

## APPENDIX 2

### Glossary

#### Actuary

A business professional who measures and manages risk and uncertainty.

#### Annuity

A series of equal payments made at regular intervals, usually for a fixed length of time (usually in return for an upfront lump sum).

#### Asset management

Process that identifies the resources required for the upkeep of properties.

#### Balance Sheet

A summary of all the assets and liabilities of the council at the end of a financial year. The statement shows the council's assets and liabilities matched by total reserves.

#### Bank of England Base Rate

The interest rate that the Bank of England charges banks for secured overnight lending.

#### Bonds

A debt investment where the investor loans money to an entity, which borrows for a defined period of time, either at a fixed or variable rate of interest.

#### Building Societies Act 1986

For more information please visit:  
<http://www.legislation.gov.uk/ukpga/1986/53/contents>

#### Cabinet

The Cabinet makes the majority of the council's decisions, within the budgets and policy framework set by Full Council, except on matters such as Planning and Licensing, which are dealt with by committees established by Full Council for such purposes.

#### Capital Charge

A charge to a revenue service to reflect the depreciation of non-current assets used in the provision of services.

#### Capital Expenditure

This generally relates to expenditure on the acquisition or enhancement of non-current assets that will be on long-term use or benefit to the authority in providing its services. It also includes grants made by the council to other individuals, community organisations and other external bodies for similar long-term benefit.

#### Capital Financing Requirement (CFR)

The statutory measure of a local authority's underlying need to borrow for capital purposes.

#### Capital Programme/Budget

The council's budget for capital expenditure and resources for the current and future years

### Capital Receipts

Income from the sale of capital assets and the repayment to the council of grants and loans given for capital purposes. Regulations govern the way capital receipts may be used.

### Credit default swap (CDS)

A financial contract whereby a buyer of corporate or sovereign debt in the form of bonds attempts to eliminate possible loss arising from default by the issuer of the bonds. This is achieved by the issuer of the bonds insuring the buyer's potential losses as part of the agreement.

### Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the professional accountancy body for public services. It publishes the Code of Practice which defines how local authority accounts are prepared.

### Code of Practice

The Code of Practice on Local Authority Accounting in the United Kingdom, also referred to as the Code. This document is based on International Financial Reporting Standards, and states how these must be applied to the preparation of the Statement of Accounts by local authorities.

### Commercial Programme

council activities focused on generating income.

### Contingency

Money set aside in the budget to meet the cost of unforeseen items of expenditure or shortfalls in income occurring during the year ahead. This would include changes to the inflation and interest rate assumptions made when the budget was set.

### Coupon

The interest paid on a loan between issue and maturity.

### Creditors

Amounts due from the council for work carried out, goods received, or services rendered that have not been settled before the end of the financial year.

### Credit ratings

Provided by the three main rating agencies, Fitch, Moody and S&P, the ratings evaluate the credit worthiness of a debtor.

### Credit Risk

The risk that a debtor is unable to pay back what they owe.

### Debt Interest

The money owed on borrowings.

### Debt Management Office (DMO)

The DMO is the agency that carries out the Government's debt management policy. It takes deposits from local authorities.

### Debt Repayment Policy

The council's policy for making provision for the repayment of debt.

### Default

Failure to meet the obligations on a loan, i.e. being unable to make payments due.

### Depreciation

The measure of the wearing out, consumption or other reduction in the useful economic life of a non-current asset, whether arising from use, passing of time or obsolescence through technical or other changes.

### Fair Value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

### Financial Conduct Authority

Regulates the financial services industry in the UK. It protects customers, promotes competition and keeps the industry stable.

### Financial Regulations

A written framework for the proper financial management of the authority. The Financial Regulations are approved by Full Council as part of its formal constitution.

### General Fund (GF)

The main revenue fund of the council. Day to day spending and income from services are accounted for here.

### Going Concern

The assumption that at the balance sheet date the company will continue to operate its services for the foreseeable future.

### Government Gilts/Treasury Bills

Investment instruments issued by UK Government.

### Housing Revenue Account (HRA)

This statutory account records the revenue expenditure and income relating to the provision of council housing. While technically part of the General Fund, the balance is 'ring-fenced' and may not be included in the budget requirement to be met by Council Tax.

### IFRS (International Financial Reporting Standards)

The collective name for the set of accountancy standards which define the accounting treatment used by listed companies in the UK and European Union. The term also refers to the individual standards (for example, IFRS 7, Financial Instruments; Disclosures) issued from June 2003 onwards,

### Impairment

A reduction in the valuation of an asset caused by an event occurring to the asset or to the economic environment in which it operates.

### Leasing

A method of acquiring the use of assets in which the investment is made by a lessor and a rental is charged to a lessee. The council operates both as lessor and lessee in respect of land, property, vehicles, plant and equipment. Finance Leases transfer substantially all the risks and rewards of ownership to the lessee and are regarded as a debt extended to purchase the leased asset (even when ownership of the asset does not legally pass to the lessee). Any lease which does not meet the definition of a finance lease is classified as an Operating Lease and is treated as an arrangement to hire an asset for a specified term.

### Liquidity

The availability of assets (i.e. cash) when it is required.

### Local Government Act 1972

For more information please visit  
<http://www.legislation.gov.uk/ukpga/1972/70/contents>

### Local Government Act 1988

For more information please visit  
<http://www.legislation.gov.uk/ukpga/1988/9/contents>

### Local Government Act 2003

For more information please visit  
<http://www.legislation.gov.uk/ukpga/2003/26/contents>

### Local Government Finance Act 1992

For more information please visit  
<http://www.legislation.gov.uk/ukpga/1992/14/contents>

### Local Government and Housing Act 1989

For more information please visit  
<http://www.legislation.gov.uk/ukpga/1989/42/contents?wb48617274=A375BAFB>

### Local Government Finance Act 1992

For more information please visit:  
<https://www.legislation.gov.uk/ukpga/1992/14/contents>

### Localism Act 2011

For more information please visit:  
<https://www.legislation.gov.uk/ukpga/2011/20/contents>

### Local Government Act 2000

For more information please visit:  
<https://www.legislation.gov.uk/ukpga/2000/22/contents>

### Local Government Act 1999

For more information please visit:  
<http://www.legislation.gov.uk/ukpga/1999/27/section/10>

#### Local Audit and Accountability Act 2014

For more information please visit:  
<http://www.legislation.gov.uk/ukpga/2014/2/contents/enacted>

#### Local Government Finance Settlement

The annual determination of funding to local government.

#### Localism Agenda

The movement of responsibilities from central Government to local government and local communities.

#### Major Repairs Reserve

A capital reserve intended for the elemental replacement of building structures and components in the Housing stock. The reserve is funded from the HRA via a depreciation charge. Any balance on the reserve may be carried forward to future years. Interest earned on the MRR balance is credited directly to the HRA.

#### Minimum revenue provision (MRP)

Each year local authorities are required to set aside a prudent amount of revenue as provision for financing capital expenditure.

#### Department of Levelling Up, Housing and Communities (DLUHC)

Successor Department to MHCLG. For more information please visit  
<https://www.gov.uk/government/organisations/department-for-levelling-up-housing-and-communities>

#### Money Market Fund (MMF)

A vehicle for the investment of surplus cash balances for the purposes of achieving a return on the investment. Investments are pooled together in the fund and then invested in low-risk securities, these benefit from higher rates of return than individual investors could receive, due to the size of investment.

#### Non-operational property (commercial and industrial)

Properties owned by the council that are not essential to the ongoing operations of business, they may however still generate an income.

#### Office for Budget Responsibility (OBR)

A public body that provides independent economic forecasts and analysis of the public finances.

#### Property Fund

Investments are made and pooled together. These are then used to either invest directly in purchasing property, or indirectly by buying shares in property companies. The investors benefit from the increase in value in the property or the shares.

#### Prudential code for Capital Finance in Local Authorities

A CIPFA publication, providing guidance to ensure capital programmes are affordable, prudent and sustainable.

### Prudential Indicators

Indicators within the treasury management strategy that ensure that borrowing and debt is within agreed limits.

### Public Works Loan Board (PWLB)

A government agency that offers longer-term loans to local authorities at interest rates marginally above the government's own cost of borrowing. It also acts as lender of last resort.

### Reserves

Reserves are set aside at the discretion of Full Council to meet items of expenditure in future years.

### Revenue budget

The money allocated to the day to day running of the council.

### Right to Buy (RTB) Scheme

Allows eligible council tenants to purchase their property at a discount.

### Section 106 (S106)

Agreements which make a development proposal acceptable in planning terms that would not otherwise be acceptable, i.e. restrictions on the use of land, sums of money to be paid to the authority.

### Section 151 Officer

The local authority's chief financial officer. The Officer responsible for the proper administration of the council's financial affairs in accordance with Section 151 of the Local Government Act 1972.

### Section 31 Compensation

Grant provided by central government. Section 31 of the Local Government Act 2003 allows ministers to grant monies to local authorities for any purpose; more information can be found at

<http://www.legislation.gov.uk/ukpga/2003/26/section/31>

### Secured debt

Debt backed by collateral to reduce the risk associated with lending.

### Social Housing

Housing that is affordable to people on low incomes.

### Spending Review

A Spending Review or occasionally Comprehensive Spending Review is a governmental process in the United Kingdom carried out by HM Treasury to set firm expenditure limits and, through public service agreements, define the key improvements that the public can expect from these resources.

### TM (Treasury Management) code

The CIPFA Treasury Management Code of Practice sets out the procedures and policies local authorities should follow in their treasury management functions.

### Ultra Vires

Beyond the legal powers or authority.

### Virements

The transfer of a budget from one account to another.

### Yield

The interest earned on investments.

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