

ANNEX G

Glossary of terms and acronyms

Cross references to other terms are shown in bold.

Accruals basis – an accounting concept which requires that income and expenditure are accrued (i.e. recognised as they are earned or incurred, not as they are received or paid). Under this concept therefore inclusion or exclusion of an item of income or expenditure will depend on the period to which it relates, not the period in which it was received or performed.

ACC **Adjusted Credit Ceiling** – a modified form of credit ceiling, a measure of an authority's net indebtedness relating to capital transactions, which was used until 31 March 2004 solely for the purpose of calculating the **Minimum Revenue Provision**.

AEF **Aggregate external finance** – central government revenue funding. It comprises **Revenue Support Grant, National Non-domestic Rates** (in the case of net Aggregate External Finance) and also includes certain **specific grants** (in the case of gross Aggregate External Finance). (See section 2.4.1)

Amortisation - the loss in value of an intangible asset due to its use by the company is accounted for by means of amortisation. Amortisation is a so-called “non-cash” charge insofar as it merely reflects accounting assessments of the loss in value.

ACG **Annual Capital Guidelines** – issued until 31 March 2004 by the government in respect of the main groups of services. Historically, a broad indication of the level at which the government considers an authority needs to spend on capital in the financial year. More recently, the element of an authority's **Basic Credit Approvals** allocated on a service-related basis. (See section 4.5.3)

ANA **Alternative Notional Amount** - a technical adjustment made to the budget requirement in a base year. This is undertaken in order that the subsequent budget requirement set by an authority for the following year can be compared with that for the base year on a like-for-like basis for capping purposes. Setting Alternative Notional Amounts is the method prescribed in legislation for the Government to handle significant changes in local authorities' functions, finance or structure.

Area council tax - the average total amount of council tax payable for a Band D dwelling occupied by two adults within a billing authority's area. It is the sum of the amounts requested: a) by the billing authority; b) by major precepting authorities covering the billing authority's area; and c) by parish or town councils within the billing authority's area. The amount at c) is the total amount requested by parish and town councils, averaged across the whole of the billing authority's area.

Average council tax per dwelling - the total council tax payable in an area divided by the total number of chargeable dwellings in the area.

Appropriations to/from reserves – these are respectively, the movement of monies into **reserves** from the **General Fund Revenue Account**, or out of **reserves** to the **General Fund Revenue Account**.

ABG **Area Based Grant** – this is a general grant allocated directly to local authorities as additional revenue funding to areas. It is allocated according to specific policy criteria rather than general formulae. Local authorities are free to use all of this non-ringfenced funding as they see fit to support the delivery of local, regional and national priorities in their areas.

BCA **Basic Credit Approval** – until 31 March 2004 the government’s calculation for each local authority of the amount of **capital expenditure** it need not charge to a revenue account (i.e. that it may finance from borrowing or other forms of credit). It was calculated as follows: **Annual Capital Guidelines** minus proportion of **capital receipts**. A Basic Credit Approval was issued in advance of the year in question and **Supplementary Credit Approvals** could be issued later. (See section 4.5.1)

Band D council tax- this is the council tax payable on a Band D dwelling occupied as a main residence by two adults, before any reductions due to discounts, exemptions or council tax benefit. This definition is widely regarded as a benchmark when comparing council tax levels in different areas or over time.

Billing authority – a local authority empowered to set and collect **council taxes**, and manage the **Collection Fund**, on behalf of itself and local authorities in its area. In England, shire and metropolitan districts, the Council of the Isles of Scilly, unitary authorities, London Boroughs and the City of London are billing authorities. (See section 1.6.3)

Budget requirement – an amount calculated, in advance of each year, by each **billing authority**, by each **major precepting authority** and by each **local precepting authority**. It is broadly the authority’s estimated net **revenue expenditure** allowing for movement in reserves. It is, therefore, the estimate of the amount to be met from **Formula Grant**, **Greater London Authority** general grant and from **council tax** income. (See section 3.2.1)

BR **Budget requirement return** – a form seeking information on the calculation of each local authority’s **budget requirement** and **council tax**

Business rates – a tax on non-domestic property based on the notional annual rent of a property known as the **Rateable Value**, also called **National Non-domestic Rates**.

Capital charges – charges to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

CER **Capital estimates return** – a form seeking local authority forecasts of **capital expenditure** (and **receipts**) and how they plan to finance it.

Capital expenditure – expenditure on the acquisition of fixed assets or expenditure, which adds to and does not merely maintain the value of existing fixed assets (See section 4.1) This standard accounting definition is modified in local government by regulations and directions made under Local Government Act 2003.

CERA **Capital expenditure charged to revenue account** – a method of financing **capital expenditure** where the expenditure is financed direct from revenue account in the year it is incurred (See section 4.4.1).

COR **Capital outturn return** – a form seeking detailed final outturn about **capital expenditure** (and **receipts**) and how it has been financed.

CPR4 **Capital payments and receipts return 4** – a form seeking provisional estimates of **capital expenditure** (and **receipts**) and how it has been financed.

Capital receipts – income from the sale of capital assets. Such income may only be used for purposes authorised by regulations under the Local Government Act 2003, for example to repay loan debt and to finance new **capital expenditure**. (See section 4.6.1)

Capitalised current expenditure – expenditure which would normally score as **current expenditure** but which a local authority has been allowed to capitalise by a direction issued by the Secretary of State (e.g. redundancy payments).

Capping – the imposition of a government limit on a local authority's **budget requirement** and hence its **council tax**.

Community Amateur Sports Clubs relief - a relief within the business rates system to help sports clubs meet the cost of their rates

Cash basis – an accounting convention in which transactions are recorded in the period in which payment is made or received as opposed to the period in which the transaction took place (**accruals basis**). **Capital expenditure** and **capital receipts** were, for many years, recorded on a cash basis but local authorities now account for them on an **accruals basis**.

Central support protection grant – paid for 1999-2000 and 2000-01 to provide minimum increases in the level of central government support (principally **Revenue Support Grant** plus redistributed **National Non-domestic Rates**). It ensured that authorities with education and social service responsibilities received at least a 1.5% increase in support and that other authorities did not experience a year-on-year fall in support. From 2001-02 damping of grant changes for authorities is provided via the floor mechanism.

CIPFA **Chartered Institute of Public Finance and Accountancy** – the leading professional accountancy body for public services, whether in the public or private sectors

Chargeable dwellings - those domestic dwellings in an area for which council tax is payable. It excludes dwellings on the valuation list which are exempt from paying council tax. Each chargeable dwelling is counted as one dwelling, whether or not a full council tax bill is payable for it. The total number of chargeable dwellings in an area is the denominator used to calculate the average council tax per dwelling.

City of London offset – an amount of **redistributed business rates** that the City of

London is permitted to retain due to its unique circumstances.

Collection fund – the fund administered by a **billing authority** (from 1 April 1993) into which **council taxes** are paid, and from which payments were made to the general fund of **billing and major precepting authorities**. **National Non-domestic Rates** collected by a billing authority are also paid into the fund before being passed on to central government for distribution to local authorities (**see section 2.3.1**). Under the **community charge** system, **billing authorities** were known as charging authorities, and community charges, **Revenue Support Grant**, **National Non-domestic Rates** entitlements and special grants were all paid into their collection fund.

Community assets – are assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal, for example parks and historic buildings.

Community charge – the local domestic charge that was in operation between 1 April 1990 and 31 March 1993. Also known as the ‘poll tax’.

Council tax – a local charge (or charges) set by the **billing authority** in order to collect sufficient revenue to meet their demand on the **collection fund** and the precepts issued by the precepting authorities. It replaced the **community charge** on 1 April 1993 and is based on the value of the property and the number of residents. The Valuation Office Agency assesses the properties in each district area and assigns each property to one of eight valuation bands; A to H. The tax is set on the basis of the number of Band D equivalent properties. Tax levels for dwellings in other bands are set relative to the Band D baseline. (**See section 2.2.1**)

Council tax band - There are eight council tax bands, A to H. Each domestic dwelling is assigned a council tax band by the Valuation Office Agency. Council tax bands are based on the value of the dwelling as at 1 April 1991.

CTB1 **Council tax base return** – a form seeking information on the calculation of the council tax base for **revenue support grant** purposes for each **billing authority**.

Council tax benefit – an income related social security benefit designed to help people on low income pay their **council tax**. Council tax benefit replaced community charge benefit on 1 April 1993. (**See section 2.2.7**)

CTBSL **Council tax benefit subsidy limitation** – a scheme designed to limit the amount of **council tax benefit** subsidy paid to local authorities if they made increases in **council tax** above a guideline set annually by the government. Not operated from 2002-03.

Council tax requirement – for billing and local precepting authorities this is the amount calculated under section 97(1) of the 1988 Act to be transferred from the **Collection fund** to the General Fund (except where the amount calculated is negative, in which case it is the amount to be transferred from the General Fund to the **Collection fund**).

Council tax transitional reduction scheme – this scheme limited the increase in a

household's bill as a result of the change from **community charge** to **council tax** to a fixed amount for each band. Relief was withdrawn at a fixed rate in 1994-95 and 1995-96. There was no further relief from 1996-97.

Credit approvals – until 31 March 2004 authorisations given by the Government to local authorities that enable them to finance **capital expenditure** by borrowing or by other **credit arrangements**, such as finance leasing.

Credit arrangements – forms of credit that do not involve the borrowing of money by a local authority (e.g. finance leases).

Credit ceiling – until 31 March 2004 the difference between an authority's total liabilities in respect of **capital expenditure** financed by credit and the provision made to meet them.

Credit cover – until 31 March 2004 resources which need to be found to meet the initial cost of a credit arrangement (e.g. the capital value of payments made under a lease). Credit cover could be provided by setting aside as **Provision for Credit Liabilities** usable **capital receipts** or an amount from revenue or by using a **credit approval**.

Current expenditure – a general term for the direct running costs of local authority services including employee costs and running expenses but excluding debt charges. Particular definitions include **net current expenditure**. (See section 3.1.1).

DSG

Dedicated Schools Grant – there was a change in the funding of **specific and formula grants** in 2006-07 largely due to changes in the way that expenditure on schools is funded. From 2006-07, local authorities receive Dedicated Schools Grant within specific grant rather than in formula grant.

Deferred capital receipts – these represent amounts derived from the sale of assets, which will be received in installments over agreed periods of time. They arise mainly from mortgages on the sale of council houses and form the main part of mortgages.

Demand on the collection fund – after 1 April 1993, represents the amount calculated by a **billing authority** or **precepting authority** to be transferable from the billing authority's **collection fund** to its general fund. Between 1 April 1990 and 31 March 1993, represented the amount required from the **collection fund** by a charging authority in order to finance its own expenditure, and funded by **Revenue Support Grant, National Non-domestic Rates** and **community charges**.

Depreciation - the accounting recognition of the loss in value of a tangible fixed asset due to its use or its holding/ownership by the company. It thus covers two different phenomena: wear due to the use of a product (machines, fittings, vehicles, buildings, etc.) and obsolescence, due to technological advances in the industry. Depreciation is a so-called "non-cash" charge insofar as it merely reflects accounting assessments of the loss in value.

Designation - This is one of the ways that the Government protects council taxpayers from excessive increases, by limiting a local authority's budget

requirement (and hence its council tax) by requiring it to arrange and pay for new council tax bills to be sent out for a lower amount.

DLO **Direct labour organisation** – an organisation, which consists of workers directly employed by a local authority to carry out construction and/or maintenance work.

DSO **Direct service organisation** – an organisation which consists of workers directly employed by a local authority to carry out work formerly specified under the Local Government Act 1988.

Discretionary relief - in addition to mandatory reliefs, local authorities have the power to award business rate relief at their discretion provided the hereditaments meet locally set criteria. The current categories of discretionary relief are:

- Charity
- Non-profit making bodies
- Rural village shop
- Other small rural businesses
- Community and Amateur sports clubs
- Hardship
- Charges on property

A further relief for former agricultural properties ceased during August 2006 but may be applied retrospectively where applicable.

Distributable Amount – the amount of centrally-collected **National Non-domestic Rate** that is estimated to be available to be distributed to local authorities (**See section 2.3.9**)

Earmarked reserves – reserves held by an authority which are to be used for specified purposes

Empty Property Rate relief - a relief within the business rates system to help owners/occupiers of empty properties meet the cost of their Empty Property Rates.

EPCS **Environmental, protective and cultural services** – one of the main blocks of local authority spending which has its own relative needs formulae under the **Revenue Support Grant** system. The formulae are based on resident population and modified for sparsity, density, deprivation and for higher wage cost areas.

Fees and charges – see **sales, fees and charges**.

FRS17 **Financial Reporting Standard 17** – from 2003-04 local authorities' final accounts were required to comply in full with Financial Reporting Standard 17 on retirement benefits. This requires future liabilities for retirement benefits to be recognised in the accounts for all the main categories of local government employees (other than teachers).

Fixed assets – assets that yield benefits to the local authority and the services it provides for a period of more than one year. (**See section 5.1.1**)

Following year designation - this is one of the ways that the Government protects council taxpayers from excessive increases, by limiting a local authority's budget requirement (and hence its council tax) in one or more subsequent financial years. Following year designation is triggered by **nomination** or **designation** in a previous year and is intended to allow the authority a phased return to setting a non-excessive budget requirement.

Formula Grant – the main channel of government funding. This includes **Redistributed National Non-domestic Rates, Revenue Support Grant** and Police Grant. The distribution is determined by the **Formula Spending Shares** formulae, also taking account of authorities' relative ability to raise **council tax** and the floor damping mechanism. There are no restrictions on what local government can spend it on.

FSS **Formula spending shares** – are a nominal measure of the relative cost of service provision, used for the distribution of grant from 2003-04. Formula Spending Shares replaces **Standard Spending Assessments**. (See section 2.4.3)

FTSE all share index – is a series used to represent the performance of over 900 companies resident and domiciled in the United Kingdom. The prices used in the calculation of these indices are exact mid prices taken at the close of business each day.

Gross Domestic Product deflator – the Gross Domestic Product implied deflator is a measure of general inflation in the domestic economy. It reflects the movements of hundreds of different price indicators (especially of wages and profits) for the individual components of **Gross Domestic Product**. (See section 3.2.3)

Gearing – a measure of the impact on council taxes of increasing budgets. This varies widely between local authorities. An authority that meets 25% of its **budget** through **council tax** is said to have a gearing of 4.0. Therefore, a 1% increase in budget would lead to a 4% increase in council tax. (See section 2.2.3)

GFRA **General Fund Revenue Account** – the General Fund is the fund within which, since April 1990, most transactions of a local authority take place. Other funds held by a local authority may include a **collection fund**, superannuation fund and trust funds held for charitable purposes. The General Fund Revenue Account holds the revenue transactions of the General Fund. (See section 1.6.5)

GLA **Greater London Authority** – a strategic authority for London, created on 1 July 2000.

GDP **Gross Domestic Product** – is a measure of the total domestic economic activity. It is the sum of all incomes earned by the production of goods and services on UK economic territory, wherever the earner of the income may reside. Gross Domestic Product is equivalent to the value added to the economy by this activity. Value added can be defined as income less intermediate costs. Therefore growth in Gross Domestic Product reflects both growth in the economy and price changes (inflation).

Gross expenditure – see **total gross expenditure**

Gross revenue expenditure – is derived from **net current expenditure** by adding on net capital charges, **Capital Expenditure charged to Revenue Account**, gross expenditure on **council tax benefit**, and other non-current items. It is net of expenditure met by **sales, fees and charges** and interest receipts.

Gross total cost – includes all expenditure relating to a service/activity, including employee costs, expenditure costs, expenditure relating to premises and transport, supply and services, third party payments, transfer payments, support services and **capital charges**. Specifically it includes **capital charges** calculated in accordance with existing capital accounts guidance, but with certain aspects changed.

Hereditament – property which is or may become liable to **National Non-domestic Rates**, and thus appears on the rating list, compiled and maintained by the Valuation Office Agency of HM Revenue and Customs. (See section 2.3.2)

Housing benefit – financial help given to local authority or private tenants whose income falls below prescribed amounts. Central government finances about 95% of the cost of benefits to non-Housing Revenue Account tenants ('rent allowances') and the whole of the cost of benefits to Housing Revenue Account tenants. Some local authorities operate 'local schemes' whereby they finance allowances in excess of the standard payments.

HRA **Housing Revenue Account** – a local authority statutory account, within the general fund, covering current income and expenditure on its housing services relating to its own housing stock (See section 3.8).

Hypothecated grants – see **ring fenced grants**.

Impairment - this is where the value of an asset falls below the carrying (or book) value in the accounts and so to reflect the commercial reality of the situation a charge is made in the running costs.

Intangible asset – this is a non-physical fixed asset. Intangible fixed assets include patents, brands, etc.

Joint arrangements – refers to the transfer of money between one local authority and another, as distinct from joint arrangements between local authorities and health authorities, fishery boards or any outside bodies. This includes situations where two or more authorities jointly finance an enterprise, or where one authority carries out work on behalf of another.

LSVT **Large scale voluntary transfer** – transfer of council housing stock to Registered Social Landlords.

Levy – a payment that a local authority is required to make to a particular body (a levying body). Levying bodies include national parks authorities and passenger transport authorities.

Local precepting authority – parish councils, chairmen of parish meetings, charter trustees and the treasurers of the Inner and Middle Temples. These local authorities make a **precept** on the **billing authority's** general fund.

Mandatory relief - hereditaments are automatically entitled to relief of all or part of their rates bill provided they meet the criteria set down in legislation. There are currently five categories of mandatory relief:

- Charity
- Rural village shop
- Community and Amateur sports clubs
- Partially empty properties
- Empty properties

A further relief for former agricultural hereditaments ceased during August 2006 and is no longer available for the current year but may be applied retrospectively where applicable.

Major precepting authority – county councils, police authorities, metropolitan county fire and civil defence authorities, combined fire and rescue authorities and the **Greater London Authority**. These local authorities make a **precept** on the **billing authority's collection fund**.

MRP **Minimum revenue provision** – the minimum amount which must be charged to a revenue account each year and set aside as provision for repaying borrowing and meeting other credit liabilities.

NNDR **National Non-domestic Rates** – are a means by which local businesses contribute to the cost of local authority services. They are also known as **business rates**. On 1 April 1990 the rating of non-domestic (mainly commercial and industrial) properties was substantially reformed. Before 1990-91, rate poundages were set individually by local authorities and varied from authority to authority. Since 1 April 1990, a single national poundage has been set by the Government.

National Non-domestic Rates multiplier – the factor by which a **hereditament's** rateable value is multiplied in order to calculate the gross rates due on it before deductions.

NCE **Net current expenditure** – is, essentially, spending on services. It is defined as expenditure on employees and running expenses net of **sales, fees and charges**, internal recharges, other non-grant income (such as receipts from other authorities), but gross of expenditure funded by **specific grants** and interest receipts.

NRE **Net revenue expenditure** – is derived from revenue expenditure by deducting expenditure funded by specific grants inside **Aggregated External Finance**. It also represents spending other than the use of reserves, to be funded by the **budget requirement**. (See section 3.1.3)

Net total cost – is **gross total cost** less income including **sales, fees and charges** and all **specific grants** (i.e. all grants except general grants).

Net total cost excluding specific grants – is **gross total cost** less income other than **specific grants**. This is equivalent to **net current expenditure** plus **capital charges**.

- NDPB** **Non-departmental public bodies** – organisations which are not government departments but which have a role in the processes of national government, such as the Sports Council, English Heritage and Natural England
- Non-operational assets** – are **fixed assets** held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples are investment properties and assets that are surplus to requirements, pending sale or redevelopment.
- Nomination** - this is one of the ways that the Government protects council taxpayers from excessive increases, either by setting a notional budget requirement for an authority (limiting its ability to set high increases in the future) or by starting the process of '**following year designation**'.
- Notional budget requirement** - an amount set by the Secretary of State following nomination which provides a lower base (that is, lower than the authority's actual budget requirement for the year) for measuring budget requirement increases in subsequent years for capping purposes.
- ONS** **Office for National Statistics** – is the government agency responsible for compiling, analysing and disseminating many of the United Kingdom's economic, social and demographic statistics including the **Retail Price Index**, trade figures and labour market data as well as the periodic census of the population and health statistics.
- Operational assets** – are **fixed assets** held and occupied, used or consumed by a local authority in the direct delivery of those services for which it has either a statutory or a discretionary responsibility.
- Parish precept** -this is the amount of council tax collected by a billing authority for parish or town councils within its area. Parishes are **local precepting authorities**.
- Pension funds** – for the Local Government Pension Scheme, the funds that invest employers' and employees' pension contributions in order to provide pensions for employees on their retirement and pensions for employees' dependants in the event of death of the employee. The Local Government Pension Scheme consists of 81 pension funds that provide pensions for most local government workers in England, excluding teachers, police and firefighters. (See section 7.1.2)
- Precept** – the amount of money (**council tax**) that a **local or major precepting authority** has instructed the **billing authority** to collect and pay over to it in order to finance its net expenditure, i.e. **budget requirement** less income from **National Non-domestic Rates** and **Revenue Support Grant**.
- PFI** **Private finance initiative** – started in 1997-98, Private Finance Initiative offers a form of **Public-Private Partnership** in which local authorities do not buy assets but rather pay for the use of assets held by the private sector. (See section 4.7.2).
- Procurement** – expenditure on goods and services
- PCL** **Provision for credit liabilities** – until 31 March 2004 amounts set aside from revenue or **capital receipts** to repay loans and credit arrangements. (See section 4.4.1)

Provisions – sums set aside to meet any liabilities or losses in respect of a past event which are likely or certain to be incurred, but with uncertainty as to the amounts or dates on which they will arise.

Prudential capital finance system – this is the informal name for the system introduced on 1 April 2004 by Part 1 of the Local Government Act 2003. It allows local authorities to borrow without Government consent, provided that they can afford to service the debt from their own resources. (See section 4.0.4)

The Prudential Code – a professional code of practice prepared by the **Chartered Institute of Public Finance and Accountancy**, for the prudential system introduced on 1 April 2004 (see **Prudential capital finance system**). Local authorities are required by legislation to have regard to the Code.

PPP **Public-private partnership** – a joint venture where the private sector partner agrees to provide a service to a public sector organisation. The **Private Finance Initiative** is one form of a Public-private Partnership.

Public sector net borrowing – a concept based on internationally agreed definitions. It measures the change in the public sector's accruing net financial indebtedness. It is an **accrual** concept, whereas the closely related net cash requirement is almost entirely a cash measure. It is the government's preferred measure of the short term impact of fiscal policy. (See section 1.5.9)

Public sector net debt – this consists of the public sector's financial liability at face value minus its liquid assets, mainly foreign exchange reserves and bank deposits. (See section 1.5.6).

PWLB **Public Works Loan Board** – a body, now part of the Debt Management Office (a government agency), which lends money to public bodies for capital purposes. At present nearly all borrowers are local authorities. Monies are drawn from the National Loans Fund and rates of interest are determined by the Treasury. (See section 5.2.1)

QRC **Quarterly return of council taxes and non-domestic rates**

RV **Rateable Value** - the legal term for the notional annual rent of a **hereditament**, assessed by the **Valuation Office Agency**. Every property has a rateable value that is based, broadly, on the annual rent that the property could have been let for on the open market at a particular date. The Rateable Value is used in determining the **rates liability**, and therefore the bill.

Rates Liability - the basis of the rates bill. The liability is the rateable value times the multiplier, but may be adjusted by any **transitional relief** in place, or by any **mandatory, discretionary** or **small business rate** relief applicable, to give the amount of rates payable.

RTIA **Receipts taken into account** – central government's assessment of local authorities relative abilities to finance **capital expenditure** from their **usable capital receipts**. Discontinued from 2003-04. (See **Basic Credit Approval**).

Recharges – the collective term for accounting entries representing transfers of (or to cover) costs initially debited elsewhere. They therefore comprise apportionments and charges.

Redistributed non-domestic rates - non-domestic rates which, having been paid into the non-domestic rating pool, are redistributed between local authorities on the basis of population, as part of **Formula Grant**. (See **National Non-domestic Rates and sections 2.3.7 and 2.4**)

Regions – this refers to the nine government office regions. See **Annex A1** for list and maps.

Reserves – sums held to finance future spending for purposes falling outside the definition of a **provision**. Reserves held for stated purposes are known as **earmarked reserves**. The remainder is **unallocated reserves**. (See **section 3.6.1**)

RPI **Retail price index** – is the main domestic measure of inflation in the UK. It measures the average change in the prices of goods and services purchased by most households in the UK.

RA **Revenue accounts budget estimates return – General Fund Revenue Accounts** return for budget estimates.

RG **Revenue accounts budget estimates return: income from specific and special grants – General Fund Revenue Accounts** return for budget estimates of income from **specific grants** and **special grants**.

Revenue expenditure – in a general sense, expenditure on recurring items, including the running of services and capital financing. A particular definition of revenue expenditure is that derived from **gross revenue expenditure** by deducting spending met by grants outside **Aggregate External Finance** (including rent allowance grant, mandatory student awards grant and council tax benefit grant). (See **section 3.1.2**)

RECS **Revenue expenditure funded from capital under statute** - this represents expenditure that does not result in the creation of a fixed asset for the authority, but has been designated as capital expenditure by regulation or direction. An example is grants given by authorities to support capital expenditure by other bodies.

RO **Revenue Outturn Returns** – suite of forms gathering outturn figures for the **General Fund Revenue Account** consisting of the RS, RG, RO1 to RO6, **Trading Services Revenue** and **Subjective Analysis Return**.

RSG **Revenue Support Grant** – a general grant which replaced rate support grant in 1990-91. Now it is distributed as part of **Formula Grant**.

Ring-fenced grants – these grants fund particular services or initiatives considered a national priority, and must be spent on the specified service.

Rural rate relief - relief within the business rates system to help retain essential commercial services in rural areas.

Sales, fees and charges – charges made to the public for a variety of services such as the provision of school meals, meals-on-wheels, letting of school halls and the hire of sporting facilities, library fines and planning application fees. (See section 2.5.1).

Settlement – the Local Government Finance Settlement is the annual determination made in a Local Government Finance Report by affirmative resolution of the House of Commons in respect of the following year of: the amount of Revenue Support Grant and Non Domestic Rates to be distributed to local authorities; how that support will be distributed; and the support for certain other local government bodies.

SBRR **Small business rate relief** - a relief scheme within the business rates system to help small businesses meet the cost of their rates. The Small Business Rate Relief is funded by those businesses not receiving benefit from the scheme through a supplement included in the **National Multiplier**. The scheme offers rate relief at 50 per cent to eligible properties up to £5,000 rateable value, with relief decreasing at the rate of around 1 per cent per £100 of rateable value up to 0 per cent at £10,000. Eligible properties with rateable values between £10,001 and £14,999 (£21,499 in Greater London) do not have to contribute to the cost of the rate relief scheme.

Small scale voluntary transfer – transfer of council housing stock to Registered Social Landlords.

Specific formula grants – these are distributed outside the main formula, but do not have to be spent on a specific service, for example the Neighbourhood Renewal Fund.

Specific grants – these are grants paid by various government departments outside the main formula. They include **ring-fenced grants** and **specific formula grants**.

Specified body – this is the term used for bodies (such as the Local Government Improvement and Development Agency and the National Youth Agency) that are directly funded from **Revenue Support Grant**, and that centrally provide services for local government as a whole.

SERCOP **Service Reporting Accountancy Code of Practice** – prepared and published by the **Chartered Institute of Public Finance and Accountancy** with the aim of modernising the system of local authority accounts and reporting. Provides standard service and subjective analyses of local government expenditure and income, and standard costing definitions. (See section 1.7.1).

SORP **Code of Practice on Local Authority Accounting in the United Kingdom - a Statement of Recommended Practice** – prepared by a joint committee of the **Chartered Institute of Public Finance and Accountancy** and the Local Authority (Scotland) Accounts Advisory Committee. The Code gives a comprehensive statement of the accounting concepts, accounting policies and estimation techniques to be followed by local authorities, and also sets out the format of the accounting statements. (See section 1.7)

SSA **Standard spending assessment** – provided a basis for distributing grant until 2002-

03 inclusive. It was calculated using information reflecting the demographic, physical and social characteristics of each area. **Standard spending assessments** were replaced by **Formula Spending Shares** from 2003-04.

SAR **Subjective analysis return** – since 1998-99 a sample of local authorities have completed this return (between 120 and 143). This shows how net current expenditure is broken down between pay and the procurement of goods and services. Pay is analysed to show the major pay negotiating groups. Procurement of goods and services is analysed to show goods and services purchased directly and services provided by external contractors (private contractors and voluntary organisations) or internal **trading services** (eg **Direct Labour Organisations** and **Direct Services Organisations**). (See section 3.4.2).

SCA **Supplementary credit approval** – authorisation which used to be given by central government to a local authority not to charge a specified amount of **capital expenditure** to any revenue account (i.e. finance it from borrowing or other forms of credit) in addition to what has already been authorised by its **Basic Credit Approval**. From 1 April 2004 credit approvals have been replaced by **Supported Capital Expenditure** (Revenue) or Supported Capital Expenditure (Capital). (See section 4.4.2)

SCE **Supported Capital Expenditure** – the term for most forms of central government support for local authority **capital expenditure** from 1 April 2004. Supported Capital Expenditure (Revenue) is the amount of expenditure towards which revenue grant support will be paid to a local authority on the cost of its borrowing. The revenue grant support is provided to help authorities with the costs of financing loans. Supported Capital Expenditure (Capital) is the term used for capital grants. (See section 4.4.2)

Surplus on current budget – this represents the balance of revenue over **current expenditure**, whereas net borrowing measures the overall budget deficit i.e. the balance of receipts over expenditure, both current and capital. The surplus on current budget therefore represents the surplus available for investment.

Tangible fixed asset - this is defined as a physical fixed asset and includes land, buildings, plant and machinery. These are held for use for by the authority for a period of more than one year.

Taxbase – the number of Band D equivalent properties in a local authority's area. An authority's taxbase is taken into account when it calculates its **council tax**, and when central government calculates allocations of formula grant.

Total cost - see **gross total cost** and **net total cost**.

Total gross expenditure – gross spending, taking all local authority accounts together (except pension funds), after eliminating double counting of flows between services, accounts and other authorities, where this is possible. Total gross expenditure is divided into gross **revenue expenditure** and gross **capital expenditure** - see **Table 1.6b**. The definition used in Table 1.6b excludes payments of rent rebates, rate rebates, **council tax benefits** and **council tax transitional reduction scheme** to individuals because the purpose of such payments is to finance local authority expenditure rather than to increase it.

TME **Total managed expenditure** – this includes **current** and **capital expenditure** as well as depreciation but excludes financial account transactions. (See **section 1.5.1**)

Trading services – local authority services, which are, or are generally intended to be, financed mainly from charges levied on the users of the service. External trading services are typically organisations funded mainly by sales outside the authority. Internal trading services are typically organisations funded mainly through contracts with local authority departments, with the authority funding any loss, or receiving any surplus at the end of each year. (See **section 3.4.2**)

TSRA **Trading services revenue account** – a local authority account, covering current income and expenditure on its **trading services**.

Transitional relief - Properties are revalued every five years and transitional arrangements are in place which moderate significant increases and decreases in bills. The transitional scheme is designed to be broadly revenue neutral over the life of the scheme. This revenue neutrality is achieved by phasing in both the decreases in the rate bills of those who benefit from revaluation, and also the increases in the rates bills of those who face higher rates bills due to revaluation.

The transitional relief scheme for the period 2005-06 to 2009-10 was designed to phase in significant changes in bills over a maximum of four years so that in 2009-10, the final year of the 2005 revaluation period, all hereditaments were expected to be paying their true rates liability.

Unallocated reserves – reserves - held by an authority which may be used for any purpose.

Unhypothecated grant – see **general grant**.

Usable capital receipts – until 31 March 2004 this represented the amount of capital receipts available to finance **capital expenditure** in future years, after setting aside amounts laid down by statute for the repayment of debt.