

Definitions in the Revised Glossary of Terms

Accounting Period

The financial year (twelve month period) commencing 1 April and ending 31 March (of the following year).

Accounting Policies

The principles and practises that must be applied to financial statements by a Local Authority to meet the requirements of Central Government, external audit and other accounting bodies.

Accrual

An adjustment for either income that relates to a given period but which is not yet reflected in the accounts or expenses that have been incurred within a given period but not recorded in the accounts to date.

Actuarial Gains and Losses

A professional assessment of the increases or decreases in the projected obligations of a defined benefit pension scheme as a result of a (periodic) re-evaluation of the assumptions made in the previous assessment.

Budget

An estimate of expenditure and income for a set period of time.

Capital Adjustment Account

This account provides a balancing mechanism between the different rates at which assets are depreciated under the Code and are financed through the capital controls system.

Capital Expenditure

Expenditure on acquiring fixed and tangible assets (such as land, buildings and equipment) that will be used beyond 31 March or expenditure that adds value or maintains existing fixed assets.

Capital Financing

Funds used to pay for capital expenditure.

Capital Receipts

A receipt of money from the sale of fixed or tangible assets that yield benefit to the Council. Capital receipts are used to repay the debt on assets financed from loan or to finance new capital expenditure, subject to compliance with statutory requirements.

Cash and cash equivalents

Internally managed short-term highly liquid investments (of three months or less from the date of acquisition) are recognised as cash equivalents, being easily convertible into a specified amount of cash.

Chartered Institute of Public Finance and Accountancy (CIPFA)

The principal accounting body dealing with local government finance.

Collection Fund

The Fund in which all the income collected from Council Tax and Business Rates is paid into. The funds that the Council needs to run its services (as set out in its budget) are paid out of the Collection Fund.

Community Assets

Assets that the Council intends to hold in perpetuity, that furthers the social wellbeing and interests of the local community and that may have restrictions placed on their disposal (such as parks and historic buildings).

Contingent Asset

A potential asset for the Council that is dependent on the outcome of a decision or action outside of the Council's control. Typically a contingent asset is related to a legal action involving the authority, the outcome of which is uncertain at the time of preparing the balance sheet.

Contingent Liability

A potential liability for the Council that is dependent on the outcome of a decision or action outside of the Council's control. Typically a contingent liability is related to a legal action involving the authority, the outcome of which is uncertain at the time of preparing the balance sheet.

Creditors

Individuals and organisations that are owed amounts by the Council where payments for goods and services pertaining to the financial year have not been made by 31 March.

Current Assets

A current asset is one that is held as at 31 March of the relevant financial year but expected to be consumed or realised by 31 March the following year.

Current Liabilities

A current liability is one that is held as outstanding as at 31 March of the relevant financial year but expected to be paid or discharged by 31 March the following year.

Debtors

Individuals and organisations that owe amounts to the Authority for goods and services pertaining to the financial year but which have not been received by 31 March.

De Minimis

The Council applies a de-minimis or minimum value of £12,000 for the acquisition, creation or enhancement of fixed assets before this expenditure is treated as capital. Any expenditure below this level is treated as an operational expense in the financial year during which it has been incurred.

Depreciation/Amortisation

The measure of the wearing out, consumption or other reduction in the useful economic life of a fixed or tangible asset.

General Fund

An account providing details of expenditure on day-to-day operational costs of council services excluding those shown in the Collection Fund and those shown in the Housing Revenue Account, which are recorded separately.

Housing Benefits

A system of financial assistance to individuals towards certain housing costs administered by local authorities and subsidised by central government.

Housing Revenue Account (HRA)

An account that is kept entirely separate from the General Fund and which includes income and expenditure arising from the provision of housing by the Council as a landlord.

Impairment

Impairment is where the book value (or carrying value) of an asset exceeds the amount that could be recovered through use or sale of the asset.

International Financial Reporting Standards (IFRS)

The standards that have been produced and adopted to govern accounting and the move to more globally recognised practices.

Investments

Investments fall into two categories :

Short-term investments where the duration between the Balance Sheet date and the date the Council intends to redeem the investment is less than one year; and

Long-term investments where the duration between the Balance Sheet date and the date the Council intends to redeem the investment is more than one year.

Kent Business Rates Pool

The KBRP is a voluntary arrangement between Kent County Council and the majority of Kent Districts which allows member authorities to retain locally a proportion of any growth in business rate income with the aim of furthering economic development across the region.

Lease

A legal contract that allows the use of an asset through a formal rental agreement for a specified period of time at a specified cost. Leases fall into two categories :

A **finance lease** is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

An **operating lease** is any other lease that is not a finance lease.

Liabilities

Those amounts which will become payable by the authority either in the short or long term.

Minimum Revenue Provision

MRP is a charge those councils that are not debt-free are required to make in their accounts for the repayment of debt and which is needed to finance their capital programme.

Net Asset Value

The value of a fund's assets less the value of its liabilities. The measure is often used as a measurement to assist in identifying whether a fund is overvalued or undervalued.

Non-Current Assets

Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year

Non-Domestic Rate

Amounts payable to local authorities by organisations or businesses from non-domestic properties.

Outturn

The actual results for the financial year specified.

Overheads

Management and administrative costs (including those of buildings) - the majority of which are allocated across council services to reflect the true cost of services.

Precept

The requests made by precepting authorities to billing authorities, e.g. Gravesham Borough Council. The major precepting authorities are Kent County Council, Kent Police and Crime Commissioner and the Kent and Medway Fire and Rescue Authority. These precepts are shown in the Collection Fund.

Parish Councils are local precepting authorities, e.g. Vigo Parish Council, who raise money by means of a precept on the relevant billing authority's General Fund.

Property, Plant & Equipment

All assets with physical substance that are used in the production or supply of goods and services that are expected to be used beyond 31 March of the relevant financial year.

Public Works Loan Board

Central Government Agency which lends money to local authorities usually at interest rates which are more favourable than those found elsewhere.

Reserve

A sum that has been set aside for use in future and earmarked for spending only on a specific purpose in order to prevent the funds from being used on other items of general expenditure.

Revaluation Reserve

This account is the accumulation of net surpluses that have arisen from the revaluation of fixed and tangible assets and is required under fair value accounting to deal with the current values of these assets.

Revenue Expenditure

The costs related to the day-to-day running of services such as salaries and energy costs.

Revenue Support Grant

A grant paid by Central Government to aid Local Authority services in general as opposed to specific grants which may only be used for a specific purpose. These are credited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement. (The Council may also receive other non-specific grants and these are shown with the Revenue Support Grant in the "Taxation and Non-Specific Grant Income" line in the Comprehensive Income and Expenditure Statement.)

Section 151 Officer

Section 151 of the Local Government Act 1972 requires the Council to appoint an officer responsible for the proper administration of the Council's financial affairs. The Director (Corporate Services) is the Council's Section 151 Officer.

Soft Loans

These are loans made by the authority below prevailing interest rates (i.e. interest free or low interest loans) and include loans made to local voluntary sector organisations that undertake activities that the authority considers benefits the local population.

Virement

An approved transfer of funds from one part of a budget to another, usually to meet a planned overspend in one section of a budget and which can be met by a planned underspend in another section of the budget.

Working Balances

The revenue reserves of an authority made up of the accumulated surplus of income over expenditure on the General Fund or the Housing Revenue Account which may be utilised to provide for unforeseen circumstances or to ensure that payments can be made pending the receipt of income and may be used to reduce the Council Tax.