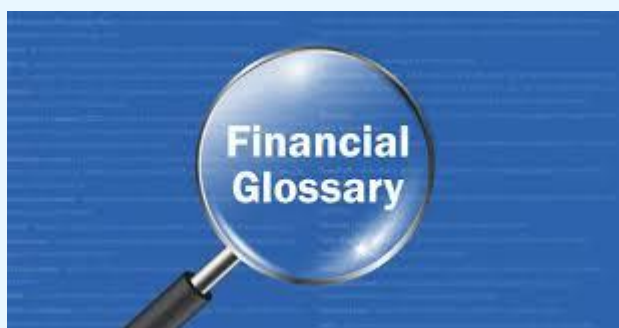


BRIDGEND COUNTY BOROUGH COUNCIL



GLOSSARY OF FINANCIAL TERMS

May 2025

GLOSSARY OF FINANCIAL TERMS

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| Accrual | Amounts that have been earned or spent but not yet received. |
| 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. |
| Amortised Cost | Amortised cost is the amount at which some financial assets or liabilities are measured and consists of: initial recognition amount, subsequent recognition of interest income/expense using the effective interest method, repayments and credit losses. |
| Annuity | A method of repaying a loan where the cash payment remains constant over the life of the loan, but the proportion of interest reduces and the proportion of principal repayment increases over time. Repayment mortgages and personal loans tend to be repaid by the annuity method. |
| 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. |
| Asset Management | The stewardship of capital assets, including decisions around on-going maintenance and eventual disposal. |
| Audit Certificate | The document that contains the opinion of the external auditor regarding an organisation's accounts, systems and standards. |
| Audit Plan | Internal or External audit identification of the work that they intend carrying out over the audit planning period (up to a year) and the resources needed for that work. |
| Authorised limit (<i>Treasury Management</i>) | The maximum amount of debt that a local authority may legally hold, set annually in advance by the Council itself. One of the <i>Prudential Indicators</i> . |

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| BACS | Bankers' automated payment system. UK bulk payments system allowing transfers between bank accounts with two days' notice, for a small charge. |
| Bail-in | A method of rescuing a failing <i>financial institution</i> by cancelling some of its <i>deposits</i> and <i>bonds</i> . Investors may suffer a reduction in their investment but may be given shares in the bank as part compensation. |
| Bail-out | A method of rescuing a failing <i>financial institution</i> by the injection of public money. This protects investors at the expense of taxpayers. |
| Balance Sheet | This records a snapshot of the Council's assets, liabilities, cash balances and reserves at the year-end date. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. |
| 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. |
| Band D Equivalents | A Band D equivalent dwelling represents a standard measure for comparing the council tax base across different areas. To standardise the tax base, properties in other bands are converted to a Band D equivalent. |
| Bank | Regulated firm that provides financial services to customers. |
| Bank of England | The <i>central bank</i> of the UK, based in London, sometimes just called 'the bank'. |
| Bank rate | The official interest rate set by the <i>Monetary Policy Committee</i> , and the rate of interest paid by the <i>Bank of England</i> on commercial bank deposits. Colloquially termed the 'base rate'. |
| Barnett Formula | The formula used to allocate a population based share of changes in planned expenditure on comparable services by Departments of the UK Government to the devolved administrations of Wales, Scotland and Northern Ireland. The Barnett Formula calculates the size of change to the assigned budget rather than the total assigned budget. |
| Benchmarking | A method for councils to work out how well they are doing, by comparing their performance with other, similar councils, and with performance indicators. |
| Best value | A statutory duty owed by local authorities to their local community, requiring them to make continuous improvements in the way they carry out their functions having regard to a combination of economy, |

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| | efficiency and effectiveness. |
| Bond | A certificate of <i>long-term</i> debt issued by a company, government, or other institution, which is tradable on financial markets. |
| Borrowing | Usually refers to the outstanding loans owed and <i>bonds</i> issued. |
| Broker | Regulated firm that matches either borrowers and lenders (a money broker) or buyers and sellers of <i>securities</i> (a stockbroker) with each other in order to facilitate transactions. |
| Brokerage | Fee charged by a <i>broker</i> , normally paid by the borrower. |
| 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 Book | The publication in which the Council sets out its budget for a particular financial year. |
| 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 Holder | The single named individual responsible for ensuring that the budget is met and highlighting when the budget is likely to be under or over spent. |
| Budgetary Control | The continual review of expenditure and income, both revenue and capital, against planned levels of expenditure and income to help ensure that service objectives are achieved and the overall resources of the Council are not over or under spent. |
| Budget Pressure | See 'Pressures' |
| Budget Profile | The likely spending or activity pattern during the time period covered by the budget. For example, vehicle tax is due annually, so the budget for that should be in the month that the payment is due rather than being split evenly over a year. Staff costs, on the other hand, are usually incurred evenly over a period of time. |
| 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"> * reducing or removing the spend on the service eg reducing the number of staff, providing less of a service. * generating more income to offset costs of a service eg moving to full cost recovery. |

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| | Both have the same impact in terms of reducing the net budget required to run that service. |
| 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 |
| Building Society | A mutual organisation that performs similar functions to a <i>retail bank</i> but is owned by its customers. |
| Capital | (1) Long-term, as in capital expenditure and capital receipts, (2) Principal, as in capital gain and capital value, (3) Investments in financial institutions that will absorb losses, before senior unsecured creditors. |
| 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 Charges | A calculation of the annual costs, included within the revenue accounts of using capital assets. This includes, where appropriate, depreciation. |
| Capital Expenditure | Spending on the acquisition, creation or enhancement of 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 Finance | Arranging and managing the cash required to finance <i>capital expenditure</i> , and the associated accounting. |
| Capital Financing Requirement (CFR) | A local authority's underlying need to hold debt for capital purposes, representing the cumulative capital expenditure that has been incurred but not yet financed. The CFR increases with capital expenditure and decreases with capital finance and Minimum Revenue Provision (MRP). |
| 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. |
| Capital Strategy | This Strategy should demonstrate that the authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, |

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| | sustainability and affordability in its capital investment decisions. |
| Cash-flow | The movement of money into and out of an organisation. A Cash-flow statement shows all the movements during the financial year. |
| Central Support Charges | The transfer of costs from central services departments to service departments to reflect the support services provided, e.g. payroll, ICT. |
| 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. |
| Comprehensive Income and Expenditure Statement (CIES) | This records the Council's income and expenditure in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. |
| 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. |
| Cost of carry | When a loan is borrowed in advance of need, the difference between the interest payable on the loan and the income earned from investing the cash in the interim. |
| Counterparty | The other party to a loan, investment or other contract. |
| Counterparty limit | The maximum amount an investor is willing to lend to a counterparty, in order to manage credit risk. |
| Council Fund | The fund to which all the Council's revenue expenditure is charged |
| 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 |

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| 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. |
| Credit Default Swap | A credit default swap (CDS) is a financial derivative or contract that allows an investor to "swap" or offset his or her credit risk with that of another investor. |
| Credit rating | Formal opinion by a credit rating agency of a counterparty's future ability to meet its financial obligations. As it is only an opinion, there is no guarantee that a highly rated organisation will not default. |
| Credit rating agency | An organisation that publishes credit ratings. The three largest agencies are Fitch, Moody's and Standard & Poor's but there are many smaller ones. |
| Credit risk | The risk that a counterparty will default on its financial obligations. |
| Creditors | A person or body to whom the Council owes money |
| Debt | (1) A contract where one party owes money to another party, such as a loan, deposit, or bond. (2) In the Prudential Code, the total outstanding borrowing plus other long-term liabilities. |
| Debtors | A person or body who owes the Council money. The debt may derive from a number of sources such as Council Tax or rent arrears, rechargeable works or where an account has been rendered for a service provided by the Council. |
| Default | Failure to meet an obligation under a debt contract, including the repayment of cash, usually as a result of being in financial difficulty. |
| 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. |
| Deposit | A regulated placing of cash with a financial institution. Deposits are not tradable on financial markets. |
| Direct Payment | Direct payments allow you to receive cash payments from your local authority instead of care services. This can give you much more flexibility and greater control of your support package. |

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| DMO | Debt Management Office – an executive agency of HM Treasury that deals with central government’s debt and investments. |
| 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. |
| Estimated / Projected Outturn | Estimates of the expenditure to the end of the financial year, made on the basis of actual expenditure incurred to date. |
| External Audit | External auditors provide an independent check that the annual accounts of a body properly reflect the financial year, funds were spent in accordance with relevant regulations or directions, and that the body achieves the best possible value for public money. External audit may also carry out value for money or other reviews of services. |
| Fair Value | The price that would be obtained by selling an investment, or paid to transfer debt, in a market transaction. |
| FCA | Financial Conduct Authority – UK agency responsible for regulating financial markets and the conduct of financial institutions, brokers, custodians, fund managers and treasury management advisors. |
| Fees and Charges | Income raised from making charges for the provision of services such as licence permits, car parking and planning fees. |
| Financial Institution | A bank, building society or credit union. Sometimes the term also includes insurance companies. |
| Financial Instrument | Accounting term for investments, borrowing and other cash payable and receivable. |
| Financial Regulations | That part of the Council’s Constitution which provides an approved framework for the proper financial management of the authority. |
| Financial year | The period of twelve months commencing on 1 April |
| Financing costs | In the Prudential Code, interest payable on debt less investment income plus premiums less discounts plus MRP. |
| Fiscal | Relates to public finance, especially taxation, public revenues and public debt. |
| Forward deal | An arrangement where a loan or deposit is made in advance of the cash being transferred, with the advance period being longer than the standard period (if any) for such a transaction. |

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| Fraud | Fraud is an intentional deception made for personal gain or to damage another individual. Good internal controls and governance arrangements are essential to minimise the risk of fraud. When council suffer fraud or theft it is often the case that the perpetrator has prepared false documents e.g. invoices to disguise or to cover up the theft or fraud. |
| GDP | Gross domestic product – the value of the national aggregate production of goods and services in the economy. Increasing GDP is known as economic growth. |
| General Fund | A local authority reserve that holds the accumulated surplus or deficit on revenue income and expenditure, except on council housing |
| Gilt | Bond issued by the UK Government, taking its name from the gilt-edged paper they were originally printed on. |
| Governance and Audit Committee | Governance and Audit Committees monitor and review the risk, control and governance processes that have been established in an organisation and the associated assurance processes to ensure that internal control systems are effective and that activities are within the law and governing regulations. This is done through a process of constructive challenge. |
| 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 |
| IFRS | International Financial Reporting Standards, the set of accounting rules in use by UK local authorities since 2010. |
| Impairment | A reduction in the value of an asset or investment |
| Indemnity | Protection against future loss, or legal exemption from liability for damages. |
| Inflation | The rate of increase in prices over a given period of time. |
| Inflation risk | The risk that unexpected changes in inflation rates cause an unplanned loss, for example by costs rising faster than income. |
| Insurance | Insurance is one of the ways that the councils manage the risk of losses. |
| Interest | Compensation for the use of cash paid by borrowers to lenders on debt instruments. |

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| Interest rate risk | The risk that unexpected changes in interest rates cause an unplanned loss, for example by increased payments on borrowing or lower income on investments. |
| Internal Audit | Internal audit provides an objective appraisal service within an organisation, to improve the organisation's risk management, control and governance procedures, and to provide assurance to the accountable officer and the Governance and Audit Committee on these matters. |
| Internal borrowing | A local government term for when actual "external" debt is below the capital financing requirement, indicating that difference has been borrowed from internal resources instead; in reality this is not a form of borrowing. |
| Internal control | The systems an organisation has in place to manage and mitigate risk. |
| Inventory | A detailed listing of all goods, materials, furniture and equipment in the ownership or use of a particular service, other than those held in stocks and stores records. They are also subject to periodic physical checks. Inventories are normally maintained in sufficient detail as to description, location, age, value etc. to enable any material loss arising from a fire, theft or other event to be identified and to support any insurance claim. |
| Investment Income | Income from interest receipts on investments held by the Council. |
| Investment property | Land and buildings that are held purely for rental income and/or capital growth. Investment properties are not owner-occupied and provide no direct service benefit. |
| Investment strategy | A document required by investment guidance that sets out a local authority's investment plans and parameters for the coming year. Sometimes forms part of the authority's treasury management strategy. |
| Lease | A contract where one party permits another to make use of an asset in return for a series of payments. It is economically similar to buying the asset and borrowing a loan, and therefore leases are often counted as a type of debt. |
| Lessee | Party to a lease contract that uses an asset owned by the lessor. |
| Lessor | Party to a lease contract that own an asset but permits another (the lessee) to use it. |
| Levy | A levy is an amount of money a local authority is compelled to include in its budget on behalf of another |

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| | 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. |
| Liabilities | Items that are owed by the Council such as loans, leases, etc. |
| Liability benchmark | Term in CIPFA’s Risk Management Toolkit which refers to the minimum amount of borrowing required to keep investments at a minimum liquidity level. Used to compare against the actual and forecast level of borrowing. |
| Liquidated Damages | A prior estimate of a justifiable financial loss in the event of a failure to complete by the specified date(s). |
| Liquidity risk | The risk that cash will not be available to meet financial obligations, for example when investments cannot be recalled and new loans cannot be borrowed. |
| Loan | Contract where the lender provides a sum of money (the principal) to a borrower, who agrees to repay it in the future together with interest. Loans are not normally tradable on financial markets. |
| Loans CFR | The capital financing requirement less the amount met by other long-term liabilities, i.e. the amount to be met by borrowing. |
| LOBO | Lender’s option borrower’s option – a long-term loan where the lender has the option to propose an increase in the interest rate on pre-determined dates. The borrower then has the option to either accept the new rate or repay the loan without penalty. LOBOs increase the borrower’s interest rate risk and the loan should therefore attract a lower rate of interest initially. |
| Local Government Settlement | The annual allocation of funding from the Welsh Government to local authorities. |
| Long term | Usually means longer than one year |
| Market risk | The risk that movements in market variables will have an unexpected impact. Usually split into interest rate risk, price risk and foreign exchange risk. |
| Materiality | This refers to the relative size of an amount, and the impact it makes on the financial statements. In the accounting process, accountants deem relatively large sums of money to be material. This means they have a significant impact on the organisation’s finances |
| Maturity | (1) The date when an investment or borrowing is scheduled to be repaid. (2) A type of loan where the principal is only repaid on the maturity date. |

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| 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. |
| MiFID II | The second Markets in Financial Instruments Directive - a legislative framework instituted by the European Union to regulate financial markets in the bloc and improve protections for investors. |
| Minimum Revenue Provision (MRP) | Minimum revenue provision - an annual amount that local authorities are required to set aside and charge to revenue for the repayment of debt associated with capital expenditure. Local authorities are required by law to have regard to government guidance on MRP. |
| Monetary policy | Measures taken by central banks to boost or slow the economy, usually via changes in interest rates. Monetary easing refers to cuts in interest rates, making it cheaper for households and businesses to borrow and hence spend more, boosting the economy, while monetary tightening refers to the opposite. See also fiscal policy and quantitative easing. |
| Monetary Policy Committee (MPC) | Committee of the Bank of England responsible for implementing monetary policy in the UK by changing Bank Rate and quantitative easing with the aim of keeping CPI inflation at around 2%. |
| Money Market Fund (MMF) | A collective investment scheme which invests in a range of short-term assets providing high credit quality and high liquidity. Usually refers to CNAV and LVNAV funds with a WAM under 60 days which offer instant access, but the European Union definition extends to include cash plus funds. |
| Money markets | The markets for short-term finance, including deposits and T-bills. See also capital markets. |
| MRP | See Minimum Revenue Provision |
| Movement in Reserves Statement | The Movement in Reserves Statement shows the movement from the start of the year to the end of the year on the different reserves held by the Council, analysed into 'usable reserves' - those that can be used to fund expenditure - and 'unusable' reserves, which must be set aside for specific purposes. |
| Net borrowing | Borrowing minus treasury investments. |
| 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. |
| Net Revenue Stream | In the Prudential Code, income from general government grants, Council Tax and rates. |
| Nominal Value | Nominal value does not take into account the effect of inflation, it is an absolute monetary value. |

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| Non-Domestic Rates | 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 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-specified investments | Government term for investments not meeting the definition of a specified investment or a loan upon which limits must be set. Since 2018, the term does not apply to treasury investments in England. Not applicable in Scotland. |
| Non-Recurrent | One-off income, expenditure or savings. |
| Original Budget | A term used to describe the budget set in the February prior to each financial year. It is used once the financial year has begun to distinguish it from the revised budget. Follows from the base budget, but allows for growth (or savings) and other variations. |
| Operational boundary | A prudential indicator showing the most likely, prudent, estimated level of external debt, but not the worst-case scenario. Regular breaches of the operational boundary should prompt management action. |
| Operational risk | The risk that fraud, error or system failure leads to an unexpected loss. |
| Other long-term liabilities | Prudential Code term for credit arrangements. |
| Outturn | Expenditure actually incurred. |
| Overspend | 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. |
| PAYE | Pay As You Earn - Tax deductions from salaries and wages payments made by the Council in accordance with HMRC legislation. |
| Pension fund | Ringfenced account for the income, expenditure and investments of the local government pension scheme. Pension fund investments are not considered to be part of treasury management. |
| Petty Cash/Imprest Account | A small amount of cash kept on hand by a service for incidental expenses. |
| 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. |

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| Private Finance Initiative (PFI) | A government scheme where a private company designs, builds, finances and operates assets on behalf of the public sector, in exchange for a series of payments, typically over 30 years. Counts as a credit arrangement and debt. |
| Property fund | A collective investment scheme that mainly invests in property. Due to the costs of buying and selling property, including stamp duty land tax, there is usually a significant fee charged on initial investment, or a significant difference between the bid and offer price. |
| Provision | A provision is a liability of uncertain timing or amount. For example, it may be a charge to the cost of services for liabilities that are known to exist, but must be estimated. |
| Prudential Borrowing | See 'Unsupported (Prudential) Borrowing' |
| Prudential Code | Developed by CIPFA and introduced in April 2004 as a professional code of practice to support local authority capital investment planning within a clear, affordable, prudent and sustainable framework and in accordance with good professional practice. Local authorities are required by law to have regard to the Prudential Code. |
| Prudential indicators | Indicators required by the Prudential Code and determined by the local authority to define its capital expenditure and asset management framework. They are designed to support and record local decision making in a manner that is publicly accountable. |
| PWLB | Public Works Loans Board - a statutory body operating within the DMO that lends money from the National Loans Fund to local authorities and other prescribed bodies and collects the repayments. |
| Real Value | Real value is after taking into account the value of inflation. |
| Recurrent | Ongoing income, expenditure or savings |
| Refinancing risk | The risk that maturing loans cannot, be refinanced, or only at higher than expected interest rates leading to an unplanned loss. Managed by maintaining a smooth maturity profile. |
| 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, |

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| | 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. |
| Risk Management Policy | An agreed policy which sets out how and why the Council will manage risk of all types across all of its activities. |
| Scheme of Delegation | The framework by which budgetary control and financial monitoring are exercised at a local level. |
| 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. |
| SONIA | Sterling Overnight Index Average – SONIA is based on actual transactions and reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors. |
| 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. |

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| Standard Spending Assessments (SSAs) | <p>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> <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 unhypothecated, 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> |
| Statement of Accounts | <p>The Statement of Accounts provides details of the Council's financial position over the previous financial year. Its purpose is to give electors, those subject to locally levied taxes and charges, members of the authority, employees and other interested parties clear information about the authority's finances. Statements of Accounts across all local authorities should reflect a common pattern of presentation, although this does not require them to be in an identical format. The Statement of Accounts is produced in accordance with the requirements of the Code of Practice on Local Authority Accounting in the UK (the code), which is updated annually.</p> |
| Sub-contractors | <p>A subcontractor is a legal person appointed by a contractor to get the contract, part of the contract or any section of the contract assigned to him to be executed.</p> |
| Supplies | <p>Consumables (e.g. paper, stationery, foodstuffs etc).</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</p> |

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| | tax base is taken into account when it calculates its council tax. |
| Technical Adjustment | An adjustment to budgets as a result of the Council adhering to the Chartered Institute of Public Finance and Accountancy's Code of Practice on Local Authority Accounting. These could include, but are not limited to, the reallocation of centrally held pay and price budgets to other areas within the council or the allocation of capital charges across the council, and necessary year end accounting adjustments in line with accepted accounting practices. |
| Tender List | Drawn from a previously determined select list, the list of suppliers, providers or contractors actually invited to tender. |
| Tenderer | A potential supplier or provider or contractor. |
| Treasury Bill (or T-bill) | Treasury bill - a bill issued by a government. |
| Treasury investments | Investments made for treasury management purposes, as opposed to commercial investments and service investments. |
| Treasury Management | 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. |
| Treasury management advisor | Regulated firm providing advice on treasury management, capital finance and related issues. |
| Treasury Management Code | CIPFA's Code of Practice for Treasury Management in the Public Services and Cross-Sectoral Guidance Notes, to which local authorities are required by law to have regard. |
| Treasury management indicators | Indicators required by the Treasury Management Code to assist in the management of credit risk, interest rate risk, refinancing risk and price risk. |
| Treasury management policy statement | Document required by the Treasury Management Code setting out a local authority's definition of and objectives for treasury management. |
| Treasury management practices (TMPs) | Document required by the Treasury Management Code setting out a local authority's detailed processes and procedures for treasury management. |
| Treasury Management Strategy (TMS) | 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. |
| Underspend | When referring to expenditure the actual expenditure incurred is less than the budget. |

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| | When referring to income the actual income achieved exceeds the budget. |
| Unhypothecated Funding | Funding allocated without restrictions on how it should be spent. |
| Unsupported (Prudential) Borrowing | 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. |
| Unusable Reserves | Unusable reserves are established for specific legal or accounting purposes and cannot be used to fund future expenditure. |
| Usable Reserves | 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. |
| 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 combination of costs and benefits to an organisation. Value for money is more formally defined as the relationship between economy, efficiency and effectiveness.</p> <p>Economy is the price paid for what goes into providing a service.</p> <p>Efficiency is a measure of productivity – how much you get out in relation to what is put in.</p> <p>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.</p> |
| Variance | Difference between latest budget and actual income or expenditure. Can be ‘actual’ if reflecting the current or most up to date position or ‘projected’ for example projected to the end of the month or financial year. |
| Virement | The transfer of budget provision from one budget head to another. Virement decisions apply to both revenue and capital expenditure heads, and between expenditure and income, and may include |

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| | transfers from contingency provisions. Virements may not however be approved between capital and revenue budget heads. |
| Working capital | The cash surplus or deficit arising from the timing differences between income/expenditure in accounting terms and receipts/payments in cash terms. |