

<b>GLOSSARY OF FINANCIAL TERMS</b>	
Aggregate External Finance (AEF)	Aggregate external finance (AEF) represents the support for local revenue spending from the Welsh Government and is made up of formula grant. Formula grant includes the revenue support grant (RSG), and the distributable part of non-domestic rates (NDR). Amounts are determined annually and in advance of each new financial year as part of the Local Government Financial Settlement.
Appropriations	Transfer of funding to or from a specific account e.g. earmarked reserve.
Assets	Any item of value owned by an entity (e.g. buildings, vehicles). Assets can be classed as Non-current or capital assets where the asset has a useful life of more than one year (e.g. buildings, vehicles), or a current asset which includes cash or other assets which can reasonably be expected to be converted to cash in the normal course of business including stocks, debtors etc.
Band D	Dwellings are assigned to different council tax bands (A to I) based on their value. Band D is considered the median band. Council tax can be measured in 'band D' terms. Band D has historically been used as the standard for comparing council tax levels between and across local authorities.
Budget	A statement expressing the Council's policies and service levels in financial terms for a particular financial year. In its broadest sense it includes both the revenue budget and the capital programme and any authorised amendments to them.
Budget Head	For a particular service activity, the level of detail at which revenue or capital budgets are approved by the Council, whether in the Budget Book, the latest approved capital programme or as a result of supplementary estimates approved for the budget year.
Budget Pressure	See 'Pressures'
Budget Reductions	<p>Budget reductions are measures to reduce the net budget of the Council. They can be achieved in a number of ways, including:</p> <ul style="list-style-type: none"> <li>* reducing or removing the spend on the service eg reducing the number of staff, providing less of a service.</li> <li>* generating more income to offset costs of a service eg moving to full cost recovery.</li> </ul> <p>Both have the same impact in terms of reducing the net budget required to run that service.</p>
Business Rates	See "Non-Domestic Rates"
Budget Requirement	The Budget Requirement is the amount of expenditure that is funded by council tax and general support from central government, i.e. revenue support grant and redistributed non-domestic rates.
Budget Virement	See Virement

Capital Programme	The Council's financial plan covering capital schemes and expenditure proposals for the current year and a number of future years. It also includes estimates of the capital resources available to finance the programme.
Capital Expenditure	Spending on non-current assets (buildings, equipment and land) intended to benefit future accounting periods or spending that increases the capacity, economy, efficiency or lifespan of an existing asset.
Capital Receipts	Capital receipts are the money councils receive from asset sales, the use of which is normally restricted to funding other capital expenditure or paying off debt. The receipts cannot usually be used to fund revenue costs.
Contingency	An amount of money that is included in a budget to cover potential events that are not specifically accounted for in the specific cost estimate.
Council Tax	System of local taxation introduced in April 1993. A property tax levied on homes determined by placement of residences within 9 valuation bands (A-I). There are exemptions for certain types of property and discounts for people in certain circumstances.
Council Tax Base	The estimated number of chargeable properties, expressed as the equivalent number of 'Band D' properties in the Council's area. The Council is required to annually advise the Welsh Government of its Council Tax Base (as at 31st October), which they use in the Local Government Financial Settlement, and to allow the Council, South Wales Police Authority and Town / Community Councils to calculate the following year's Council Tax charges.
Council Tax Reduction	Council Tax Reduction (CTR) provides assistance for those on low incomes with a liability to pay council tax
Council Wide Budgets	These include budgets, provisions and services that are Council wide, and are not managed by an individual directorate.
CPI	The main inflation rate used in the UK is the CPI (Consumer Price Index). The Chancellor of the Exchequer bases the UK inflation target on the CPI. The CPI inflation target is currently set at 2%. The CPI differs from the CPIH in that CPI excludes housing costs.
Deficit budget - schools	A school deficit budget occurs when a school's planned or actual spending exceeds its planned or actual income for a given financial year. This means the school has more expenses than income, leading to a negative financial balance.
Earmarked Reserves	An authority may choose to earmark reserves, putting aside resources to deliver specific longer-term objectives – for example, the replacement of vehicles, plant and equipment. The purpose and usage of each earmarked reserve should be clearly set out. They can only be used for one-off purposes, not recurrent / ongoing spend.
Fees and Charges	Income raised from making charges for the provision of services such as licence permits, car parking and planning fees.
Financial year	The period of twelve months commencing on 1 April

Fiscal	Relates to public finance, especially taxation, public revenues and public debt.
Gross Revenue Budget	The Gross Revenue Budget includes all funding available to the authority, not just Revenue Support Grant, Non-Domestic Rates and Council Tax, but also other specific grants, fees, charges and other contributions that the Council receives.
Hypothecated Funding	Ring-fenced funding, which must be spent on particular services or initiatives
Inflation	The rate of increase in prices over a given period of time.
Insurance	Insurance is one of the ways that the councils manage the risk of losses.
Levy	A levy is an amount of money a local authority is compelled to include in its budget on behalf of another organisation – for example, the Fire and Rescue Authority, Coroner’s Service etc. This does not appear as a separate item on the council tax bill like a precept would.
Local Government Settlement	The annual allocation of funding from the Welsh Government to local authorities.
Medium Term Financial Strategy	The MTFS is a rolling financial plan that is updated annually by local authorities. Typically, this will include planned expenditure for three to five years.
Multiplier	The multiplier is a figure set by Welsh Government each year. It determines how much you pay in Business (Non-Domestic) Rates by applying it to the rateable value of your property.
Net Revenue Budget	The Net Revenue Budget is the budget after fees, charges, other income and specific grants are taken into account. It is funded from the Revenue Support Grant, Non-Domestic Rates and Council Tax.
Nominal Value	Nominal value does not take into account the effect of inflation, it is an absolute monetary value.
Non-Domestic Rates	Also known as ‘business rates’: a form of taxation on commercial and business properties (i.e. non-domestic properties). Business rates are based on the property's rateable value which is set by the Valuation Office Agency. Your local council calculates your business rates bill using a ‘multiplier’, set by Welsh Government. Non-Domestic Rates are collected by each Council for properties in their area. Each Council then receives a share of the total available as part of its annual funding, based upon its total adult population.
Non-Recurrent	One-off income, expenditure or savings.
Outturn	Expenditure actually incurred.
Over spend	When referring to expenditure the actual expenditure incurred is greater than the budget.  When referring to income the actual income achieved is less than the budget.
Precept	This is the Council Tax collected by the Council on behalf of the Town and Community Councils and the South Wales Police Authority
Pressures	A budget pressure is an increase in cost that is generally beyond the control of the service or organisation.
Prudential Borrowing	See ‘Unsupported (Prudential) Borrowing’
Real Value	Real value is after taking into account the value of inflation.

Recurrent	Ongoing income, expenditure or savings
Reserves	These are balances in hand that have accumulated over previous years and are held for defined (earmarked reserves) and general (general reserves) purposes. Councils are required to regularly review the level and purpose of their reserves and to take account of the advice of the Chief Finance Officer.
Revenue	A term used to describe the day-to-day costs of running Council services e.g. salaries, utility costs for buildings, cleaning, transport related costs, food, general supplies e.g. consumables such as paper, stationery etc.
Revenue Support Grant (RSG)	The Revenue Support Grant (RSG) represents the major element in the support for local revenue spending that the Council receives from the Welsh Government. Amounts are determined annually and in advance of each new financial year as part of the Local Government Financial Settlement, and form a part of the Aggregate External Finance (AEF), along with a share of Non-Domestic Rates.
Revised Budget	This 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.
Risk Management	A planned and systematic approach, involving culture, structure and processes, to provide assurance that the Council's significant risks are identified, evaluated and managed effectively.
Section 106 Agreements	Section 106 agreements, also known as planning obligations, are agreements between developers and local planning authorities that are negotiated as part of a condition of planning consent. The Town and Country Planning Act 1990 enables local authorities to negotiate contributions towards a range of infrastructure and services, such as community facilities, public open space, transport improvements and/or affordable housing. The funding received is referred to as Section 106 funding.
Section 151 Officer	Section 151 of the Local Government Act 1972 requires every local authority to make arrangements for the proper administration of their financial affairs and requires one officer to be nominated to take responsibility for the administration of those affairs.
Specific government grants	Grants given to local authorities by the government to support specific activities or projects. There are specific terms and conditions associated with spending and accounting for these grants.
Standard Spending Assessments (SSAs)	Standard Spending Assessments (SSAs) are notional assessments of each council needs to spend on revenue services, calculated each year by the Welsh Government for use in the distribution of the Revenue Support Grant (RSG). SSAs are calculated prior to the year to which they relate using principles established by the Welsh Government, which encompass the demographic, physical and social characteristics of each area, as reflected by a range of indicators.

	<p>An authority's SSA is derived as a funding mechanism to distribute the RSG, it is not and should not be viewed as a target level of expenditure for an authority. The RSG funding is un-hypothecated, SSAs are not meant to be prescriptive in any way, and therefore authorities will spend at levels above and below their SSA according to decisions that have been made locally.</p>
Supported Borrowing	<p>A source of funding from the Welsh Government to finance general capital expenditure. Allocations are issued annually to each local authority as part of the Local Government Financial Settlement. The Welsh Government includes an element within the Revenue Support Grant to fund the cumulative costs of this borrowing that is classed as supported borrowing.</p>
Taxbase	<p>This is the number of Band D equivalent dwellings in a local authority area after taking into account any discounts, premiums and exemptions. An authority's tax base is taken into account when it calculates its council tax.</p>
Treasury Management	<p>The management of the authority's cash flows, its borrowings and its investments, the management of the associated risks, and the pursuit of the optimum performance or return consistent with those risks.</p>
Treasury Management Strategy (TMS)	<p>The strategy for the Treasury Management activities to be adopted for a particular financial year. The strategy needs to be flexible enough to allow the Head of Finance to respond appropriately to changing circumstances during the course of the year to the best advantage of the Council.</p>
Under spend	<p>When referring to expenditure the actual expenditure incurred is less than the budget.</p> <p>When referring to income the actual income achieved exceeds the budget.</p>
Un-hypothecated Funding	<p>Funding allocated without restrictions on how it should be spent.</p>
Unsupported (Prudential) Borrowing	<p>Borrowing to fund capital expenditure which exceeds Welsh Government support in the Revenue Support Grant. Councils can choose to fund capital expenditure through Unsupported (Prudential) Borrowing so long as they demonstrate that borrowing is prudent, sustainable and affordable, as the ongoing revenue costs of unsupported borrowing will still need to be met from available resources.</p>
Unusable Reserves	<p>Unusable reserves are established for specific legal or accounting purposes and cannot be used to fund future expenditure.</p>
Usable Reserves	<p>Usable reserves are referred to as cash-backed reserves that can be used to fund future expenditure. Some reserves however will be subject to restrictions on their usage. These include Schools Reserves, Capital Grants Unapplied and Capital Receipts Reserves.</p>
Value for Money	<p>Broadly value for money is the extent to which objectives are achieved in relation to costs. It is about achieving the optimum</p>

combination of costs and benefits to an organisation. Value for money is more formally defined as the relationship between economy, efficiency and effectiveness.

Economy is the price paid for what goes into providing a service. Efficiency is a measure of productivity – how much you get out in relation to what is put in.

Effectiveness is a measure of the impact achieved and can be quantitative or qualitative. Outcomes should be equitable across communities, so effectiveness measures should include aspects of equity.