

## 7. GLOSSARY OF TERMS USED IN THE BUDGET REPORT

<b>Assets – Tangible and Intangible</b>	<p><i>Tangible asset</i> – an asset that has a physical form such as machinery, vehicles, information and communications technology, equipment, buildings and land.</p> <p><i>Intangible asset</i> – an asset that is not physical in nature such as goodwill, brands, patents &amp; copyrights and shares.</p>
<b>Authorised Limit for External Borrowing</b>	A statutory limit that sets the maximum level of gross external borrowing for the council.
<b>Base Budget</b>	The budget from the previous year is taken forward to create the initial budget for the next year, this is the base budget. Inflation, savings, growth and other adjustments are then added.
<b>Baseline Funding Level</b>	Authorities' local share of business rates determined by an index-linked assessment of their needs undertaken in 2012–13.
<b>Benchmark</b>	A benchmark is used to measure performance against an externally calculated value; benchmarks can be used to measure service performance, or it can enable a comparison of an investments value against a relevant 'benchmark' index.
<b>Billing Authority</b>	A council such as Norwich City Council which is responsible for collecting the Council Tax and Business Rates in its administrative area. Authorities on whose behalf billing authorities collect money are called precepting authorities.
<b>Bond</b>	A financial instrument in which an investor lends money for a specific period of time at a fixed rate of interest. Examples are corporate (issued by companies), financials (issued by banks and building societies), Supranational (issued by Supranational such as the European Development Bank), and government bonds.
<b>Brexit</b>	"Brexit" is the phrase coined to describe the process of the UK withdrawing from the European Union (EU). The UK joined the EU in 1973 and left in 2020.

<b>Business Rates</b>	Business Rates is the usual term for the National Non-Domestic Rate, a property tax charged on all properties which are not used for residential purposes.
<b>Business Rates Baseline</b>	The amount of business rates income a local authority is predicted to raise.
<b>Business Rates Safety Net</b>	An authority which sees its annual business rates income drop below its baseline funding level can receive a safety net payment at the end of the financial year from central government. Different arrangements apply however, if an authority is part of a local rates pool (such as for NCC in 2022/23)
<b>Business Rates Levy</b>	Authorities which experience growth in business rates income pay a levy. As Norwich is a pooled authority any levy is subject to the pool arrangements and is payable to the Norfolk Business Rates Pool.
<b>Business Rate appeals</b>	<p>Since the introduction of the Business Rates Retention Scheme, Local Authorities are liable for successful appeals against business rates charged to businesses.</p> <p>The Valuation Office Agency operates a Check, Challenge and Appeal process for business rates appeals against the 2017 and later rating lists.</p>
<b>Business Rates Retention Scheme</b>	This was introduced in 2013 and is designed to give local authorities more control over the money raised locally, removing the ring-fencing of grants and promoting and rewarding local economic growth. Local pooling arrangements supersede the national scheme.
<b>Capital Expenditure</b>	<p>Expenditure on the creation or enhancement of assets, for example:</p> <ul style="list-style-type: none"> <li>• The acquisition, reclamation or enhancement of land</li> <li>• The acquisition, construction, preparation, enhancement or replacement of buildings and other structures</li> <li>• The acquisition, installation or replacement of moveable plant, machinery, and vehicles</li> <li>• The acquisition or preparation of computer programs if these will be used for longer than one year</li> </ul>
<b>Capital Financing Requirement</b>	A measure of the Council's underlying borrowing need i.e. it represents the total historical outstanding capital expenditure which has not been financed.

<b>Capital Receipt</b>	This is income received from the disposal of an interest in a capital asset. The income can only be used to finance capital expenditure or to reduce future debt liabilities.
<b>Capitalisation</b>	The proportion of a company's equity to debt finance. See "Thin capitalisation". Can also refer to the process of funding revenue expenditure from capital resources in accordance with regulations– e.g. the relevant element of staffing costs, which are normally revenue expenditure, can be capitalised against a capital project if they are an integral part of delivering the capital project.
<b>Capitalisation Direction</b>	A specific approval, only available from the government, to permit general revenue expenditure to be capitalised and funded from capital resources – used in extreme circumstances where borrowing is necessary to support day to day expenditure needs.
<b>Certainty rate</b>	The government reduces interest rates on loans from the Public Works Loan Board (PWLB) by 20 basis points (00.20%) to councils who provide specific information and guarantees on their plans for long-term borrowing and capital spending.
<b>Certificate of Deposit (CD)</b>	These are term deposits commonly sold in financial markets (e.g. banks and building societies).
<b>CIPFA</b>	The Chartered Institute of Public Finance and Accountancy (CIPFA) is the professional institute for accountants working in the public services and in other bodies where public money needs to be managed. It has a role in setting codes and standards that regulate the use of public money.
<b>Collection Fund</b>	The collection fund is a separate statutory fund, which shows the income received from business rates and council tax, and the distribution to preceptors and the city council. The resultant balance is either a surplus or deficit which is be applied to future years' budgets.
<b>Constant Net Asset Value Money Market Funds (CNAV)</b>	This refers to money market funds that aim to maintain a net asset value or value of a share of the fund.
<b>Contingency Budget</b>	A sum put aside to cover unforeseen expenditure during the period of the budget.

<b>Community Infrastructure Levy (CIL)</b>	The Community Infrastructure Levy (CIL) is a planning charge based on legislation that came into force in April 2010. A CIL allows the Council to raise contributions from new developments to help pay for infrastructure that is needed to support planning growth. Where a CIL charging schedule is in place, it largely replaces Section 106 obligations in delivering strategic infrastructure.
<b>Comprehensive Spending Review</b>	A governmental process carried out by HM Treasury to set medium term expenditure limits for each central government department. Usually announced for 3 years.
<b>Council Tax</b>	A tax on domestic property set by local authorities and based on the value of the property within eight bands, A to H. The council tax value of each band is expressed as a proportion of band D (e.g. Band A = 6/9, Band H = 18/9).
<b>Council Tax Base</b>	The number of properties from which it is estimated council tax will be collected, expressed as band D equivalent properties.
<b>Council Tax Surplus or Deficit</b>	A surplus/deficit arising from either more or less council tax being collected than expected. This would be because of variations in collection rate or to the estimated increase in the number of properties. The variations arise within the Collection Fund and are applied to future years' budgets.
<b>Council Tax Precept</b>	The levy made by the precepting authorities (Norfolk County Council and Police & Crime Commissioner) on Norwich City Council as the billing authority requiring the latter to collect income from council tax payers on their behalf.
<b>Council Tax Reduction Scheme</b>	The Council Tax Reduction scheme (CTRS) helps people on low incomes and/or certain welfare benefits to pay their council tax bill. Locally determined CTRS replaced the national council tax benefit scheme with effect from 1 April 2013.
<b>Council Tax Requirement</b>	The amount of funding required to be raised from council tax to meet the general fund expenditure budget after considering all other funding available.
<b>Counterparties</b>	List of approved financial institutions with which the council can place investments with.

<b>Credit Rating</b>	A measure of the credit worthiness of a borrower. A credit rating can be assigned to an organisation or a specific debt issue/financial obligation. There are a number of credit ratings agencies but the main three are Standard & Poor's, Fitch and Moody's.
<b>Credit Risk</b>	Risk of a borrower defaulting on any type of debt by failing to make payments which it is obligated to do.
<b>Depreciation</b>	The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, passage of time or obsolescence. This is only budgeted as a cost in the Housing Revenue Account (HRA).
<b>DLUHC</b>	Department for Levelling Up, Housing and Communities (formerly MHCLG).
<b>Disabled Facility Grant (DFG)</b>	A central government grant that contributes towards the cost of providing adaptations and facilities to enable disabled people to continue living in their own homes.
<b>DMADF</b>	The Debt Management Agency Deposit Facility, which is offered by central government to local authorities to make fixed term deposits to supplement their investments.
<b>Earmarked Reserve</b>	Reserves earmarked for a specific type of future spend.
<b>Enhancement (of an asset)</b>	Enhancing an asset is capital expenditure which is intended to substantially: <ul style="list-style-type: none"> <li>• lengthen the useful life of the asset</li> <li>• increase the open market value of the asset</li> <li>• increase the extent to which the asset can or will be used in connection with the functions of the local authority</li> </ul> Repairs & maintenance is revenue expenditure.
<b>External Borrowing</b>	External borrowing is the process of going to an external financial institution to obtain money. The council would generally borrow from the Public Works Loans Board (PWLB) due to its favourable rates for public sector bodies, but other institutions also offer loan finance to councils.
<b>Equity</b>	An ownership interest in a business.

<b>External Gross Debt</b>	Long-term liabilities including Private Finance Initiatives and Finance Leases
<b>Expected Credit Loss</b>	This is the loss on loans should the borrower default. Calculated by multiplying the probability of occurring with the net loss and with the exposure to the loss.
<b>Fair Funding Review</b>	A review proposed by central government to consider how to fairly allocate local authority funding to individual councils according to need and resources. Although the government has acknowledged that the data and methodology for distributing funding has not been reviewed for many years, this has been delayed several times because of BREXIT, COVID-19 and other concerns. Previously linked to the government's 'Levelling Up' agenda consultation, this will now not take place until after the next General Election, which is scheduled to be held no later than January 2025
<b>Finance Lease</b>	Where a lease is classified as a finance lease, then the substance of the transaction is the same as if the authority had purchased the asset and financed it through taking out a loan. The authority therefore recognises its interest in the asset together with a liability for the same amount. The lease payments are then treated in a similar way to loan repayments, being split between the repayment of the liability and a finance charge.
<b>Financial Conduct Authority (FCA)</b>	This is the body that regulates the financial services industry in the UK.
<b>Financial Instrument</b>	A contract that creates a financial asset for one party and a financial liability for the other.
<b>General Fund</b>	The account to which the cost of providing the services that are paid for from Council Tax and Government Grants are charged. The Housing Revenue Account is a ring-fenced element of the General Fund which must not subsidise or be subsidised by Council taxpayers.
<b>General Reserve</b>	This is a usable reserve which has not been earmarked for a specific future use. Similar to a contingency, to meet unforeseen events or expenditure, it can also be used to smooth variations in the level of savings required over a number of years.
<b>Gilt</b>	A UK Government bond issued by HM Treasury.

<b>Growth</b>	An increase in expenditure generally not due to inflation/price changes but arising from growth in service demand, a change in legislation impacting on the service or a decision to invest more in a service.
<b>Housing Revenue Account (HRA)</b>	The Housing Revenue Account is a statutory ring-fenced account maintained separately from General Fund services. It includes all expenditure and income relating to the provision, maintenance and administration of council housing and associated areas such as HRA shops and garages.
<b>IFRS</b>	International Financial Reporting Standards, a set of accounting rules used for the preparation of financial statements including those of local authorities.
<b>Internal Borrowing</b>	Internal borrowing is the <i>temporary</i> use of the council's cash holdings to fund capital expenditure. Whilst this must be repaid it does not represent a formal debt in the same way as external borrowing.
<b>Investment Code</b>	Sets out practices that local authorities are "obliged to have regard to" when making investment decisions. Published by the DLUHC.
<b>London Interbank Offered Rate (LIBOR)</b>	<i>The rate of interest that banks charge to lend money to each other. The rates are set on a daily basis and used as a reference price for floating rate securities. LIBOR and LIBID are being discontinued from December 2021 following recent banking scandals. They will be replaced by SONIA</i>
<b>Liquidity</b>	A measure of how quickly the deposit of investment can be returned.
<b>Local Government Finance Settlement</b>	The annual determination of local authority spending made by the government and debated by parliament. A provisional settlement is announced before Christmas with the final settlement announced in late January.
<b>London Interbank Bid Rate (LIBID)/London Interbank Offered Rate (LIBOR)</b>	This was bid rate that participating London banks were willing to pay for Eurocurrency deposits and other bank's unsecured funds in the London interbank market. LIBOR and LIBID were discontinued in December 2021 following recent banking scandals. They were replaced by SONIA

<b>Major Repairs Reserve (MRR)</b>	The Major Repairs Reserve is a source of funding for the HRA capital upgrades programme generated by an annual asset depreciation charge to the HRA revenue budget.
<b>MCHLG (now DLUHC)</b>	The Ministry of Housing, Communities and Local Government (MHCLG), renamed Department for Levelling Up, Housing and Communities (DLUHC) in 2021.
<b>Minimum Revenue Provision (MRP)</b>	A statutory charge to the general fund revenue budget for future debt repayments (external borrowing in the capital programme). The council must set out its MRP policy in the annual Treasury Management Strategy.
<b>Net Asset Value (NAV)</b>	Value of an entity's total assets minus the value of its total liabilities.
<b>New Homes Bonus</b>	A grant paid by central government to local councils to reflect and incentivise housing growth in their areas. It is based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use. Being phased out as part of the review of local authority funding reforms.
<b>Net Service Expenditure</b>	Net service expenditure comprises that part of the revenue budget that is funded from retained Business Rates, Council Tax, and any revenue support grant.
<b>Non-financial Investments</b>	Investments made primarily for a financial return comprising commercial property acquisitions, lending to third parties on commercial terms and equity investments (shareholdings) in third parties.
<b>Non-Specified Investments</b>	These are investments that do not meet the conditions laid down for specified investments and potentially carry additional risks e.g. lending for periods typically beyond 1 year
<b>Office for Budget Responsibility (OBR)</b>	The Office for Budget Responsibility was created in 2010 to provide independent and authoritative analysis of the UK's public finances.
<b>Office for National Statistics (ONS)</b>	The UK's largest independent producer of official statistics and the recognised national statistical institute of the UK. Main responsibilities are collecting, analysing and publishing statistics about the UK's economy, society and population.

<b>Operating Lease</b>	<p>An operating lease is a contract that allows for the use of an asset but does not convey rights of ownership of that asset.</p> <p>From 2024/25 onwards these will be treated in the same way as <b>finance leases</b> unless they are short term or low value.</p>
<b>Operational Boundary</b>	<p>This is an indicator is based on the same estimates as the Authorised Limit for External Borrowing but reflects the most likely prudent (but not worst case scenario), without the additional headroom for borrowing included in the Authorised Limit.</p>
<b>Prudential Code</b>	<p>The Prudential Code for Local Authority Investment was introduced by CIPFA and local government is obliged “to have regard” to the code as part of the Local Government Act 2003. The key objectives of the code are that capital investment plans are affordable, prudent and sustainable. The code details the indicators that must be set annually and monitored throughout the financial year. The council’s prudential indicators are found in section 7 of the report in the Treasury Management Strategy.</p>
<b>Public Works Loans Board (PWLB)</b>	<p>The Public Works Loan Board (PWLB) is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury that lends money from the National Loans Fund to local authorities.</p>
<b>Reserves</b>	<p>The accumulation of surpluses and deficits over past years. Reserves of a revenue nature can be spent or earmarked at the discretion of the Council. Reserves of a capital nature may have some restrictions placed on them as to their use.</p>
<b>Revenue Expenditure</b>	<p>Comprises the day-to-day costs associated with running the council’s services and financing the council’s outstanding debt.</p>
<b>Revenue Support Grant</b>	<p>Introduced in 1990, this is the central grant given to local authorities to support their services. In recent years, local authorities’ income from grant has decreased and a higher proportion now comes from business rates and council tax.</p>

<b>Section 106</b>	In considering an application for planning permission, the Council may seek to secure benefits to an area through the negotiation of a 'planning obligation' with the developer. Such obligations are authorised by Section 106 of the Town and Country Planning Act 1990. The Council may therefore, in some instances, receive funds to enable it to undertake works arising from these obligations. Examples of works include the provision or improvements of community facilities (parks/play areas), affordable housing and improved transport facilities.
<b>Section 25 Notice</b>	Under Section 25 of the Local Government Act 2003 the S151 officer (currently the Executive Director of Corporate and Commercial Services) is required to state in the budget report their view on the robustness of estimates for the coming year, the medium-term financial strategy, and the adequacy of proposed reserves and balances. The council is required to take this into account when making its budget and taxation decisions.
<b>Sterling Overnight Index Average (SONIA)</b>	Sterling Overnight Index Average. Replaced LIBID and LIBOR as the key measures of interbank lending rates.
<b>Specified Investments</b>	All such investments will be sterling denominated, with maturities up to maximum of 1 year, meeting the minimum 'high' quality criteria where applicable.
<b>Spending Review</b>	An announcement made by central government of its future spending plans for the public sector including local government. The last spending review took place in 2021 and covers 2022/23 to 2024/25.
<b>Subjective Analysis</b>	The classification of expenditure and income according to the nature of the items, for example, employee costs, premises, transport, supplies & services, fees & charges income, and grant income.
<b>Subsidiary Company</b>	A company that is owned or controlled by a parent company or body.
<b>Term Deposits (TD)</b>	This is used to describe a money deposit at a banking institution that cannot be withdrawn for a specific term or period of time.
<b>Thin Capitalisation</b>	A company with too little equity finance and too much debt finance.

<b>Treasury Management</b>	The management of the local authority's investments and cash flows, its banking, money market and capital market transactions: the effective control of the risks associated with those activities: and the pursuit of the optimum performance consistent with those risks.
<b>Treasury Management Code</b>	The Treasury Management Code of Practice, published by CIPFA, regulates the management of borrowing, investments, & banking. It requires the council to agree and monitor several indicators and Treasury Management Practices – these are found in section 5 of this report in the Treasury Management Strategy.
<b>UK Government Gilts</b>	Longer-term Government securities with maturities over 6 months and up to 30 years.
<b>UK Government Treasury Bills</b>	Short-term securities with a maximum maturity of 6 months issued by HM Treasury.
<b>Unit Trust (UT):</b>	A collective investment fund that is priced, bought, and sold in units that represent a mixture of the securities underlying the fund.