

## **GLOSSARY OF TERMS**

### **Accrual**

An accrual is a sum shown in the accounts representing income or expenditure for the accounting period but which was not actually received or paid as at the date of the balance sheet.

### **Actuary**

An actuary is a person who works out insurance and pension premiums, taking into account factors such as life expectancy.

### **Agency Services**

Agency services are services provided for us by an outside organisation.

### **Amortisation**

Reduction in value of capital expenditure which has not created an asset, through charges to revenue.

### **Audit**

An audit is an independent examination of the Council's activities.

### **Balance Sheet**

This is a statement of our assets, liabilities and other balances at the date of the end of the accounting period.

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

The Best Value Accounting Code of Practice modernises the system of Local Authority accounting and reporting to ensure it meets the needs of modern local government, in particular the duty to secure and demonstrate Best Value in the provision of services to the community.

### **Budget**

A budget (or estimate) is a plan of income and spending, based upon which council tax is set. Actual expenditure and income is subsequently monitored against this plan.

### **Capital Expenditure**

Capital expenditure is spending on fixed assets. These are assets that will be used for several years in the provision of services and are items such as buildings, equipment and vehicles.

### **Capital Financing Account**

This is money set aside in the Council's accounts for capital spending and to repay loans.

### **Capital Receipt**

Capital receipts are proceeds from the sale of fixed assets such as land or buildings.

### **Cashflow Statement**

This is a statement that summarises the movements in cash during the year.

### **Consolidated Balance Sheet (CBS)**

The balance sheet combines the assets, liabilities and other balances of all our services, at the end of the financial year, 31st March.

**Consolidated Revenue Account (CRA)**

This account records day-to-day spending and income on items such as salaries and wages, running costs of services and the financing of capital expenditure.

**Contingent Liabilities**

A Contingent Liability is a possible obligation that arises from past events on whose existence will be confirmed by the occurrence of uncertain future events.

**Corporate and Democratic Core (CDC)**

CDC is a service defined by the Best Value Accounting Code of Practice representing costs relating to Member activity (Democratic Representation and Management) and costs that provide the infrastructure to ensure that services can be provided (Corporate Management).

**Creditor**

A creditor is an organisation / someone owed money by the Council at the end of the financial year for goods / services received during the financial year.

**Current Assets**

These are short-term assets that are available for the Council to use in the following accounting year.

**Current Liabilities**

These are short-term liabilities that are due for payment by the Council in the following accounting year.

**Debtor**

A debtor is an organisation / someone who owed the Council money at the end of the financial year for goods / services received during the financial year.

**Deferred Grants**

The Government Grants Deferred account represents the balance of grants applied to the financing of fixed assets awaiting amortisation to the asset management revenue account (AMRA) to match the depreciation of the relevant assets.

**Delegated Schools**

A Delegated School is one managed independently. The funds of these schools are held outside of the Council's General Fund balances.

**Depreciation**

Depreciation is the estimated loss in value of fixed assets that are presented in the Balance Sheet.

**Direct Service Organisation (DSO)**

This was a term referring to parts of the Council's own organisation. It consisted of workers directly employed (including supervisory staff), accommodation, equipment etc used to carry out specified tasks for the Council.

**Earmarked Reserves**

These are reserves set aside for a specific purpose.

**Financial Year**

This is the accounting period. For local authorities it starts on 1st April and finishes on 31st March of the following year.

**Finance Leases**

Finance leases are used to finance purchases where the Council takes on most of the risks associated with owning the asset.

**Fixed Asset**

These are long-term assets that are used in the provision of services. (usually for more than one year).

**Fixed Asset Restatement Account (FARA)**

This represents the non-distributable increase/decrease in the valuation of fixed assets.

**Financial Reporting Standard (FRS)**

Financial regulations to be followed as set by the Accounting Standards Board (ASB).

**Government Grants**

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

**Leasing**

This is a method of financing capital expenditure by paying the owner to use property or equipment for a number of years.

**Liability**

A liability is an amount payable at some time in the future.

**Minimum Revenue Provision (MRP)**

This is an amount that has been set aside to repay loans.

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

The NNDR, or Business Rate, is the charge to occupiers of business premises. The money collected is paid to the Welsh Assembly Government and redistributed to individual authorities in proportion to their adult population.

**Net Realisable Value**

The selling price of an asset, reduced by the relevant (direct) cost of selling it.

**Non Distributable Costs (NDC)**

NDC is a category of costs defined by the Best Value Accounting Code of Practice. It represents:

- costs of unused I.T. facilities,
- costs of long term unused, unrealisable assets,
- certain pension fund costs

**Open Market Value in Existing Use (OMVEU)**

OMVEU is a basis for valuation of fixed assets.

**Operating Assets**

These are assets used in the running / provision of services.

**Operating Leases**

These are leases where risks of ownership of the asset remain with the owner.

**Post Balance Sheet Events**

Post Balance Sheet items are those that arise after the Balance Sheet date. These are items that did not exist at the time the Balance Sheet was prepared but should be disclosed if they are relevant to the fair presentation of the accounts.

**Precepts**

This is the amount paid to a non-billing authority (for example a community council) so that it can cover its expenses (after allowing for its income).

**Prior Year Adjustment**

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors.

**Provision**

A provision is an amount we set aside in our accounts for expected liabilities which we cannot measure accurately.

**Provision for Credit Liabilities (PCL)**

This is money set aside to repay debt. This forms part of the capital financing account (CFA).

**Public Works Loan Board (PWLB)**

This is a Government agency which provides longer term loans to local authorities. It charges interest rates only slightly higher than those at which the Government can borrow.

**Related Party Transactions**

These are the transfer of assets or liabilities or the performance of services by, to or for a related party no matter whether a charge is made.

**Reserves**

These are the sums set aside to meet future expenditure. They may be earmarked to fund specific expenditure or be held as general reserves to fund non specific future expenditure.

**Revenue Account**

This is an account which records our day to day spending and income on items such as salaries and wages, running costs of services and the financing of capital expenditure.

**Statement of Standard Accounting Practice (SSAP)**

Financial regulations to be followed as set by the Accounting Standards Board (ASB).

**Statement of Total Movements in Reserves**

The purpose of the statement is to show all gains and losses recognised in a period, to reflect the Council's financial performance during the year.

**Statement on the System of Internal Financial Control**

This statement sets out the framework within which financial control is managed and reviewed and the main components of the system, including the arrangements for internal audit.

**Stocks**

Stocks are raw materials purchased for day to day use. The value of these items that have not been used at the end of the financial year are shown as current assets in the balance sheet.

**Temporary Borrowing or Investment**

This is money borrowed or invested for an initial period of less than one year.

**Trust Fund**

Trust funds hold money on behalf of an individual or organisation. Trustees administer the funds for the owners.

**Voids**

Voids are empty properties.

**Wales Programme for Improvement (WPI)**

As part of the requirement of the Wales Programme for Improvement, all Welsh Councils have to produce an annual Improvement Plan. This plan sets the Council's priorities for the coming year, identifies where improvements can be made and explains how performance can be measured.

**Work in Progress (WIP)**

Work in progress is the value of work undertaken on an unfinished project at the end of the financial year, which has not yet been charged to the revenue account.