

Glossary

Business Rates Equalisation Reserve – Business rates income actually received is very unpredictable, compared to council tax income, mainly due to the impact of valuation appeals. To even out or equalise fluctuations, when the Council does better than anticipated in collecting business rates it puts surplus funds into the reserve, which are then available to draw down in those years when retained business rates are lower than expected

Capital - this is spend on acquiring, enhancing or creating assets which will provide a benefit to the Council beyond one year. Examples are constructing new buildings, installing energy efficient windows, purchasing vehicles

Capital Programme -The approved capital schemes the Authority intends to carry out over a specific period of time. Capital Programme provides the authority for the gross expenditure on schemes to be incurred

Capital Finance Requirement - this is the underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment.

Cash backed reserves (also known as useable reserves) – these are earmarked pots of cash which have been built up over time largely from setting aside surpluses on the Revenue Budget over time, or setting aside Grant funds which have yet to be applied. Reserves can be equivalent to “rainy day” funds built up from surplus funds arising from day to day activity set aside to provide a safety net in the event of drops in income (sinking fund reserves) or unanticipated emergencies (General Fund Reserve).

Movements in to and out of reserves are approved by councillors. Earmarked reserves are to be used for the purposes they have been approved to set aside for.

General Fund Reserve – a cash backed reserve which acts a general contingency reserve to be available to offset impact of unexpected or emergency events.

Outturn - the finalised position for a financial year after all appropriate accounting entries have been put through

Revenue- this is day to day operational expenditure incurred in running the services of the Council. Includes employees, supplies and services, premises costs, and income such as fees and charges or rents.

Unusable Reserves – these are reserves which do not have actual cash behind them but are created as a result of local authority accounting requirements. Some of these requirements relate to statutory regulations which determine that accounting entries such as depreciation should not impact on council tax set, so depreciation is reserved out via entries in reserves. Unusable reserves are also used to enable the recognition in the Balance Sheet of yet to be crystallised movements in valuations in assets. Reductions in asset values are mirrored in the Balance sheet by movement in the unusable reserves (in the Capital Adjustment Account Reserve). Until the valuation movements are crystallised for example by a sale of the asset, these are accounting entries which do not have a cash impact on the Budget or council tax.