* principles and will become subject to its own set of performance indicators.

Asset management revenue account (AMRA)

Used in local Government prior to 2006/07. An account under the system of capital accounting that allowed the cost of services to include the cost of the use of assets. The account brought together charges to services and actual financing charges incurred. The difference between them was a negative item in the Consolidated Revenue Account. This meant that the charge for the use of assets did not affect the amount that had to be raised from local taxation.

Asset registers

Asset registers are required to provide information on the physical assets held by a local authority for capital accounting and property management purposes. They are now all held in the Asset Accounting (AA) module of SAP.

AUC

Assets under construction (the capital equivalent of Work in Progress).

Audit commission

Quango responsible for auditing the finances of Local Authorities and NHS organisations. The Secretary of State for Communities and Local Government announced on the 13 August 2010 plans to disband the Audit Commission. New audit arrangements are due to be in place from 2012/13.

AVCs

Additional voluntary contributions are paid by a contributor who decides to supplement his or her pension by paying extra contributions to the Scheme's AVC providers (Zurich and Equitable Life).

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B

Balances

See [General fund balance](#).

Band D

The council tax band that is supposed to cover the average home. Covers properties worth between £68,001 and £88,000 in April 1991. Newer properties are assessed on what their value would have been in 1991.

Band D equivalents

The number of *band D* properties in an area which would raise the same council tax as the actual number of properties in all bands. Properties are converted to an equivalent based on that of band D. For example, one band H property is equivalent to two band D properties, because the taxpayer in a Band H property pays twice as much council tax.

Bands (council tax)

Domestic properties are allocated to one of eight bands for the purpose of assessment of *council tax*. The bands are defined with reference to property values at 1 April 1991 as follows:

Band	Value range	Multiplier
A	up to £40,000	6/9 (67%)
B	£40,000 to £52,000	7/9 (78%)
C	£52,000 to £68,000	8/9 (89%)
D	£68,000 to £88,000	9/9 (100%)
E	£88,000 to £120,000	11/9 (122%)
F	£120,000 to £160,000	13/9 (144%)
G	£160,000 to £320,000	15/9 (167%)
H	over £320,000	18/9 (200%)

Council taxes are set for Band D properties. The tax for properties in other bands is set as the Band D tax times the multiplier in the table.

<http://www3.hants.gov.uk/finance/budget/1011budget/2010budgetcounciltaxbands.htm>

Base budget

The starting point in preparing the County Council's budget for the coming financial year. It provides for the continuation of current policies and is updated to include a further year's estimated inflation. Thus the base budget for 2011/12 is based on the *original budget* for 2010/11 (as adjusted to include any changes already agreed by Cabinet) updated to out-turn 2012 prices. The addition of any new *growth* (or *savings*) is then agreed by Cabinet and Council.

<http://www3.hants.gov.uk/finance/budget/treasurers-corpfinhowisthebudgetset.htm>

Basic amount of council tax

Calculated by taking the *budget requirement* less the *revenue support grant* and *non-domestic rates* and dividing this figure by the *taxbase* for *band D* properties. From this the amount of *council tax* for the remaining valuation *bands* will be determined according to the proportions laid down by the Government.

Basic credit approval (BCA)

Central Government authorisation for a local authority to finance *capital expenditure* by any form of credit arrangement, including loans or finance leasing. Unlike *supplementary credit approvals*, BCAs are not specific to individual services and may be applied as the authority wishes.

Below the line

The recharging of costs to services that are outside their *cash limits*. These include *capital charges*, pension adjustments under FRS 17 and recharges for central services that are not *above the line*.

Benchmarking

A method used by public sector organisations, charities and private companies for gauging their performance by comparing it to the performance of other organisations, typically of a similar size. The government encourages public sector bodies to compare their score on various published performance indicators as way of improving public services. Many organisations are now members of 'benchmarking clubs' in which they compare published and unpublished performance information.

Best value

Government regime aimed at improving the quality of local government services. Delivering economy, efficiency and effectiveness to secure continuous service improvement.

Best value accounting code of practice (BVACOP)

The code of practice used by CIPFA containing a standard definition of services and total cost, for reporting purposes, so that spending comparisons can be consistent between local authorities.

Billing authority

The 354 District Councils, Boroughs, and Unitary authorities which are responsible for collecting *council taxes* and *non-domestic rates* in their area.

Book value

The value of a fixed asset, such as a building or machine, as recorded in an organisation's books. It is the lower of the depreciated cost and the recoverable amount. The recoverable amount is the higher of the value in use and the net realisable amount.

Block votes

Lump sum provisions made in the County Council's *capital programme* for later allocation over individual schemes by the responsible spending Committee. Schemes costing less than £75,000 are usually included as block votes.

Budget requirement

This is the amount each authority estimates as its planned spending, after deducting any income it expects to raise from fees and charges for services and specific grants from the Government and any funding from reserves. The budget requirement is set before the beginning of the financial year and financed from general Government grant (Revenue Support Grant), business rates and the council tax.

Business improvement district (BID)

Government regeneration initiative that allows councils to raise extra money from local businesses, but only if firms vote in favour of the move. Property and business owners of a defined area elect to make a collective contribution to the maintenance, development and marketing/promotion of their commercial district. The money is likely to be used for a specific project, such as cleaning up litter and graffiti in an inner city area, rather than general local authority spending.

http://webarchive.nationalarchives.gov.uk/+http://www.communities.gov.uk/pub/967/DevelopmentandImplementationofBusinessImprovementDistricts_id1505967.pdf

Business rates

See [National non-domestic rates](#).

BVACOP

See [Best Value Accounting Code of Practice](#).

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C**Capital adjustment account**

An account that reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.

Capital charge

A charge to service revenue accounts to reflect the cost of *fixed assets* used in the provision of services. This currently includes a depreciation element, an interest element and, if appropriate, a deferred charge amortisation element. The on-going move to UK GAAP compliant accounts will mean that the interest element will disappear from our published accounts.

Capital expenditure

Expenditure on the acquisition or creation of a *tangible fixed asset* or expenditure which adds to and not merely maintains the value of an existing tangible fixed asset.

Capital expenditure receipts and returns (COR)

This set of statistical returns analyse out-turn capital investment by each authority (the original name for these statistics was the Capital Out-turn Return and this is still reflected in the short-code description).

Capital expenditure (from) revenue account (CERA)

Also known as Revenue Contributions to Capital Outlay (RCCO). The mechanism by which items of capital expenditure can be financed by budgeted transfers from the General Fund or from earmarked reserves.

Capital financing account

An account that reflects the extent to which fixed assets have been financed from revenue contributions or capital receipts and the provision for the repayment of external loans.

Capital financing costs

A charge to the Revenue Account for:

- (1) interest on loans raised to finance capital expenditure and
- (2) A provision of 4% of the *capital financing requirement* for the repayment of loans. These must not be confused with *capital charges* to services.

Capital financing requirement

The difference between the value of Total Fixed Assets in the balance sheet and the Revaluation and Capital Financing Accounts. This represents the propensity of the authority to borrow for capital purposes and is the basis for the *minimum revenue provision* charge to the *revenue account*.

Capital guidelines

There are separate definitions of this according to the context.

- i) The relevant Central Government Departments issue annual capital guidelines (ACGs) for 5 main groups of local authority services incurring *capital expenditure* (Education, Transport, Personal Social Services, Housing and Other Services). ACGs are the government's measure of local authority need to incur *capital expenditure* and represent the sum of an authority's *basic credit approval* less an assumed level of capital receipts available to finance capital expenditure.
- ii) At Hampshire County Council capital guidelines are the totals, set by the Policy and Resources Committee, within which Committees are asked to prepare their *capital programmes* for consideration by the Policy and Resources Committee and the County Council.

Capital programme

A list of projects or *block votes*, approved to start in the year of the programme, which involve *capital expenditure*.

Capital receipt

Proceeds from the sale of capital assets (e.g. land, buildings and equipment).

Capital starts

Value of schemes in the *capital programme* committed to start in a financial year through the signing of contracts or the placing of orders. At Hampshire County Council, control over *capital expenditure* is exercised by controlling starts in each year. See *cash limit*(capital).

Capitalisation

Treatment of expenditure as capital rather than as revenue (see [capital expenditure](#)).

Capping

When the Government limits an authority's budget requirement, and hence the council tax it sets.

Cash limit

A defined figure set by the Council that represents the maximum expenditure that a service can spend on its *above the line* activities.

Central establishment charges

Charges to service departments for centrally provided facilities. Now more commonly called *support service costs*. (see [above the line](#) / [below the line](#)).

Central local partnerships

The name given to the framework under which Central Government consults with local authorities. The group includes Government ministers and representatives from the LGA and local authorities. The main committees within the Partnership are the Finance Sub-Group, the Sector Groups and the Home Office - APA Group.

Central support services

Services organised on a corporate basis that support the delivery of services to the public. See [above the line](#).

CERA

See [Capital Expenditure from Revenue Account](#).

Chartered institute of public finance & accountancy (CIPFA)

CIPFA is one of the main professional accountancy bodies, specialising in the public sector.

Children's fund

The Children's Fund is a specific grant programme administered by the interdepartmental Children and Young People's Unit, based in the Department for Education and Skills. The programme aims to identify at an early stage children and young people at risk of social exclusion, and make sure they receive the help and support they need to achieve their potential.

CIPFA/LASAAC

A joint committee of CIPFA (see above) and the Local Authorities Scotland Accounting Advisory Committee that issues periodic Statements Of Recommended Practice (SORP) that define proper accounting practice for all local authorities.

CLG

See [Communities and local government](#).

Collection fund

An account maintained by a district council recording the amounts collected in council tax and NNDR.

Collection fund surplus or deficit

Billing authorities such as the district councils maintain a collection fund into which they pay all the council taxes they collect in their area and from which they pay precepts to the precepting authorities such as the County Council, fire and police authorities. If they collect more or less than they expected

at the start of the year, the surplus or deficit is shared with the precepting authorities in proportion to their council taxes. These surpluses or deficits have to be returned to the council taxpayer in the following year through lower or higher council taxes. They may not be used to finance additional spending.

Commissioner for local administration

See [Ombudsman](#).

Communities and local government

Central Government department responsible for the allocation of government grant to local authorities.

Community assets

Assets that the local authority intends to hold forever, that have no determinable *useful life*, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Company code

An area within the *SAP* application that contains a separate accounting entity, ie one that needs to produce a separate Revenue account and Balance Sheet.

Compulsory purchase order (CPO)

The forced purchase of land or private property by a council for a greater public good such as a regeneration scheme. The value of the sale is set locally by the district valuer.

Contingency

Money set aside centrally in a local authority's budget to meet the cost of unforeseen items of expenditure, such as higher than expected inflation or shortfalls in income.

Contingency provision

A sum included usually as a central provision within the budget to meet expenditure where timing and scale is uncertain.

Contingent liabilities

A potential liability that is uncertain because it depends on the outcome of a future event.

Continuing services

All services that the Council will continue to provide in the following financial year.

Contracting out

The practice of purchasing services from charities and companies by local authorities and other statutory bodies. For example, local authority social services departments "contract out" meals-on-wheels services to charities and commercial organisations, paying them for the service rather than carrying it out themselves.

Control totals

Prior to 2006/07, the government published the national control totals for Formula Spending Shares for each major service area. Under the Four-Block Model introduced in 2006/07, these control totals are hidden in the system's methodology.

COR

See [Capital expenditure receipts and returns](#).

Corporate and democratic core (CDC)

Those activities that local authorities engage in specifically because they are elected, multi-purpose authorities. CDC is shown as a separate service in the Revenue Account and consists of two parts: *democratic representation and management* and *corporate management*.

Corporate management

Costs of providing the infrastructure that allows services to be provided and the information required for public accountability. See [corporate and democratic core](#).

Council tax

A local tax on domestic property set by local authorities in order to meet their budget requirement. Based on capital values of domestic property with a personal element (a 25% discount for single-adult households). Each property is allocated to one of eight tax bands according to its capital value.

<http://www.direct.gov.uk/en/HomeAndCommunity/YourlocalcouncilandCouncilTax/CouncilTax/index.htm>

Council tax bands

There are 8 council tax bands, which are based on the assessed value of domestic property as at 1 April 1991. How much Council Tax each household pays depends on the assessed value of the homes. The variation in the Council Tax for each band is a set proportion of the standard Council Tax (Band D).

Band	Value of home estimated at April 1991	Proportion of the tax due for a band D property
Band A	under £40000	66.7% (i.e.6/9ths)
Band B	£40001 - £52000	77.8% (7/9ths)
Band C	£52001 - £68000	88.9% (8/9ths)
Band D	£68001 - £88000	100.0% (9/9ths)
Band E	£88001 - £120000	122.1% (11/9ths)
Band F	£120001 - £160000	144.4% (13/9ths)
Band G	£160001 - £320000	166.7% (15/9ths)
Band H	over £320001	200.0% (18/9ths)

Council tax base

The Council Tax base of an area is the number of band D equivalent properties. The number of properties in each of the eight council tax bands A to H are counted. The totals are then converted to an equivalent number of band D properties. For example, one band H property is equivalent to two band D properties, because the taxpayer in a Band H property pays twice as much council tax. The amount of revenue which could be raised by the council tax in an area is calculated allowing for discounts and exemptions but, for the purpose of the Formula Grant calculation, assuming that everyone pays.

Council tax base return CTB1

A form seeking information on the calculation of the council tax base for revenue support grant purposes for each billing authority.

Council tax benefit

This is a benefit of up to 100% which is available to council tax payers who are on income support or low incomes. Unlike the community charge, there is no minimum contribution required from council tax payers.

Council tax discounts and exemptions

Discounts are available to people who live alone (25%) and owners of dwellings that are not anyone's main home. Billing authorities have been able to reduce the discount for second homes from 50% to 10% since 1 April 2006. Council Tax is not charged for certain classes of properties, such as those lived in only by students.

Creditor

An individual or body to which the Council owes money at the Balance Sheet date.

Current asset

An asset that is realisable or disposable within less than one year without disruption to services.

Current expenditure

Revenue expenditure chargeable against Service *cash limits*, which consists of expenditure under the control of the Service (e.g. staff and supplies). It excludes *below the line* recharges.

Current liability

A liability that is due to be settled within one year.

Current service costs

The increase in the present value of pension liabilities expected to arise from employee service in the current period.

Custodian

A bank that looks after Pension Fund investments, implements investment transactions as instructed by the Fund's managers and provides reporting, performance and administrative services to the Fund.

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D

Damping

Damping is used by the Government to phase the impact of changes to the revenue grant distribution system, to give stability in funding for individual local authorities. It limits the effect these changes have on Council Tax levels and is intended by the Government to give authorities more time to adjust their spending following the changes. Damping of grant is achieved by setting a minimum floor level for the percentage increase in grant, with the cost of providing this additional level of grant met by scaling back the grant allocated to authorities whose percentage increase in grant is above the floor minimum. Prior to 2005/06, ceilings limited the maximum increase, but were removed to allow fast growing authorities to receive greater benefit from increases in grant. Damping has also been introduced in 2006/07 in the *Relative Needs Formulae (RNF)* for children's services and younger adults personal social services to limit losses as a result of introducing new RNF methodologies.

Debt charges

See [Capital financing costs](#).

Debtor

An amount due to be received by the Council within a year of the balance sheet date.

Dedicated schools grant

A ring-fenced specific grant introduced in 2006/07 that provides most of the Government's funding for schools. It covers the same provision as the former Formula Spending Shares for schools.

Deferred capital receipts

These represent amounts derived from the sale of assets which will be received in instalments over agreed periods of time.

Deferred charge

Expenditure which may properly be capitalised but which does not result in the creation of a fixed asset in the Council's books. We are required to write them off in the year in which they are incurred.

Deferred contributions and Government grant accounts

Accounts that reflect the value of fixed assets in the Balance Sheet that are financed by specific Government grants or external contributions.

Defined benefit pension scheme

A pension scheme in which a pensioner's benefits are specified, usually relating to his or her service. <http://www3.hants.gov.uk/pensions.htm>

Demand on the collection fund

Represents the amount calculated by a *billing authority* or *precepting authority* to be transferable from the billing authority's collection fund to its *general fund*.

Democratic representation and management

This includes all aspects of Members' activities such as policy making, governance and the representation of local interests. See [Corporate and democratic core](#).

Deposit

Receipt held that is repayable in prescribed circumstances.

Depreciated replacement cost

This method of asset valuation is used when it is not practical to estimate the open market value for the existing use of a specialised property. The current replacement costs adjusted for depreciation.

Depreciation

The measure of the wearing out, consumption, or other reduction in the useful economic life of a *fixed asset*, whether arising from use, passing of time or obsolescence through technological or other changes.

Developers' contribution

If a development derives special benefit from highway works, developers can be required to contribute towards the costs. They arise mainly as a result of agreements under section 278 of the Highways Act 1980.

DfE

Department for Education.

DFU

Devolved Finance Unit.

Direct payments

Money given to individuals to pay for care services on the basis of a community care needs assessment.

<http://www3.hants.gov.uk/direct-payments.htm>

Direct revenue funding

Capital expenditure may be funded from revenue budgets. This method of funding is known by a variety of acronyms - RCCO (*Revenue Contributions to Capital Outlay*), DRF (*Direct Revenue Funding*), CERA (*Capital Expenditure, Revenue Account*), etc.

Direct service organisation (DSO)

The term Direct Service Organisation was used to cover both Direct Labour Organisations established under the Local Government, Planning and Land Act 1980 and Direct Service Organisations established under the Local Government Act 1988. The relevant parts of the legislation have been repealed and any remaining activities re-designated as Trading Units.

Disabled person's reduction

Under the *council tax*, if a person with a disability needs additional space for a wheelchair to be used indoors, or an extra room to meet special needs, the council tax bill may be reduced to that of a property in the band immediately below the *band* shown on the valuation list.

Discretionary increase in pension payments

This increase arises when an employer agrees to the early retirement of an employee other than for reasons of ill health and agrees to pay pension benefits based on more years than he or she actually worked.

Distributable amount

This is the estimated total amount in the NNDR (National Non Domestic Rates) pool that is available to be distributed to local authorities. The business rates are collected by local authorities and paid into a national pool and then redistributed to all authorities.

District auditor

The external auditor of Hampshire County Council's accounts, responsible, under the direction of the *Audit Commission*, for examining and certifying the Council's accounts.

Dividends

Income to the Pension Fund on its holdings of UK and overseas shares.

Doubtful debt

A debt that the Council may not be able to recover. A provision is made in the accounts for doubtful debts each year based on the value and age of debts outstanding.

DSO

See [Direct service organisation](#).

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E**Earmarked reserves**

Reserves which are held by an authority for specified purposes.

Education standards fund

The Education Standards Fund is the name given to a sub-set of the specific grants allocated to local authorities by the *DfE*. It is used as a means of targeting resources at areas regarded as Ministerial priorities.

Emoluments

Sums paid to employees, including any expenses or non-monetary benefits, which are taxable, but excluding pension contributions made by the employee.

Enterprise zones

Designated areas in deprived towns and cities where businesses can get exemptions from certain taxes, planning rules and other bureaucratic burdens in an effort to stimulate economic growth and create jobs.

Environmental, protective and cultural services (EPCS)

The *relative needs formulae* service block for all services excluding adult services, children's services, police, fire, highway maintenance and capital financing costs.

Equities

Shares in UK and overseas companies.

Equity loan

A lump sum paid to help people buy a home. The loan is only repaid when the property is eventually sold. Repayment is based on the amount that was initially borrowed. For example if the loan represented a third of the value of the home when it was bought, a third of the value of the home will have to be repaid when the home is sold.

Exceptional item

An item identified separately in the *revenue account* because of its exceptional nature to make sure the presentation of the accounts is fair and consistent from year to year. Such an item will always be explained in a Note to the Accounts.

Exempt persons

Under the *council tax*, exempt persons will not be counted when determining the number of adults residing in a dwelling for the purposes of assessing the *single person's discount*. Includes: students, student nurse, apprentices, Youth Training Trainees, patients resident in hospital, care homes, nursing homes, people who are severely mentally impaired, 18 and 19 year olds who are at, or have just left, school.

External audit

External audit has three elements: Examination of the accounts of local authorities and the activities which the accounts reflect. Validation of any claims made for specific grants. Examination of the authority's arrangements to secure economy, efficiency & effectiveness in the use of its resources. See [Audit Commission](#).

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F**Fair value**

The fair value of a *tangible fixed asset* is the price at which an asset could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

Fees and charges

See [Sales, fees and charges](#).

Finance lease

Under this type of lease, the organisation paying the lease is treated as if it owns the goods. It gains the profits that would come with ownership but it also suffers the losses (see [operating leases](#)).

Financial instruments

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

Financial Reporting Standard (FRS)

Accounting standards that govern the treatment and reporting of income and expenditure in an organisation's accounts.

Financial regulation 20

Now Financial Regulation part D section 5.10 Business Units. A County Council regulation that allows delegated budgets under a scheme of local financial management. It applies mainly to schools and internal trading accounts.

<http://www3.hants.gov.uk/finance/rules/financialprocedures.htm>

Financial regulations

These are a written code of procedures set by each local authority which provide a framework for the proper financial management of the authority. Financial Regulations usually cover rules for accounting and audit procedures, and set out administrative controls over the authorisation of payments, etc.

<http://www3.hants.gov.uk/constitution-part3e.pdf>

Financial reporting standard (FRS) 17

FRS 17 requires all local authorities (and others) to show the true cost of pensions earned by the staff of each Service as part of the Cost of Services and to recognise the net liability for future pensions earned in the Balance Sheet. This is effected by a series of *below the line* transfers upon the advice of our Actuary.

Fixed asset

An asset that yields benefits to the local authority and the services it provides for a period of more than one year.

Fixed asset restatement account

This account represents the difference between the current valuation of an authority's assets (which have to be re-valued at least every five years) and their historic cost.

Fixed costs

There is a separate *relative needs formulae* (RNF) allocation for each authority's fixed costs, which are defined by the Government as the element of an authority's costs which does not vary with the size of the authority. This mainly consists of the costs of the corporate and democratic core of an authority, sometimes described as "the costs of being in business, not the costs of doing business". For county councils, the amount included within RNFs for fixed costs is £325,000.

Floors

A method by which stability in funding is protected through limiting the effect of wide variations in grant increase. A floor guarantees a minimum fixed level of increase in grant. Prior to 2005/06, ceilings limited the maximum increase, but have now been removed allowing fast growing authorities to benefit in full from increases in grant. To pay for the floor, the grant increases of authorities who are above the floor are scaled back (damping) by a fixed proportion.

Formula grant

Comprises *revenue support grant* redistributed business rates and, for police authorities, the police principal grant.

Four-block model

The system for calculating *Formula Grant* introduced by the Government in 2006/07, consisting of four block for Relative Needs, Relative Resource, Central Allocation and Floor Damping.

Full year revenue effects

The cost chargeable to revenue in a full year for capital schemes or revenue changes beginning part way through a year.

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G

GDP Deflator

The GDP (*Gross Domestic Product*) implied deflator is a measure of the change in prices of all new, domestically produced, goods and services in an economy. It reflects the movements of hundreds of different price indicators (especially of wages and profits) for the individual components of GDP.

Gearing

A measure of the impact on council taxes of increasing budgets. This varies widely between local authorities. An authority that meets 25% of its budget through council tax is said to have a gearing of 4.0. Therefore, a 1% increase in budget would lead to a 4% increase in council tax. A high gearing ratio undermines local accountability.

General fund

The General Fund is the main revenue fund from which the Cost of Services is met. Various local authorities are also required to maintain other Funds, e.g. the Housing Revenue Account, the Collection Fund and the Pension Fund. Income and expenditure transactions are recorded in the *revenue account* and various (often substantial) reserve account movements are accounted for in the Statement of Total Movement in Reserves before the *general fund balance* is struck..

General fund balance

The accumulated credit balance on the *general fund*. It is the excess of income over expenditure in the *revenue account* after adjusting for movements to and from reserves and other non-cash items. This balance is needed as a cushion against unforeseen events.

General government grant

See [Revenue support grant](#).

General grant

There are no restrictions on how this grant is spent. This includes *revenue support grant*, redistributed *national non-domestic rates*, police grant allocated under principal formula and *settlement working group* reduction grant.

Government grant and deferred contributions account

An account that contains specific Government capital grants or external contributions remaining to be written out to revenue over the life of the assets they are financing.

Government grant released

The credit to revenue from Deferred contributions and Government grants when the corresponding fixed asset is depreciated or disposed of.

Government grants (Capital accounting)

Grants from the Government and Government agencies towards individual capital schemes or more general Service capital expenditure. They are credited to the government grants and deferred contributions account as the relevant expenditure is financed. See also Government grant released.

Grant taxbase

The *taxbase* used by the Government for the distribution of RSG (Revenue Support Grant). It uses figures returned by District Treasurers, which take no account of estimated losses on collection, etc.

Grants

Sums of money given to a charity, organisation or individual, usually from some kind of grant making body such as a charitable foundation or government department. A grant is different to a donation in that it is usually applied for along strict criteria drawn up by the grant make that the applicant must adhere to in order to receive the money.

Gross domestic product (GDP)

The total value of all goods and services produced within that economy during a specified period.

Gross expenditure

The total cost of providing the Council's services before deducting income from Government grants, or fees and charges for services.

Growth

A variation in *revenue expenditure* from the *original budget* which is not attributable to inflation. This can be positive or negative.

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H

Hedge fund

A specialist fund that seeks to generate consistent returns in all market conditions by exploiting opportunities resulting from inefficient markets.

Hereditament

Property which is or may become liable to National Non-Domestic Rates, and thus appears on the rating list, compiled and maintained by the Valuation Office Agency of the Inland Revenue.

Historical cost

The amount originally paid for a fixed asset.

Housing benefit

Financial help given to local authority or private tenants whose income falls below prescribed amounts. Central government finances about 95% of the cost of benefits to non-HRA tenants ('rent allowances') and the whole of the cost of benefits to HRA tenants (through the rent rebate element of housing subsidy). Some local authorities operate 'local schemes' whereby they finance allowances in excess of the standard payments.

Housing revenue account (HRA)

An account of expenditure and income that every local housing authority must keep. The account is kept separate or ring-fenced from other council activities.

Hypothecated grants

See [Ring fencing](#).

Hypothecated tax

A tax that is raised for spending on a specific purpose - perhaps going to war or improving health services - rather than general spending by the chancellor.

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I

Impairment loss

A loss arising from an event that significantly reduced an asset's value. Examples are physical damage, such as a major fire, or a significant decline in the asset's market value during the year.

Imprest

An imprest account is another expression for petty cash account, held by an establishment for the purchase of small items.

Indicators

In this Context, information used in the calculation of *Relative Needs Formulae*, such as population, numbers of school children, numbers of elderly people or lengths of road.

Infrastructure assets

Fixed assets that cannot be taken away or transferred, and whose benefits can only be obtained by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

Intangible assets

For Local Authorities these are purchased rights such as software licences that convey benefits for more than one year.

Internal audit

The Accounts & Audit Regulations require all local authorities to maintain an adequate & effective internal audit service. Internal audit is primarily an aid to the management of a local authority securing economy, efficiency & effectiveness in the use of its resources and in the prevention & detection of fraud.

<http://intranet.hants.gov.uk/ctdept/auditservices/statutoryinternalaudit.htm>

Internal recharge

Charge made by one part of the Council to another.

Internal trading account

A service within the Council that operates on a trading basis with other parts of the Council.

International Financial Reporting Standards (IFRS)

International accounting standards that govern the treatment and reporting of income and expenditure in an organisation's accounts, which came fully into effect from 1 April 2010.

Intra vires

Any activities Local authorities undertake must be supported by specific legal powers or duties, so they must act within their powers. (Latin for "within its powers").

Investment properties

Interest in land and/or buildings; in respect of which construction work and development have been completed, and which is held for its investment potential, any rental income being negotiated at arm's length.

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J

Joint arrangements

Refers to the transfer of money between one local authority and another, as distinct from joint finance arrangements between local authorities and health authorities. This includes situations where two or more authorities join by finance in an enterprise, or when one authority carries out work on behalf of another.

Joint finance

Pump-priming funds available from health authorities to provide initial finance for joint projects with local authorities and voluntary organisations. It is gradually withdrawn over a period of years with funding for most schemes being picked up by the County Council.

Joint funding

Where two or more agencies, for example, health and social services, agree to share the cost of running a project or service.

Joint investment plans

Plans for purchasing care services jointly, produced by health authorities and local authorities as well as other key agencies and representatives of service users and carers.

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K

Key decision

A decision that involves significant amounts of expenditure or saving (over £0.5m), or which affects two or more local government wards. Executive Members have to give advance warning that they are making these decisions, and must make them in public.

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L

Landfill Allowances Trading Scheme (LATS)

The LATS allocates tradable landfill allowances to each of the waste disposal authorities (WDA). These allowances can be used for disposal of biodegradable waste or sold to other WDAs.

Large scale voluntary transfer (LSVT)

Transfer of council housing stock to registered social landlords.

Leases

A lease is a contract for the hire of a specific asset. The lessor owns the asset but conveys the right to use the asset to the lessee for an agreed period of time in return for the payment of specified rentals. Leases may be either operating leases or finance leases.

Levy

A levy is an amount of money a local authority is compelled to collect (and include in its budget) on behalf of another organisation. The levying body may be a Government agency (such as the Environment Agency) or a local body such as a National Park. The main difference between a levy and a precept is that the latter appears as a separate item on the Council Tax bill.

Loans pool

Maintained by the County Council to manage its external borrowing on an overall basis, rather than borrowing for individual capital projects. Advances are made to service committees to fund capital expenditure and are repaid to the pool with interest over a period of years.

Local area agreement (LAA)

An agreement between partners in Hampshire and the Government to improve lives and conditions in Hampshire communities. It is an opportunity to strengthen partnership working and to work with the Government to achieve greater flexibility around funding and remove barriers to delivery. LAAs were introduced in 2004, they allowed councils with their local partners to define their own priorities and select 35 of the most appropriate targets from a set of national performance indicators. LAAs were abolished on 14 October 2010.

<http://www3.hants.gov.uk/localareaagreement.htm>

Local authority class

There are a number of different types of local authorities, which are often grouped into eighteen administrative classes that reflect the range of functions and statutory responsibilities that they discharge.

Local government finance report

This is the formal document that sets out the detail of each year's Local Government Finance Settlement.

Local government finance settlement

The Local Government Finance Settlement is the annual determination of Formula Grant distribution as made by the Government and approved by Parliament. It includes the totals of Formula Grant; how that grant will be distributed between local authorities; and the support given to certain other local government bodies. The provisional settlement is announced by the Government for consultation in late November or early December. The consultation period ends in early January and the final settlement figures are announced in late January.

Local government finance statistics

Local authorities are required to complete a lengthy list of statistical forms for Government use. Most of the financial returns are submitted to the Local Government Financial Statistics Division of the DCLG. Among other uses, summaries of the information collected at national or local authority class level are published in the annual Local Government Finance Statistics compendium.

Local Government Pension Scheme (LGPS)

The LGPS is a nationwide scheme for employees working in local government or working for other employers participating in the Scheme and for councillors.

Local precepting authority

Parish councils, chairmen of parish meetings, charter trustees and treasurers of the Inner and Middle Temples. These are some of the local authorities, which make a precept on the billing authority's general fund and classed as local precepting authorities due to their size and locality.

Local public service agreements (LPSAs)

Agreements between local authorities and central government, under which councils are rewarded with extra funding in return for achieving objectives. Targets are based on a mix of national and local priorities, and in return for achieving them councils are to be given greater freedoms and flexibility, plus financial rewards worth 2.5% of council budgets. The funding available to meet claims for performance reward grant was reduced in June 2010 due to central government's priority of tackling the large budget deficit.

Local strategic partnership (LSP)

Initiative to ensure cooperation between public agencies, voluntary groups and businesses in the regeneration of deprived neighbourhoods.

Long-term asset

A fixed asset that may be held indefinitely for the provision of services or is realisable over a longer period than one year.

Long-term borrowing

A loan repayable more than one year from the balance sheet date.

Long-term debtor

Amount owed to the Council that is not due for payment within one year from the balance sheet date.

LPSAS

See [Local public service agreements](#).

LSP

See [Local strategic partnership](#).

LSVT

See [Large scale voluntary transfer](#).

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M

Major precepting authority

The authorities with the largest precept on the billing authority's collection fund, ie county councils, metropolitan county police, fire and civil defence authorities and the Greater London Authority.

Minimum revenue provision (MRP)

The minimum amount which must be charged to the *revenue account* each year and set aside as provision for repaying external loans and meeting other credit liabilities. See [Capital financing requirement](#).

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N

National business rates

Charges collected by district councils from non-domestic properties, at a national rate in the £ set by the Government. The proceeds are pooled nationally and redistributed to areas in proportion to their population.

National non-domestic rates (NNDR)

These rates, are the means by which local businesses contribute to the cost of providing local authority services. All business rates are paid into a central pool. The pool is then divided between local authorities depending on the number of residents in each authority's area.

National non-domestic rates multiplier

The multiplier is a key factor in the calculation of a rates bill. It is set annually by central government and determines the percentage (expressed as pence in the pound) of the rateable value of your property that you will pay in business rates.

NDPB

See [Non-Departmental Public Bodies](#).

Neighbourhood renewal fund

A programme to help the most deprived areas in the country. It is aimed at kick-starting regeneration initiatives and helping to reduce crime, inequalities and improving services.

Net assets

The amount by which assets exceed liabilities (same as net worth).

Net assets statement

A statement showing the net assets of the pension fund.

Net current liabilities

The amount by which current liabilities exceed current assets.

Net current replacement cost

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, ie the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net expenditure

Gross expenditure less fees and charges for services and *specific grants* but before deduction of *revenue support grants* and *national non-domestic rates*.

Net operating expenditure

Expenditure net of income but before allowing for contributions to and from reserves, revenue financing of capital and contributions from the *Capital Financing Account*.

Net realisable value

The open market value of the asset in its existing use (or open market value in the case of *non-operational assets*), less the expenses to be incurred in realising the asset.

Net revenue expenditure

Gross expenditure less fees and charges for services and specific grants but before the deduction of revenue support grant and national business rates.

Net taxbase

The *taxbase* further adjusted, by District Councils, for expected losses on collection, losses on valuation appeals, growth, etc.

Net total cost

Gross total cost less income including sales, fees and charges and all specific grants (ie all grants except general grants).

Net worth

The amount by which assets exceed liabilities (same as net assets).

NNDR

See [National non-domestic rates](#).

Non distributed costs

Overheads from which no current user benefits and which therefore are not charged to services. An example is the extra pension costs caused by early retirement.

Non-departmental public bodies (NDPB)

An organisation that is not a government department but which has a role in the processes of national government, these include organisations such as the Sports Council, English Heritage and the Countryside Commission.

Non-domestic rates

See [National non-domestic rates](#).

Non-operational assets

Tangible fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are under construction or surplus to requirements.

Notional amount

This is the base amount for measuring some authorities' budget increase for capping purposes. It is an estimate of what the previous year's budget requirement would have been if the authority had the same boundaries and functions as it will have in the year for which the *Relative Needs Formulae* is calculated.

November price base

The former budgeting method which expressed estimated County Council expenditure on a price basis which included inflation up to the November of the preceding year. The effects of inflation from then to the out-turn of the year in question were assessed centrally and released later from the central contingency. This method is considered essential in times of high inflation in order to be equitable between activities that may have markedly different inflation rates.

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O

Objective analysis

There are two basic ways of breaking down budgets or spending figures into more detailed components:

by reference to the type of establishment or activities the figures relate to - known as objective analysis,

or by reference to the type of inputs the figures relate to - known as subjective analysis.

Office for national statistics (ONS)

Is the government agency responsible for compiling, analysing and disseminating many of the United Kingdom's economic, social and demographic statistics including the Retail Price Index, trade figures and labour market data as well as the periodic census of the population and health statistics.

<http://www.ons.gov.uk/>

Ombudsman

Protects the rights of the individual against injustice caused by local authority maladministration without resorting to full-blown judicial review by the courts.

<http://www.lgo.org.uk/>

ONS

See [Office for national statistics](#).

Operational assets

Fixed assets held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Operating Leases

A lease other than a *finance lease*. An operating lease is a lease whose term is short compared to the useful life of the asset or piece of equipment being leased. An operating lease is commonly used to acquire equipment on a relatively short-term basis.

Original budget / Original estimate

A term used to describe the budget set by the County Council in the February previous to each financial year. It is used once the financial year has begun to distinguish it from the *revised budget*. Follows from the *base budget*, but allows for *growth* (or savings) and other variations.

Outturn prices

The method of budgeting which expresses County Council expenditure on a price basis which includes estimated inflation to the end of the financial year (31 March).

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P

Past service cost

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

Payment in advance

A balance sheet accrual that relates to a service due to be received in a future financial year.

Pension funds

Financial institutions, administered by trustees, that invest employers' and employees' pension contributions in order to provide pensions for employees on their retirement and pensions for employees' dependants in the event of death of the employee. The Local Government Pension Scheme consists of 81 pension funds that provide pensions for most local government workers in England, excluding teachers, police and fire fighters.

Performance indicators

A Performance Indicator is a simple measure of some aspect of local authority activity. It may be the level of service provided by a local authority or of the cost per unit of service delivered or the cost per head of population. The previous Government introduced a reduced set of national performance indicators in 2008/09. From April 2011 the national indicator set will be abolished and replaced with a reduced set of data requirements.

Pooled budget

Partners contribute a set amount of money to form a separate budget. The purpose and scope of the budget is agreed at the outset and then used to pay for relevant services and activities.

Post Balance Sheet event

Events that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

Precept

The demand made by the County Council on the collection funds maintained by the district councils for council taxpayers' contribution to its services.

PPP

See [Public private partnership](#).

Precept

This is the demand of Council Tax income that councils need to provide their services. The amounts for all local authorities providing services in an area appear on one Council Tax bill, which comes from the billing authority who maintains the collection funds.

Precepting authority

This is an authority that sets a precept to be collected by *billing authorities* through the Council Tax bill. County councils, police authorities, the Greater London Authority and joint fire authorities are known as major precepting authorities. Parish councils are known as local precepting authorities.

Price base

There are two ways of allowing for future price rises when preparing budgets or forecasts:

- (1) on a constant price base (to forecast spending assuming that prices remain constant and to make a separate assessment of the effect of future inflation);
- (2) on an out-turn price base (to include an assessment of the effect of future price rises within forecasts for spending on every single budget item).

Private equity

Mainly specialist pooled partnerships that invest in private companies not normally traded on public stock markets – these are often illiquid (i.e. not easily turned into cash) and higher-risk investments that should provide high returns over the long term.

Private Finance Initiative (PFI)

Contracts typically involving a private sector entity (the operator) constructing or enhancing property used in the provision of a public service, and operating and maintaining that property for a specified period of time. The operator is paid for its services over the period of the arrangement.

Procurement

The process of buying in goods or services from an external provider. Covers everything from determining the need for new goods to buying, delivering and storing them.

<http://www3.hants.gov.uk/procurement.htm>

Projected unit actuarial method

One of the common methods used by actuaries to calculate a contribution rate to the LGPS, which is usually expressed as a percentage of the members' pensionable pay.

Provisions

A charge to the cost of services for liabilities that are known to exist, but that cannot be measured accurately.

Prudential borrowing

New regime for council borrowing that has replaced central government deciding how much debt a local authority can run up. The scheme provides councils with much more freedom to decide how much they can afford to borrow.

Prudential capital finance system

This is the informal name for the system introduced on 1 April 2004 by Part 1 of the Local Government Act 2003. It allows local authorities to borrow without Government consent, provided that they can afford to service the debt from their own resources.

Prudential code (The)

A code of practice issued by CIPFA/LASAAC under the Local Government Act 2003 that enables local authorities to regulate their capital programmes by means of a set of Prudential Indicators.

Public sector borrowing requirement (PSBR) or public sector net cash requirements

Renamed the public sector net cash requirements, it sets out the difference between government expenditure and income. Also used to restrict the borrowing of public sector agencies such as local authorities, unlike more flexible accounting conventions in Europe.

Public sector net borrowing

A concept based on internationally agreed definitions. It measures the change in the public sector's accruing net financial indebtedness. It is an accrual concept, whereas the closely related net cash requirement is almost entirely a cash measure. It is the government's preferred measure of the short term impact of fiscal policy.

Public sector net debt

This consists of the public sector's financial liability at face value minus its liquid assets, mainly foreign exchange reserves and bank deposits.

Public service agreements (PSA)

Agreements between local authorities and central government, under which councils are rewarded with extra funding in return for achieving set objectives. See [local area agreements](#).

http://intranet.hants.gov.uk/policy-unit/chief_execs-policyunit-publicserviceagreement.htm

Public works loan board (PWLB)

This is a central government agency that provides loans to local authorities at a slightly higher rate than the Government is able to borrow. In most cases, the interest rates offered are lower than local authorities can achieve in the open market. The amounts and purposes for which PWLB loans can be obtained are tightly controlled by the Government.

Public private partnership (PPP)

A joint venture where the private sector partner agrees to provide a service to a public sector organisation. The PFI is one form of a PPP.

PWLB

See [Public works loans board](#).

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Q**Quango**

A body which has a role in the processes of national government, but is not a government department or part of one, and which accordingly operates to a greater or lesser extent at arm's length from Ministers.

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R**Realised capital resources**

Usable capital resources arising mainly from the disposal of fixed assets.

Receipt in advance

Receipt that will be matched to expenditure in a future financial year.

Receipts taken into account (RTIA)

The RTIA deduction represents the amount of capital expenditure that the Government considers reasonable for the local authority to finance from accumulated capital receipts.

Receiving authorities

These are the 432 authorities that are eligible to receive Revenue Support Grant.

Recharge

Recharge is used to describe an internal charge to or from another part of the County Council. It does not add to the council's total income and expenditure.

Recoupment

This term is used as a form of shorthand to describe payments made by one local authority to another in return for the education of pupils that are the responsibility of the first authority but are actually being educated by the second.

Regional venture capital fund

Provides funding of up to £500,000 to help small and medium sized enterprises develop their business. The fund was established by the government to tackle an "equity gap" at the lower end of the market that leaves smaller businesses without access to venture capital money. It relies heavily on private sector funding and is run on a commercial basis.

Regions

This refers to the nine government office regions. For example Hampshire is in the South East region.

Related companies

A company in which the Council has an interest.

Relative needs formulae (RNF)

One component of the *Four-Block Model* introduced by the Government in 2006/07, intended to equalise spending needs between local authorities. Formulae similar to those previously used in Formula Spending Shares (FSS) are used to assess the local authorities' relative need to spend. The results, however, are expressed as fractions of total spending in England, instead of as monetary values. For example, the County Council's RNF for social services for older people for 2007/08 is 0.002104997791731. The formulae used to calculate the RNF factors are based on an amount per client with top-ups for deprivation and other additional costs including the *Area Cost Adjustment*.

Related party during the financial period

Two or more parties are related when:

- one party has direct or indirect control over the other party
- the parties are subject to common control from the same source
- one party has influence over the financial and operational policies of the other party to the extent that the other party may not be able to pursue its own interests at all times
- influence from the same source results in one of the parties entering into a transaction that is against its own separate interests.

Relative resource amount

A component of the *Four-Block Model* introduced by the Government in 2006/07, intended to equalise resources between local authorities. It reflects the different capacity of local authorities to raise income from the *Council Tax*. It is a negative amount in the calculation of the Four-Block Model, with those authorities with higher levels of Council Tax resources having a higher negative Relative Resource Amount.

Reserve

The Council's reserves fall into two categories. The 'unearmarked' reserve is the balance on the General Fund. An 'earmarked' reserve is an amount set aside in the Council's accounts for specific purposes.

Reserves (Earmarked)

These are amounts set aside by the Council for specified purposes which can be used to finance spending on these purposes in future years.

Residual life

The assumed remaining life of a fixed asset used in calculating the depreciation charge.

Resource equalisation

The way in which the formula grant distribution system takes account of councils' relative ability to raise council tax.

Retail price index (RPI)

Is the main domestic measure of inflation in the UK. It measures the average change in the prices of goods and services purchased by most households in the UK. It is also the measure of inflation used by the government to set benefit and tax allowance levels and to regulate council and housing association rents.

Revaluation reserve

Records unrealised net gains from asset revaluations made after 1 April 2007.

Revenue account

An accounting record of the *revenue expenditure* and income (from fees, charges and government grants) of the authority. It does NOT include capital financing expenditure or transfers to/from reserves.

Revenue contributions to capital

Use of revenue funds to finance *capital expenditure*. It is not subject to central government controls on capital and so permits higher capital spending levels but it does count against capping limits on the County Council's PRECEPT. Also known as *Revenue Contributions to Capital Outlay (RCCO)* and *Capital Expenditure charged to the Revenue Account (CERA)*.

Revenue contributions to capital expenditure

Use of revenue funds to finance capital expenditure.

Revenue contributions to capital outlay (RCCO)

See [Direct Revenue Funding](#).

Revenue expenditure

The operating costs incurred by the authority during the financial year in providing its day to day services. Distinct from *capital expenditure* on projects which benefit the authority over a period of more than one financial year.

Revenue implications of the capital programme

Defined for Hampshire County Council purposes as the impact on revenue expenditure of capital expenditure. This falls into two categories:

- i) *Current expenditure*, which includes revenue items resulting directly from the capital scheme, such as staffing and premises running costs.
- ii) *Capital financing costs*, which result if a scheme is financed by loans or finance leases.

Revenue support grant (RSG)

A Government grant forming part of the *Formula Grant* alongside the redistributed business rates and the police principal grant.

Revised budget

A review and monitoring statement of the authority's anticipated spending by the end of the financial year. Agreed by the Services Executive Members and Cabinet, the Revised Budget is included in the Budget book for the following year. It is constructed from the *original budget* for the year and virements to adjust for known under or overspending within the overall *cash limit* for the Service.

Ring-fenced grant

A grant paid to local authorities which has conditions attached to it that restrict the purposes for which it may be spent.

Ring-fencing

The government's practice of earmarking for national priorities parts of the funding it gives organisations such as councils and hospitals - effectively telling those organisations how to spend some of their money. At present, money is ring-fenced for spending in areas such as mental health and education.

RNF

See [Relative needs formulae](#).

RSG

See [Revenue support grant](#).

RTIA

See [Receipts taken into account](#).

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S

Salary increment

An increase to an employee's salary within a given grade according to set criteria.

Sales, fees and charges

Charges made to the public for a variety of services such as the provision of school meals, meals-on-wheels, letting of school halls and the hire of sporting facilities, library fines and planning application fees.

SAP (Systems, applications and products in data processing)

The fourth largest software company in the world. Supplier to the County of our Enterprise Resource Planning system that runs all our accounting, HR/payroll and procurement activities.

SCA

See [Supplementary credit approval](#).

Scheduled bodies

These are organisations that have a right to be in the LGPS.

Second homes discount

Billing authorities have been able to reduce the *council tax* discount given to owners of second homes from 50% to 10% from 1 April 2004. The additional council tax income raised is shared between local authorities in the area in proportion to their precepts.

Section 114 notice

Issued by council finance officials when they believe that their organisation's bank balance will go into deficit by the end of the financial year, incur unlawful expenditure or an unlawful item of account. This notice freezes spending until councillors meet to decide on corrective action.

Section 137 expenditure

A Section of the Local Government Act 1972. This Section gave local authorities the power to undertake a limited amount of expenditure on activities which it considered "will bring direct benefit to the area, or any part of it or all or some of its inhabitants.". For County Councils, this limit was

£1.90 per head. Most of this power has been repealed and replaced with a "well being" power in the Local Government Act 2000 but it does still apply to contributions to charities and similar bodies.

Section 151 officer

Legal requirement that councils must appoint a named accountant to give them financial advice. The accountant in question is usually a local authority chief finance officer, director of finance or treasurer.

Section 251 statement

Local authorities are required under section 251 of the Apprenticeships, Skills, Children and Learning Act 2009 to prepare and submit annually to the Secretary of State separate budget and outturn statements about their planned and actual expenditure for their education and children's social care functions.

Service concession

Contracts typically involving a private sector entity (the operator) constructing or enhancing property used in the provision of a public service, and operating and maintaining that property for a specified period of time. The operator is paid for its services over the period of the arrangement.

Service level agreement (SLA)

Internal agreement between the provider and user of a service setting out the service to be provided and the associated charges.

Service working group

These are groups in which Central Government discusses spending pressures faced by local authorities in respect of a specific service (eg Children's Services or Adult Social Care) with local authority representatives.

SETS

Stock Exchange Trading Service – a service provided by the Stock Exchange, enabling shares to be bought and sold electronically.

Settlement

The *Local Government Finance Settlement* is the annual determination made in a Local Government Finance Report to the House of Commons in respect of the following year's level of *revenue support grant* and *non domestic rates* to be distributed to local authorities.

Settlement working group

This is the committee in which Central Government discusses spending pressures faced by local authorities with their representatives.

Short term investments

An investment that is readily realisable.

Single capital pot

The Government is working towards a simplified system of allocating capital funding. This is known as the Single Capital Pot (SCP).

Single regeneration budget

The Single Regeneration Budget is a major grant programme which supports a wide variety of economic, environmental and social schemes. The SRB was created in 1994 by consolidating several different grant programmes into one.

Single person's discount

The full *council tax* bill assumes that there are two adults living in a dwelling. If only one adult who is not an *exempt person* lives in a dwelling (as their main home), the bill will be reduced by a discount of 25%.

SLA

See [Service level agreement](#).

Slippage

The usual context is of a delay in the progress of a capital scheme from the start date and payments flow originally allowed for in the capital programme. It occasionally refers to the financial implications of a delay in implementing a new revenue policy.

Special interest group

An organized group that does not put up individuals for election, but seeks to influence government policy or legislation representing authority's interests. Although the Local Government Association attends meetings and participates in the *Settlement Working Group*, the LGA is obliged to remain neutral on distributional issues. However, individual authorities are free to make submissions to the Settlement Working Group Sub-Group, usually through Special interest groups.

Specific and special grants

Specific formula grants, targeted or ring-fenced grants are sometimes referred to as specific or special grants. A specific grant is paid under a specific legislative power whereas a special grant uses a general power to pay grants to councils.

Specified body

This is the term used for bodies (such as the Local Government Improvement and Development Agency and the National Youth Agency) that are directly funded from *Revenue Support Grant*, and that centrally provide services for local government as a whole.

Spending review

The Spending Review is an internal Government process in which the Treasury negotiates budgets for each Government Department. The period covered by each Spending Review is three years.

Stakeholders

People who have an interest in an organisation, its activities and its achievements, including customers, partners, employees, shareholders, owners, government and regulators. Modern consultation is usually "stakeholder focused".

Standing orders

These are a set of rules adopted by each local authority setting out the procedures by which it will conduct its business. Standing Orders will cover subjects such as the tendering of contracts and the proper financial administration of the local authority. The detailed arrangements for financial administration may be contained in a separate set of Financial Regulations.

<http://www3.hants.gov.uk/constitution-part3f.pdf>

Starts

See [Capital starts](#).

Stocks

Goods that are acquired in advance of their use in the provision of services or their resale. At the year-end stocks are a current asset in the balance sheet and they will be charged to Revenue in the year they are consumed or sold.

Straight-line basis

Dividing a sum equally between several years. Method of Depreciation.

Structural and cohesion funds

European Union's main method for supporting social and economic restructuring across the EU, aimed at regenerating the most deprived parts of the European Union. The funds can be used for a wide range of projects, including new businesses, infrastructure, training and job creation. Governments have to match the EU's investment to take full advantage of the money.

Subjective analysis return (SAR)

The Subjective Analysis Return breaks down local authority budgets by reference to the type of inputs the budgets relate to, e.g. salaries, pension costs, rents etc. This return is completed by a sample of authorities each year.

Supplementary credit approval (SCA)

Central Government authorisation for a local authority to finance capital expenditure on a particular service or project by any form of credit arrangement, such as loans or finance leasing.

Support service costs/charges

Expenditure on administrative and professional services and office accommodation, which is recharged to service users on a specified basis. Formerly known as *central establishment charges*. (See [above the line](#)).

Supporting People

The Supporting People initiative is intended to cut through artificial funding barriers that are currently hampering efforts to provide support services that enable people to live independently in their own homes.

Surplus on current budget

A national term meaning the balance of current revenue over current expenditure. The surplus on current budget therefore represents the surplus available for investment.

Sustainable investment rule

This is a fiscal rule which requires that public sector net debt, as a proportion of *Gross Domestic Product* (GDP) will be held, over the economic cycle, at a stable and prudent level.

SWOT

Strengths, Weaknesses, Opportunities, Threats - analysis used to aid strategic and business planning.

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T**Tangible fixed assets**

Physical assets that yield benefits to the local authority and the services it provides for a period of more than one year.

Targeted grant

A type of ring-fenced grant which has conditions attached which specify a broad outcome.

Taxbase

The total number of properties within the local authority area expressed in terms of *band D* equivalents, incorporating *single person discounts* and deductions for *unoccupied dwellings* and dwellings where only *exempt persons* live, and the *disabled person's reduction*.

Temporary capital borrowing limit (TCBL)

The Temporary Capital Borrowing is part of the Government's capital control regime over local authorities. The TCBL allows local authorities to borrow to finance capital expenditure which is due to be reimbursed by grant or contributions from outside bodies (although not the EU), but which has not yet been reimbursed. This temporary borrowing is limited to no more than 18 months.

Total cost

See [Total gross cost](#) and [Net total cost](#).

Total gross cost

Includes all expenditure relating to a service/activity, including employee costs, expenditure costs, expenditure relating to premises and transport, supply and services, third party payments, transfer payments, support services and capital charges. Specifically it includes capital charges calculated in accordance with existing capital accounts guidance, but with certain aspects changed.

Total gross expenditure

Gross spending, taking all local authority accounts together (except pension funds), after eliminating double counting of flows between services, accounts and other authorities, where this is possible.

Total net assets

The amount by which total assets exceed total liabilities (same as net worth).

Trading account

Statement which brings together income and expenditure details for a separately costed area of activity such as an Internal Trading Unit.

Trading services

Local authority services, which are, or are generally intended to be, financed mainly from charges levied on the users of the service.

Transferee admitted body

A method by which employees who have been transferred to an employer outside the LGPS are permitted to remain as active members in the Scheme (that is, when a local authority outsources services to a private-sector company).

Transferred debt

Debt serviced by bodies that are independent of the Council following the transfer of services formerly provided by the Council.

Transfer value

The value of an employee's pension rights transferring from one pension scheme to another.

Trust fund

A fund set up under a trust deed in which the Council is a trustee. These are accounted for outside the County's accounts in a separate *SAP Company code*.

Turnover

Typically refers to staff turnover. The financial effect of staff changes, which result in periods during which posts are vacant and frequently means that a new appointment is on a lower point in a given salary scale than the previous holder.

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U**Ultra vires**

All activities local authorities undertake must be supported by specific legal powers or duties. Acts undertaken which are not supported by such legal powers are referred to as "ultra vires" (Latin for "beyond powers").

Unallocated reserve

The General Fund Balance which may be used for any purpose in future years.

Undischarged obligations

Spending that the Council has committed itself to but that will be incurred in future years.

Unhypothecated grant

See [General grant](#).

Unoccupied dwellings

There is no *council tax* on some unoccupied dwellings, such as temporarily empty properties. Owners of second homes can often get a 10% discount.

Unrealised capital resources

Capital resources that are not available for use because they are employed in supporting the ownership of fixed assets.

Useful life

The period over which the local authority will derive benefits from the use of a *fixed asset*.

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V**Valuation bands**

See [Bands](#).

Virement

The transfer of resources from one budget head to another, within the limits set by financial regulations.

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W

Whole of Government accounts (WGA)

A Treasury scheme to amalgamate the accounts of all UK local and public bodies into a national consolidated set of accounts. Each body has to return a pro forma based on their audited published accounts and identify their major transactions with the other bodies.

Working group on Local Government Financial Statistics

This is a group in which Central Government discusses the format and content of the financial returns which are required from local authorities with their representatives.

Work in progress

A product or service that is incomplete at the end of the year and is due to be recharged to an external body.

Write-off

Elimination of an asset or liability by means of charging or crediting to the consolidated revenue account.

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