GLOSSARY OF FINANCIAL TERMINOLOGY

Budget:

A statement of an authority's plans for net revenue or capital expenditure over a specified period of time. The annual budget is prepared as part of the Council's Annual Council Tax setting process. The budget, once approved, is an instrument of delegation which is used to authorise, monitor and control expenditure (and income). Legally every Council must set a budget by the 11th March preceding the financial year.

Capital Charges:

Charges to services for the use of assets (property, land, equipment) needed to provide the service. Their purpose is to ensure that the cost of services reflects the true economic cost of financing and consuming the capital assets (property, vehicles, equipment and plant) used in the delivery of the service. The payment is a notional one i.e. it is not cash backed.

Capital expenditure:

Spend on assets that have a lasting value, for example, land, buildings and large items of equipment such as vehicles. This can also include indirect expenditure in the form of grants or loans to other persons or bodies.

Capital Programme:

The Council's plan of future spending on capital projects such as buying land, buildings, vehicles and equipment.

Capital Receipts:

The proceeds from the disposal of land or other assets. These receipts can be used to finance capital but not revenue expenditure.

Central Support Charges:

The transfer of costs from central services departments to service departments to reflect the support services provided, e.g. payroll

CIPFA:

The Chartered Institute of Public Finance and Accountancy are one of the UK accountancy institutes. Uniquely, CIPFA specialise in the public sector. Consequently CIPFA holds the responsibility for setting accounting standards for local government.

Collection fund:

A statutory account maintained by the Council recording the amounts collected from Council Tax and Business Rates and from which it pays the precept to Hertfordshire County Council, the Police Authority and various town and parish councils.

Collection Fund surplus (or deficit):

Any year-end balance of the council tax collection fund (which can be a deficit or a surplus) is shared between the county council (a precepting authority), the local police authority and East Herts. Any year-end balance of the business rates collection fund is shared between central government, East Herts and Hertfordshire County Council in the same proportions as their shares of business rates income.

Department for Communities and Local Government (DCLG):

A government department created in May 2006 that promotes community cohesion and equality and is responsible for housing, urban regeneration, planning and local government.

Contingency Budget:

This is money set-aside centrally in the Council's base budget to meet the cost of unforeseen items of expenditure, such as higher than expected inflation or new responsibilities. The Executive agrees all contingency funding requests through the Health Check monitoring process.

Corporate Budgets:

These are budget items that are not service specific and comprise the Council's interest payments, investment income, and annual contribution to the Pension Fund deficit. Corporate Budgets also include the Contingency Budget and the New Homes Bonus Priority Spend Fund which at the beginning of the year have not been allocated to specific services.

Council Tax Base:

The Council Tax base for a Council is used in the calculation of council tax and is equal to the number of Band D equivalent properties. To work this out, the Council counts the number of properties in each band and works out an equivalent number of Band D equivalent properties. The band proportions are expressed in ninths and are specified in the Local Government Finance Act 1992. They are: A 6/9, B 7/9, C 8/9, D 9/9, E 11/9, F 13/9, G 15/9 and H 18/9, so that Band A is six ninths of the 'standard' Band D, and so on.

CPI and RPI:

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 RPI (Retail Price Index) in that CPI excludes housing costs.

DEFRA:

Department for Environment, Food and Rural Affairs.

DWP:

Department for Work and Pensions.

Earmarked Reserves:

Reserves which are set aside for specific purposes: for example:

- To provide resilience against future risks such (e.g. Interest Equalisation Reserve and Insurance Fund)
- Smoothing the impact of uneven expenditure between years (e.g. local elections reserve)
- To create policy capacity for one-off priority funding (e.g. New Homes Bonus Priority Spend Reserve)

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 local authority financial year commences on 1st April and finishes on the following 31st March.

Forecast Outturn:

The estimated financial position at the end of the financial year.

General Reserves:

Amounts built up that are not set-aside for specific purposes but to meet any unforeseen pressures.

Gross Domestic Product (GDP):

GDP is defined as the value of all goods and services produced within the overall economy.

Net Cost of Services:

This is the cost of providing the Council's customer-facing and back-office services.

Non Domestic Rates (NDR):

Also known as 'business rates': a form of taxation on commercial and business properties (i.e. non-domestic properties). The Government determines the rate at which it is imposed nationally, but it is collected by billing authorities (district and borough councils). Up until 31 March 2013 business rates were all paid into a central national pool and then redistributed to authorities according to resident population numbers. From 2013/14 local authorities retain a "Local Share", (50%), the aim of which is to provide an incentive to help businesses set up and grow.

New Homes Bonus:

Under this scheme Councils receive a new homes bonus (NHB) per each new property built in the borough for the first six years following completion. Payments are based on match funding the council tax raised on each property with an additional amount for affordable homes. It is paid as a non ring-fenced grant.

Office for Budget Responsibility (OBR):

A non-departmental advisory body that provides independent forecasts on the UK economy.

Original Budget:

This is the budget for the new financial year agreed annually by Council in February.

Prudential Borrowing:

The Local Government Act 2003 replaced detailed central government controls over the level of local authority capital expenditure with a system of self-regulation based upon a requirement to ensure that capital expenditure plans are affordable, sustainable and prudent, as prescribed in CIPFA's prudential code.

Revenue Contribution to Capital Outlay (RCCO):

Use of the revenue budget to finance capital expenditure.

Revenue Expenditure:

The day-to-day running expenses on services provided by Council.

Revenue Support Grant (RSG):

A general non ring-fenced government grant to support councils' general revenue expenditure.

Section 31 Grants:

These are government awarded grants to compensate councils for central government policy decisions in respect of rate reliefs. These grants are not ring-fenced.

Section 106:

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.

Section 151 officer:

Legally Councils must appoint under section 151 of the Local Government Act 1972 a named chief finance officer to give them financial advice, in East Herts' case this is the post of the Director of Finance & Support Services.

Sources of Funding:

This term is used at East Herts to mean general and not service specific sources of income such as New Homes Bonus, NDR, and Revenue Support Grant.

Specific Grants:

As the name suggests funding through a specific grant is provided for a specific purpose and cannot be spent on anything else e.g. Housing Benefit Subsidy grant.

Spending Review:

The Spending Review is an internal Government process in which the Treasury negotiates budgets for each Government Department.

Treasury Management:

The process of managing the Council's cash flows, borrowing and cash investments to support East Herts' finances. Details are set out in the Treasury Management Strategy which is approved by Executive and Full Council in February each year.