

GLOSSARY OF TERMS USED

Appendix 12

Asset	<i>Tangible asset</i> – an asset that has a physical form such as machinery, vehicles, ICT, equipment, buildings, and land. <i>Intangible asset</i> – an asset that is not physical in nature such as goodwill, brands, patents & copyrights, and shares.
Authorised Limit for External Borrowing	A statutory limit that sets the maximum level of gross external borrowing for the council.
Base Budget	The budget from the previous year is taken forward to create the initial budget for the next year before inflation, savings, growth, and other adjustments are added.
Baseline Funding Level	Authorities’ share of the local share of business rates determined by an index-linked assessment of their needs undertaken in 2012–13. This will subject to change as part of the Fairer Funding Review.
Better Care Fund	The Better Care Fund (BCF) is a programme spanning both the NHS and local government which seeks to join up health and care services, so that people can manage their own health and wellbeing, and live independently in their communities for as long as possible
Billing Authority	This is a council such as Harborough Council which is responsible for collecting the Council Tax and Business Rates in its administrative area.
Budget Challenge 2025	This a service review programme being followed by the Council, based on the principles of Zero-Based Budgeting, that will conclude in the summer of 2021. The aim of the BC25 programme is to close the budget gap of the Council of the Medium-Term to enable the Council to be financial sustainable.
Business Rates	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.
Business Rates baseline	The amount of business rates income a local authority is predicted to raise.
Business Rates Safety Net	The method of protecting an authority which sees its annual business rates income drop below its baseline funding level. Such authorities receive a safety net payment at the end of the financial year from central government.

Business Rate appeals	<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>
Business Rates Retention	<p>This was introduced in 2013 and designed to give local authorities more control over the money raised locally; removing the ring-fencing of incorporated grants and promoting and rewarding local economic growth. Currently 50% of business rates are retained within local government, with a redistribution mechanism in place across individual local authorities.</p>
Business Rates Pilot	<p>In December 2017, the government announced the aim of increasing the level of business rates retained by local government from the current 50% to the equivalent of 75% in April 2020. To test increased business rates retention and to aid understanding of how to transition into a reformed business rates retention system in April 2020, the government has selected several local authorities in England to take part in pilot schemes.</p>
Capital Expenditure	<p>Expenditure on the creation of enhancement of assets, for example:</p> <ul style="list-style-type: none"> • The acquisition, reclamation, or enhancement of land • The acquisition, construction, preparation, enhancement or replacement of roads, buildings, and other structures • The acquisition, installation or replacement of moveable plant, machinery, and vehicles • The acquisition or preparation of computer programs if these will be used for longer than one year
Capital Financing Charges	<p>Capital financing costs comprise the costs of making a Minimum Revenue Provision (MRP), which is essential the cost of providing for the future repayment of debt, and the interest expenses charged as part of an external loan agreement.</p>
Capital Financing Requirement	<p>A measure of the Council's underlying borrowing need i.e. it represents the total historical outstanding capital expenditure which has not been paid for from either revenue or capital resources. In the revenue account this represents MRP.</p>
Capital Receipt	<p>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.</p>

CIPFA	The Chartered Institute of Public Finance and Accountancy (CIPFA) is a 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.
Collection Fund	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 district council.
Contingency budget	A sum put aside to cover unforeseen expenditure during the period of the budget.
Comprehensive Spending Review	A governmental process carried out by HM Treasury to set expenditure limits for the medium term for each central government department.
Core Spending Power	The overall level of resources government estimates is available for funding local authority services (i.e. grants, business rates, fees & charges, and council tax).
Council Tax	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 = 19/9).
Council Tax Base	The number of properties from which it is estimated council tax will be collected, expressed as band D equivalent properties.
Council Tax Surplus or Deficit	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.
Council Tax Precept	The levy made by the precepting authorities (parishes, Leicestershire County Council, the Office of the Police & Crime Commissioner, and the Leicestershire Fire & Rescue Service on Harborough District as billing authority requiring the latter to collect income from council tax-payers on their behalf.
Council Tax Reduction Scheme	The Council Tax Reduction (CTR) scheme helps people on low incomes and/or certain welfare benefits to pay their council tax bill. CTR replaced the national council tax benefit scheme with effect from 1 April 2013.
Council Tax Requirement	The amount of funding required to be raised from council tax to meet the general fund expenditure budget after considering all other funding available.
Disabled Facility Grant (DFG)	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.

Earmarked Reserve	Reserves earmarked for a specific type of future spend.
Enhancement (of an asset)	<p>Enhancing an asset is the carrying out of works which are intended too substantially:</p> <ul style="list-style-type: none"> • lengthen the useful life of the asset. • increase the open market value of the asset. • increase the extent to which the asset can or will be used in connection with the functions of the local authority. <p>Repairs & maintenance is revenue expenditure</p>
External Borrowing	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.
Equity	An ownership interest in a business.
Fairer Funding Review	A review by central government on how to allocate local authority funding to individual councils that was planned to be implemented from 2020/21 onwards. However, it is now delayed to at least 2022/23.
Full Time Equivalent (fte)	A full time officer post based on 37 hours per week.
Financial Management Code	The CIPFA Financial Management Code sets standards of good practice in financial management and local authorities are obliged to have regard” to the code from 2021/22 onwards.
General Fund	The account to which the cost of providing the Council Services is charged that are paid for from Council Tax and Government Grants.
General Fund (Unallocated) Reserve	This is a usable reserve which has not been earmarked for a specific future use. The aim of this reserve is to meet “unforeseen” events and from April 2021 is to be set at 20% of Net Expenditure.
Growth	An increase in expenditure 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 in council services in line with corporate priorities.
Internal Borrowing	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
Investment Code	Sets out practices that local authorities are “obliged to have regard to” when making investment decisions. Published by the MHCLG.

Local Government Finance Settlement	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.
Medium-Term Financial Strategy	This is the Councils financial plan for the next 5 years; the year the council tax is being set + 4 further years. It reflects the Councils Corporate Plan (priorities) and provides the Council a financial roadmap to enable it to make informed financial decisions that are reflective of future need.
DHLUC	The Department for Housing, Levelling Up and Communities.
Minimum Revenue Provision (MRP)	A statutory charge to the general fund revenue budget for future debt repayments (external borrowing in the capital programme). This charge has an impact on the council's bottom line. The council must set out its MRP policy in the annual Treasury Management Strategy.
MRP Exemption	Following a change in the Council's MRP Policy, approved by Council on 10 th December 2018, the Council does not need to pay any MRP costs where the borrowing is undertaken on capital expenditure that will generate future capital receipts. Further, a new Policy from April 2021 will only require MRP to be charged after a capital project is completed.
New Homes Bonus	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.
Net Budget Requirement	Net budget requirement comprises that part of the revenue budget that is funded from retained Business Rates, Council Tax, and any general grants such as New Homes Bonus and Rural Services Delivery Grant.
Non-financial investments	Investments made primarily for a financial return comprising commercial property acquisitions, lending to third parties on commercial terms, equity investments (shareholdings) in third parties (including the Council's wholly owned company) and commercial housing development. They differ from the Council's cash investments in banks and building societies which are made for prudent treasury management reasons.
Office for Budget Responsibility (OBR)	The Office for Budget Responsibility was created in 2010 to provide independent and authoritative analysis of the UK's public finances.

Operational Boundary	This indicator is based on the same estimates as the Authorised Limit for External debt but reflects the most likely prudent but not worst-case scenario but without the additional headroom for borrowing included in the Authorised Limit.
Prudential Code	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 (in the Treasury Management Strategy). It also sets the requirement for councils to produce an annual Capital Strategy.
Public Works Loans Board (PWLB)	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.
Reserves	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.
Revenue Expenditure	Comprises the day-to-day costs associated with running the council’s services and financing the council’s outstanding debt.
Rural Services Delivery Grant	A general grant given by central government to help fund the delivery of services in rural and sparse communities.
Section 106	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.
Section 25 Notice	Under Section 25 of the Local Government Act 2003 the S151 officer 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.

Section 151 Officer	An officer appointed under section 151 of the Local Government Act 1972 which requires every local authority to appoint a suitably qualified officer responsible for the proper administration of its affairs.
Services Grant	A grant for all councils to recognise the cost of delivery.
Special Expenses	<p>All areas of the District are sub-divided into Parish areas, and some have separate Parish and Town Councils; however some do not. Where there is no Parish or Town Council, and specific services are provided to that parished area by the District Council; then these are known as “Special Expense” areas and a separate Council Tax is charged for these areas. However, the charges for these areas are excluded from the Council Tax charged to all other District residents. In this way, only those residents in the special expense area will meet that cost.</p> <p>The charge is paid through council tax by residents of the parishes concerned. The charge is to make sure that people in these parished areas do not pay for the district services which are not being provided in their area.</p>
Spending Review	An announcement made by central government of its future spending plans for the public sector including local government. The last spending review was conducted in the Autumn of 2020 and was for one-year only. The government is expected to provide a further spending review in 2021.
Subjective Analysis	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.
Treasury management	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.
3% Funding Guarantee	A new grant (2023/24) awarded to all councils to ensure that the minimum increase in funding, excluding council tax, is 3%.