

Glossary of Terms

Accounts Payable	The computerised system used to pay money to an outside body for goods and services received.
Accrual	The recording of transactions when they take place not when payment is made.
Actual	The cost of a unit, item or service.
Authorised Limit	This is the limit beyond which borrowing is prohibited. It reflects the level of borrowing that, while not desired or sustainable, could be required with some headroom for unexpected cash flow movements and includes both temporary borrowing for cash flow purposes and long-term borrowing to finance capital expenditure.
Bank Rate	The Official Bank rate paid on commercial bank reserves i.e. reserves placed by commercial banks with the Bank of England as part of the Bank's operations to reduce volatility in short-term interest rates in the money markets.
Base Rate	Minimum lending rate of a bank or financial institution in the UK.
Budget	A plan of expected expenditure and income over a set period of time for example the Council's revenue budget covers a financial year.
Budget Holder	A nominated officer in a Directorate who has responsibility for the control and monitoring of a particular budget.
Budget Manager	A nominated officer in a Directorate who has responsibility for the control and monitoring of the budgets within a service area.
Budget Monitoring	The analysis and reporting of expenditure/ income against budget. Budget monitoring is carried out by Directorates and by the Finance Service on a monthly basis.

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Budgetary Control	The use of budget monitoring information to manage the budget and bring spend in on target for the year.
Capital Financing Requirement (CFR)	The amount the Council needs to borrow in order to deliver its Capital Expenditure plans.
CEI	Change, Efficiency and Improvement Programme.
CLG	Department for Communities and Local Government.
Cost Centre	A code created in General Ledger to record expenditure and income for a particular activity. For example a library a school.
Counterparty	The organisations responsible for repaying the Council's investment upon maturity and for making interest payments.
Consumer Price Index (CPI)	The index designed as a macro-economic measure of consumer price inflation. The official measure is calculated each month by taking a sample of goods and services that a typical household might buy, including food, heating, household goods and travel costs. It forms the basis for the Government's inflation target which the Bank of England's Monetary Policy Committee is required to achieve.
Credit Default Swap (CDS)	Reflect the market perception of an institution's credit quality unlike credit ratings which often focus on a longer term view. CDS contracts can be compared with insurance, as a buyer of a CDS pays a premium insuring against a debt default.
Credit Rating	This is a scoring system that lenders issue people with to determine how credit worthy they are.
DfE	Department for Education.
DWP	Department for Work and Pensions.
Fees and Charges	Income arising from the provision of a service.
Financial Regulations	Rules which set out the financial policies of the Council and help to ensure that the assets

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	of the Authority are protected and properly deployed.
Financial Year	1 April to 31 March.
Forecast Out-turn	A prediction of the final income and expenditure based at the year end.
General Ledger (GL)	The prime financial record for the Authority. The General Ledger records all the expenditure incurred and all the income generated by the Council.
Gilts	These are issued by the UK Government in order to finance public expenditure. Gilts are generally issued for a set period and pay a fixed rate of interest for the period.
IFRS	International Financial Reporting Standards – the basis on which the 2011/12 accounts will be compiled.
Journal Transfer	A journal transfer is used to correct miscoded transactions or to allocate costs/income within or across Directorates.
Lenders Option Borrowers Option (LOBOs)	A form of long-term borrowing where loans run at a fixed rate of interest for a fixed period of time, after which the Lender has the option to ask for repayment or change the interest rate on pre-determined dates. If the Lender decides to exercise the option to change the interest rate the borrower can then decide whether to accept the new terms or repay the loan.
LGPS	Local Government Pension Scheme.
Long term	A period of one year or more.
Maturity	The date when an investment is repaid or the period covered by a fixed term investment.
Monetary Policy Committee (MPC)	This is a body set up by the Government in 1997 to set the repo rate (commonly referred to as being base rate). Their primary target (as set by the Government) is to keep inflation within plus or minus 1% of a central target of 2% in two years time from the date of the monthly meeting of the Committee. Their

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	secondary target is to support the Government in maintaining high and stable levels of growth and employment.
Money Market	Consists of financial institutions and dealers in money and credit.
Non essential spend	Any expenditure that is not for “life or limb” services.
Operational Boundary	The amount the Council realistically expects to borrow. It represents the figure the Council would not expect to exceed on a day to day basis.
Outturn	The final expenditure and income position on a cost centre at year-end.
PFI	Private Finance Initiative.
Profiling	A method by which budgets are profiled to reflect patterns of spend.
Projections	A forecast of expenditure and income to the year-end based on known commitments and trends.
Prudential Borrowing	See Unsupported Borrowing
Public Works Loan Board (PWLB)	Part of the Government’s Debt Management Office, making long-term funds available to local authorities on prescribed terms and conditions. The PWLB is normally the cheapest source of long-term borrowing for local authorities.
Quantitative Easing	The printing of money by the country’s central bank in order to increase the supply of money.
Revenue Expenditure	Expenditure on the day-to-day running costs of a service for example employees or transport.
Reprogramming	Refers to changes to the timing of projects in the Capital Plan between years
Service Area	Groups of related cost centres.
SHIP	Social Housing Investment Pot.

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Short-term	A period of less than one year.
SLT	Senior Leadership Team.
Sovereign Debt	A debt instrument guaranteed by a government.
Subjective	A subjective shows the type of expenditure incurred for example employees. A subjective can be used to record the type of income generated, for example rent and fees.
Supported Borrowing	This is borrowing to fund expenditure in the capital plan where the annual financing costs of such borrowing is supported by government through formula grant. No new supported borrowing has been awarded since 2009/10.
Suspense Account	A cost centre used when costs or income are not readily identifiable. The account is used temporarily until additional information on the transaction can be found.
Unsupported Borrowing	This relates to borrowing to fund expenditure where the annual financing costs have to be met from the Council's own revenue resources. This is also known as Prudential borrowing.
Variance	The difference between budgeted expenditure and income compared to actual expenditure and income.
Virement	A transfer of budgets from one area of the budget to another.
Yield	Return on an investor's capital investment.
Yield Curve	Graph plotting the yield of all bonds of the same credit quality with maturities ranging from the shortest to the longest available. If the resulting curve shows that short-term yields are lower than longer term yields, then it is called a positive yield curve. If short term yields are higher than longer term yields, then it is called an inverted yield curve. If there is little difference between short and long term yields, then it is a flat yield curve.