

GLOSSARY OF TERMS

This section explains complicated terms that have been used in this document.

Accruals

Cost of goods and services received in the year but not yet paid for.

Actuarial gain (loss)

The changes in the pension fund's deficits or surpluses that arise because of:

- a) Events have not coincided with the assumption used by the actuary when carrying out the previous triennial valuation of the fund; or
- b) The actuary changing the assumptions used in the current triennial valuation exercise from those used previously.

Agency

Where one Authority (the main Authority) pays another Authority (the agent) to do work for them.

Amortisation

The drop in value of intangible assets as they become out of date.

Asset

An item which is intended to be used for several years such as a building or a vehicle.

Band D Equivalent

Council Tax is a tax on domestic properties. Each domestic property is placed in a 'band' from A to H based on the capital value of that property in April 1991. Band D is the middle band and the other bands are weighted in relation to Band D. (e.g. Band A is weighted 5/9ths of Band D and Band H is 18/9ths of Band D). Using the weighted number of the domestic properties in the area produced the Band D Equivalent number of properties.

"Below the Line"

General Fund revenue expenditure can be roughly divided into two parts: "Above the Line" which is all of the costs of providing the services to the public; and "Below the Line" which is the notional capital, financing and reserve accounting adjustments required to the service expenditure in order to arrive at the Council Tax requirement.

Budget

A statement of our spending plans for a financial year, which starts on 1 April and ends on 31 March.

Business rates (National Non-Domestic Rates – NNDR)

Businesses pay these rates instead of Council Tax. Each year, the Government sets the rate in the pound and business rates are collected by the billing authority. Business rates are pooled nationally and a share is given back to local authorities based on the number of people living in the area. The amount charged is based on multiplying the rateable value of each business property by the national rate in the pound.

Capital expenditure

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

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Capital charges

Notional charges to reflect the consumption of capital assets.

CIPFA

Chartered Institute of Public Finance and Accountancy. One of the major accountancy institutes which specialises in the public sector.

Collection Fund

There is a statutory requirement for billing authorities to maintain a separate Collection Fund account. This account details the transactions relating to the collection of Council Tax and National Non-Domestic Rates (NNDR). The Council is responsible for collecting Council Tax on behalf of Warwickshire County Council, Warwickshire Police Authority and the town and parish councils. The Council is also responsible for collecting NNDR on behalf of the Government.

Corporate and democratic core

Spending relating to the need to co-ordinate and account for the many services we provide to the public including the cost of member representation and activities associated with public accountability.

Council Tax

A tax charged on domestic householders based on their property band. There are eight bands of property values. The amount paid will depend on which band your property is in. There is a reduction for empty properties or if you live on your own. In Warwickshire, the District or Borough Council issues Council Tax bills and collects the Council Tax.

Council Tax Base

An assessment by each billing Authority of the number of converted to Band D equivalents (the average band) properties, after allowing for non-collection and new properties, on which a tax can be charged.

Depreciation

The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period.

Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, passage of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

Earmarked Reserves

Money set aside for a specific purpose.

General Fund

This comprises all of the Council's services funded by Revenue Support Grant and Council Tax.

Housing Revenue Account (HRA)

This is a statutory account which identifies the income and expenditure associated with the provision of housing for council tenants. The main function of the account is

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to isolate, or 'ring fence', all transactions relating to council housing from the rest of the Council's functions which are provided by council tax payers.

IAS19 Adjustments

International Accounting Standard 19 (IAS 19) requires an authority to recognise the cost of retirement benefits in the net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out 'below the line'.

IFRS

International Financial Reporting Standards – this is the new accounting regime that is required for all accounts produced after 1 April 2010.

Intangible Fixed Assets

Intangible Fixed Assets relate to expenditure which has been properly capitalised, but which does not result in a tangible fixed asset owned by the Council. This includes such items as software licences and software development costs by third parties.

Major Repairs Reserve Account

This is a statutory account which holds an amount equivalent to the Major Repairs Allowance received as part of the Housing Subsidy payment. It is approximately equivalent to the annual depreciation of the HRA dwelling stock. If the actual calculation for depreciation is different to this 'proxy', then appropriate adjustments to or from the HRA are made via this account.

Precept

The amount each non-billing Authority, (County Council, Police Authority) asks a billing Authority (this Council) to collect every year to meet their spending.

Property, Plant and Equipment

An item that is intended to be used for several years such as a building or a vehicle.

Provisions

Money set aside to meet specific service liabilities, and to meet spending.

Prudential Code

A statutory code of practice that sets out the framework for Local Authority capital finance that ensures:

- Capital expenditure plans are affordable;
- All external borrowing and other long term liabilities are within prudent and sustainable levels; and

Treasury management decisions are taken in accordance with professional good practice.

Rateable Value (RV)

A value placed on all non-domestic properties (businesses) on which rates have to be paid, broadly based on the rent that the property might earn, after deducting the cost of repairs and insurance. The rateable value is determined by the Inland Revenue's Valuation Office Agency.

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These are amounts set aside for future policy purposes or to cover contingencies. Adjustments to the reserves are done outside the service expenditure revenue accounts. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year.

REFCUS (previously known as Deferred Charges)

This stands for Revenue Expenditure Financed from Capital Under Statute which is expenditure which may be deferred, but which does not result in, or remain matched with, assets controlled by the Council.

Revenue Expenditure

The day to day running expenses incurred by the Council in providing its services.

Support Services

The cost of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis. A de-minimus level of £20,000 has been used as the basis for inclusion as a capital asset.