

Glossary of terms

This glossary describes the meaning of some of the technical words and phrases which appear in this book. The descriptions given are in the context in which the words and phrases are used in financial management at Cheltenham Borough Council and may not exactly match dictionary definitions.

Actual expenditure/income

This is the transactions which have been charged or credited in the Council's accounts

Budget

The Council's General Fund revenue budget is an estimate of the level of annual expenditure required to provide the public services detailed throughout this book

Budget requirement

The estimated revenue expenditure on general fund services that needs to be financed from council tax after deducting income from fees and charges, certain specific grants and any funding from reserves.

Capital

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

Capital charges (net)

Charges to service revenue accounts to reflect any of the following:

- A depreciation charge for assets (over their useful life) used in the provision of services
- Deferred Charges which occur when either a payment of a capital nature is made and no asset is created e.g. Improvement Grants or expenditure incurred on an asset not directly owned by the council e.g. Sports Centre Sites
- Debt Management Expenses which are the costs related to the management of the Council's external debt

CIPFA

Chartered Institute of Public Finance and Accountancy. Most accountants who work in local authorities are Chartered Public Finance Accountants. The Institute liaises with the DETR in relation to the gathering and collation of statistical information, publishes accounting requirements and accounting standards.

Contingency

Money set aside in the budget to meet the cost of unforeseen items of expenditure or shortfalls in income.

Corporate support

Recharges from centralised support service providers, for example, Legal Services, Financial Services, etc.

Directorate management and support

Recharges from departmental support service providers, for example, Leisure Services administration and Director and support staff costs.

Employees

All expenditure relating to Council employees including direct salary costs, staff training and insurances etc.

Estimates

The amounts which are expected to be spent, or received as income, during an accounting period. The term is also used to describe detailed budgets, which are either being prepared for the following year, or has been approved for the current year.

General fund

This is the main revenue account of a local authority, from which day to day spending on its services is met

Gross expenditure

The total cost of providing the Council's services before taking into account income from government grants and fees and charges for services.

Growth

Any increase in spending from one year to another which enables the Council to pay for more services (staff, goods etc) rather than to meet higher costs.

Housing Revenue Account

The Housing Revenue Account (HRA) records day to day income and expenditure on the landlord functions which arise in connection with the provision of housing.

Inflation

This is the amount by which pay and prices increase. An allowance for inflation is included each year in the Council's original General Fund budget, i.e. the original budget is prepared at outturn prices.

Net expenditure

Gross expenditure less specific service income, but before deduction of revenue support grant

Non-domestic rate (NDR)

A levy on businesses based on a national rate in the pound set by the government multiplied by the "rateable value" of the premises they occupy. NDR is collected by the Council on behalf of central Government and then redistributed among all local authorities and police authorities on the basis of population. Also known as "Business Rates" the "Uniform Business Rate" and the "National Non-Domestic Rate".

Original budget/original estimate

The estimate for a financial year approved by the Council before the start of the financial year.

Precept

APPENDIX E

The levy made by all authorities (the county council, police authority, district and parishes) on the Collection Fund to provide the required income from charge payers on their behalf.

Premises

Premises expenditure is directly related to the running of buildings, and land for example, repairs and maintenance, rents, rates, electricity and cleaning etc.

Provisions

Provisions and reserves are both methods of earmarking funds to finance expenditure which will be incurred at some time in the future. They are, however, used in quite different circumstances and require very different accounting treatment.

A provision is any amount held in balance to meet the cost of a particular liability or loss which is likely or certain to be incurred, but it is uncertain as to the exact amount and/or date on which it will arise. An example is a provision for bad debt.

Revenue

This word is used in two different contexts. Firstly it may relate to sources of income. Secondly, it may be used to describe expenditure which is not of a capital nature, i.e. expenditure which is used to acquire goods and services which are generally used and paid for in one financial year.

Revenue Support Grant (RSG)

A grant paid by central Government towards the cost of providing services in general. The grant makes up the difference between expenditure at SSA and the amount which would be collected in council tax for that level of expenditure and the amount of non-domestic rate redistributed.

Revised estimate

An updated version of the original estimate for a financial year

Service expenditure analysis

The analysis of expenditure according to the type of service or function on which it is incurred, for example, Parks and Gardens, Building Control and Refuse Collection

Standard Spending Assessment (SSA)

Central Government's assessment of the appropriate level of budget requirement for each local authority for a given year. The SSA is used to calculate the authority's revenue support grant.

Subjective analysis

The subjective analysis breaks the expenditure down into subjects, for example, Employees, Premises, Transfer Payments etc. These subjective headings are a standard classification as defined by CIPFA and used by all Local Authorities in England and Wales

Supplies and services

All expenditure related to the running costs of a service, for example, printing, purchase of equipment, subscriptions and general office expenses. Contributions to provisions are also included here.