

GLOSSARY OF FINANCE TERMS

Term	Description
Accounting period	The timescale during which accounts are prepared or reported on.
‘Accounts Payable’	The section and/or system within the Council that is responsible for paying the Council’s creditors and invoices raised against the Council.
‘Accounts Receivable’	The section and/or system within the Council that is responsible for invoicing and collection from the Council’s debtors and for invoices raised by the Council.
Accrual	The recording within the accounts of the Council the cost of goods or services received and for which an invoice has been received but for which payment has not yet been made.
Accrual accounting	The practice of accounting for goods and services when they are received/provided rather than when they are paid for/payment received.
Annual budget	The income and expenditure plans for the financial year (1 April to 31 March); set by Council in February before the year starts.



Term	Description
Asset	A present economic resource of the Council to which it has a right or other type of access that other individuals or organisations do not have. Something the Council owns.
Balances	A figure representing the difference between credits and debits in an account; the amount of money held in an account. Also known as 'financial reserves'.
Base budget	Estimate of the amount required to provide services at current levels. Can also be referred to as 'rollover budget'.
Budget Monitoring	The process comparing of actual income and expenditure against budget; used to support budgetary control.
Business Rates/NDR*	Rates are payable on non-domestic property including libraries, offices, schools. The level of business rates is set by the Government and collected by the District Councils on their behalf. The money is then re-allocated to authorities in accordance with ratios and tariffs/top-ups set by central government.
Capital Asset	Capital or Fixed assets are long-term resources, such as plant, equipment and buildings.
Capital Charges	A charge to services to reflect the cost of fixed assets used in the provision of those services
Capital expenditure	Expenditure on items that create an asset which has a long-term benefit of more than one year.



Term	Description
Carry forward [of budget]	Budgets unspent in a prior year that have (once approved) been added to the current year budget. Strict rules on what can be 'carried forward' apply.
Chart of accounts	The hierarchy of recording income and expenditure within the Council's accounts. The main distinctions are between fund e.g. County fund, Pension Fund; objective e.g. service or cost centre; subjective e.g. the classification of expenditure between salaries, equipment, stationery, fuel costs etc.
Commitment	A commitment to spend occurs when an order is raised
Cost centre	A collection of subjective codes (qv) linked to a particular service or sub-service area.
Creditor	A person or company to whom the Council owes money.
Debtor	A person or company who owes money to the Council
Depreciation	The accounting method of amortising the value of an asset over its useful life
Dwelling	A property liable for Council tax.
Ear marking	Setting aside funds for specific purposes



Term	Description
[Financial] reconciliation	Financial reconciliation is the accounting process by which two different data sets are compared to verify that the information within them is accurate. Reconciliation is an important business accounting practice that ensures the reliability of the Council's financial records.
Financial Regulations	Rules of financial management that apply to all officers and members of the Council. These form part of the Council's Constitution can be found on the Council's Website.
Financial Year	Period of twelve months commencing on 1 April and ending 31 March the following year.
Forecast Outturn	A projection of anticipated expenditure incurred and income received to provide an estimate of the service position at the end of the year compared to the planned budget.
Funding	Source of income to support service expenditure – can be capital or revenue
General Fund	The main revenue account of the Council through which day to day transactions are conducted.
General Ledger	A collection of accounting records detailing the authority's transactions and balances
Hereditament	A building or premises liable for Business Rates
Incremental budgeting	A process of budget setting, starting with the base budget and increasing/decreasing it by growth/efficiencies to set the following year's budget.



Term	Description
Internal Audit	A team that works to protect the Council's assets and assist managers in improving their use.
Invoice	A bill – a request for payment for goods or services received
Journal	The transfer of actual income or actual expenditure from one code to another, more appropriate code. Note: movement of budgets is classed as a 'virement' (qv)
Medium Term Financial Strategy (MTFS)	The Council's strategy for the management of its resources during the next four years, which remains under rolling review, and directly links to the service planning process.
Liability	The Council's financial debt or obligations that arise during the course of its business operations. Liabilities are settled over time through the transfer of economic benefits including money, goods or services.
(N)NDR	(National) Non-Domestic Rates – see business rates (qv)
Profile of budget	A term used to describe the pattern of expenditure or income that is expected to occur over a period of time. Designed to reflect actual spend or income to allow better budget monitoring.
[The] Prudential Code	The authority which enables the Council to set its own borrowing limits as part of the budget setting processes.



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Reserves	Amounts set aside for general contingencies and to provide for working balances, or can be earmarked for specific future expenditure.
Resources	Includes cash, staff, equipment, property, stocks, etc.
Revenue expenditure	Expenditure on 'day-to-day' items required to support the running and/or the provision of the Council services
Revenue Support Grant (RSG)	The Revenue Support Grant (RSG) - a Government grant providing general support for Council services.
Subjective Code	A code describing expenditure or income by type e.g. salaries costs, premises costs. Can also be called "accounting code"
Supplementary Estimate	An in-year increase in budget – normally necessitated by a new burden or an in-year pressure not identified at budget setting. Approval varies by value and details are outlined in the Council's Financial Regulations.
Tariff	Additional business rates paid over to central government. SHBC are a 'tariff' authority.
Top-up	Additional business rates paid over by central government to local authorities. SHBC are not a 'top-up' authority.
Treasury management	The term for all the activities and processes involved in managing the Council's money. This includes tasks like liquidity and cash-flow forecasting, investing, risk assessment, and day-to-day operations like banking and invoicing.



Term	Description
Ultra Vires	A Latin term meaning 'beyond the powers'.
Variance	Difference between budget and actual income or expenditure. May be favourable (more income or lower spend than budgeted) or unfavourable/adverse (less income or more spend than budgeted)
Virement	Formal transfer of funds from one budget to another. Does not change the Council's overall budget.
Zero based budgets	The construction of a budget based on the needs of the Council without reference to previous expenditure history.

