

STATEMENT OF ACCOUNTS 2017/18

GLOSSARY OF TERMS

ACCOUNTING PERIOD

The length of time covered by the Council's Accounts. This is twelve months commencing on 1 April. The end of the accounting period is the balance sheet date, i.e. 31 March.

ACCRUALS

The concept that income and expenditure are recognised as they are earned or incurred, not as cash is received or paid.

ACCUMULATED ABSENCES

This refers to the entitlement to accumulated absences, in relation to employees, that are carried forward and can be used in future periods if the current period's entitlement is not used in full.

ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- events have not coincided with the actuarial assumptions made in the last valuation, or
- the actuarial assumptions have changed.

ACCOUNTING POLICIES

The principles, bases, conventions, rules and practices applied by the Council that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- Recognising;
- Selecting measurement bases for; and
- Presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques. Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or balance sheet it is to be presented.

ACTUARY

An expert on pension scheme assets and liabilities.

AMORTISATION

A [tax deduction](#) for the gradual consumption of the [value](#) of an [asset](#), especially an [intangible asset](#)

AVAILABLE FOR SALE ASSETS

An asset that is immediately available to sell in its current state in an active market rather than being held to maturity.

BAD DEBTS

Outstanding amounts owed to the Council which are highly unlikely to be collected.

BALANCES

The revenue reserves of the Council made up of the accumulated surplus of income over expenditure. They consist of either the general fund balance, an unallocated sum to cover unexpected events, or earmarked reserves that have been set aside to support particular initiatives.

BUDGET

The Council's plans set out in financial terms. Both revenue and capital budgets are prepared, and are used to control and monitor expenditure and performance.

BILLING AUTHORITY

A local authority responsible for collecting the council tax and non-domestic rates i.e. Boston Borough Council.

BTAC

Boston Town Area Committee.

CAPITAL CHARGE

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

CAPITAL EXPENDITURE

Expenditure on the acquisition of a fixed asset, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

CAPITAL RECEIPTS

Proceeds arising from the sale of fixed assets, such as land and buildings (with a value of at least £10,000)

CARRYING VALUE

An accounting measure of value, where the value of an asset is based on the figures in the Balance Sheet. For assets, the value is based on the original cost of the asset less any depreciation, amortisation or impairment costs made against the asset.

CASH EQUIVALENTS

Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

CHANGE IN ACCOUNTING ESTIMATE

An adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not corrections of errors.

CLASS OF FIXED ASSETS

The classes of fixed assets required to be included in the accounting statements are:

- Property, Plant and Equipment
- Other land and buildings
- Vehicles, plant, furniture and equipment
- Community assets
- Surplus assets not held for sale
- Assets Under Construction
- Investment Property
- Intangible Assets

Further analysis of any of these items will be given if it is necessary to ensure fair presentation.

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)

The leading professional accountancy body for the public sector. They set and monitor professional standards and provide education and training in accountancy and financial management.

CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING IN THE UNITED KINGDOM

Sets out the proper accounting principles and practices required for the statement of accounts, in accordance with the statutory framework for accounts, as established for England and Wales. The aim is to produce financial statements which present a true and fair view of the financial position of the Council.

COLLATERAL

Something pledged as security for repayment of a loan, to be forfeited in the event of a default.

COLLECTION FUND

This is a fund managed by the billing authority (Borough Council) to receive Business Rates income and Council Tax income. It is also used to make payments to the national business rates pool and to pay a share of council tax collected to the County Council, Police Authority, District Council and Parish Councils.

COMMUNITY ASSETS

Assets that the local Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

CONSISTENCY

The principle that the accounting treatment of like items within an accounting period, and from one period to the next, is the same.

CONTINGENT ASSET

A possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council.

CONTINGENT LIABILITY

A condition, that exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

COUNCIL TAX

This is a banded property tax set by local authorities in order to meet their budget requirements. There are eight bands (Band A–H), set by the Valuation Office Agency according to the value of the property. The amount each household pays depends on the value of the property.

CREDIT DEFAULT SWAP

A swap contract in which the buyer of the Credit Default Swap makes a series of payments to the seller and, in exchange, receives a payoff.

CREDITORS

Amounts owed by the Council for work done, goods received or services rendered before the end of the accounting period but for which payment was not made by the end of the financial year.

CURRENT ASSET

An asset which satisfies any of the following criteria:

- (a) it is expected to be realised in, or is intended for sale or consumption in, the Council's normal operating cycle;
- (b) it is held primarily for the purpose of being traded;
- (c) it is expected to be realised within twelve months after the balance sheet date; or
- (d) it is cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.

CURRENT SERVICE COSTS (PENSIONS)

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

DEBTORS

These are amounts due to the Council but unpaid at the balance sheet date.

DEPRECIATION

The measure of the cost or revalued amount of the benefits of the fixed asset that has been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, passing of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

EARMARKED RESERVES

Money put aside that the Council intends to use only for a certain, stated purpose.

ECONOMIC BENEFITS

Benefits quantifiable in terms of money, such as revenue, net cash flow, net income.

EMOLUMENTS

All sums paid to or receivable by an employee and sums due by way of expenses' allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash.

EMPLOYEE BENEFITS

Employee benefits are all forms of consideration given by an entity in exchange for services rendered by employees, which are disclosed in accordance with International Accounting Standard 19 (IAS 19).

ESTIMATION TECHNIQUES

The methods adopted by the Council to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes to reserves.

Estimation techniques implement the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique. Estimation techniques include, for example:

- Methods of depreciation, such as straight-line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a tangible fixed asset consumed in a period;
- Different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole rather than individual balances.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the balance sheet date (adjusting events after the balance sheet date); and
- those that are indicative of conditions that arose after the balance sheet date (non-adjusting events after the balance sheet date).

EXPECTED RATE OF RETURN ON PENSION ASSETS

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

FAIR VALUE

The fair value of an asset is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FINANCIAL INSTRUMENT

Any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

FIXED ASSETS

Tangible and intangible assets that yield benefits to the Council and the services it provides for a period of more than one year.

GENERAL FUND

This account shows the expenditure and income relating to all the services provided by the Council and how the net cost of these services has been financed by local taxpayers and through government grants.

GOVERNMENT GRANTS

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to the Council in return for past or future compliance with certain conditions relating to the activities of the Council.

HERITAGE ASSETS

Assets such as art works, library collections, monuments and historic buildings and other treasures which are irreplaceable and are held in perpetuity because of their unique historical, cultural or environmental attributes.

HOUSING BENEFIT

This is a national system for giving financial assistance to individuals towards certain housing costs. The cost of the service is subsidised by central government.

INTERNATIONAL ACCOUNTING STANDARD 19 (IAS 19)

The Accounting Standard applicable for Retirement Benefits in Financial Statements of Employers, includes adjustments for pensions.

IMPAIRMENT

A reduction in the value of a fixed asset below its carrying amount on the balance sheet.

INCOME

This is the money that the Council receives or expects to receive from any source, including fees and charges, government grants, contributions and interest.

INDIRECT METHOD OF REPORTING CASH FLOWS FROM OPERATING ACTIVITIES

Under this method, surplus or deficit is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

INTANGIBLE ASSETS

Assets that do not have physical substance but are identifiable and controlled by the Council, such as IT software.

INTEREST COST (PENSIONS)

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

These are accounting standards as approved and published by the Accounting Standards Board, which pronounce the method of accounting treatment to be applied to specific areas.

INVENTORIES

These relate to revenue items purchased in one year but only part used in that year, the balance is carried forward on the Balance Sheet, examples are cleaning materials, fuel, resale items.

INVESTMENTS

Cash deposits with approved institutions.

INVESTMENT PROPERTIES

Interest in land and/or buildings:

- In respect of which construction work and development have been completed; and
- Which is held for its investment potential, any rental income being negotiated at arm's length.

LEASE

An agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. The two types of leases are as follows:

Finance lease - A lease which transfers substantially all the risks and rewards of ownership of an asset (even though title to the asset may not be transferred).

Operating lease - Leases under which the ownership of the asset remains with the lessor and consequently are outside the Government's system of capital controls.

LIABILITY

A liability arises when the Council owes money to others and it must be included in the financial statements. There are two types of liability:

- A current liability is a sum of money that will or might be payable during the next accounting period e.g. creditors or bank overdraft.
- A long term liability is a sum of money that will not become payable until some point after the next accounting period or is paid off over a number of accounting periods.

MATERIALITY

In using its professional judgement the Council has considered the size and nature of individual transactions or set of transactions. An item is considered to be material where its omission or misstatement would reasonably change the substance of the information presented in the accounts.

MINIMUM REVENUE PROVISION (MRP)

The minimum amount of the Council's outstanding debt which must be repaid, in accordance with statute, by the revenue accounts in any year.

MINIMUM LEASE PAYMENTS

The payments over the lease term that the lessee is or can be required to make, excluding contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor, together with:

- (a) for a lessee, any amounts guaranteed by the lessee or by a party related to the lessee; or
- (b) for a lessor, any residual value guaranteed to the lessor by:
 - (i) the lessee;
 - (ii) a party related to the lessee; or
 - (iii) a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee.

However, if the lessee has an option to purchase the asset at a price that is expected to be sufficiently lower than fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised, the minimum lease payments comprise the minimum payments payable over the lease term to the expected date of exercise of this purchase option and the payment required to exercise it.

NET BOOK VALUE

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical cost or current value less any cumulative amounts provided for depreciation, in accordance with the relevant accounting policy.

NET CURRENT REPLACEMENT COST

The cost of replacing or recreating the particular asset in its existing condition and its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

NET REALISABLE VALUE

The open market value of an asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

NATIONAL NON DOMESTIC RATES (NNDR) – BUSINESS RATES

This is a national scheme for collecting contributions from businesses towards the cost of local government services, based on a flat rate in the pound set by Government.

PAST SERVICE COST

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvements to, retirement benefits.

POST BALANCE SHEET EVENTS

These are events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible officer.

PRECEPTS

Amounts the Council is required to raise from Council Tax on behalf of other authorities, and itself.

PROVISION

An amount set aside for a liability that is likely will be incurred but the exact amount and the date on which it will arise are uncertain.

PRUDENCE

The concept that revenue is not anticipated, but is recognised only when realised in the form either of cash or of other assets for which the ultimate cash realisation can be assessed with reasonable certainty.

RELATED PARTIES

A related party is a person or entity that is related to the Council as the reporting body.

A person or a close member of that person's family is related to a reporting entity if that person:

- Has control or joint control over the reporting entity;
- Has significant influence over the reporting entity; or
- Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

The main related parties for councils are Central Government, elected members, officers and levying bodies.

Other related parties may include:

- any subsidiary and associated companies; and
- the pension fund (where the Council is an administering Council).

The following are deemed not to be related parties:

providers of finance in the course of their business in that regard;

- Trade unions;
- Public utilities; and
- Departments and agencies of a government that does not control jointly control or significantly influence the reporting entity.

RESERVE

An amount set aside in a financial year for a specific purpose, to be used to meet expenditure in future years.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Formerly known as Deferred Charges, this is expenditure that may properly be deferred, but which does not result in, or remain matched with, assets controlled by the Council, e.g. Renovation Grants.

SEGMENT

Distinguishable service of the Council that is engaged in providing a service or a group services.

TOTAL COST

The total cost of a service or activity includes all costs which relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and capital charges. This includes an appropriate share of all support services and overheads, which need to be apportioned.

USEFUL LIFE

The period over which the Council will derive benefits from the use of an asset.