

APPENDIX K - GLOSSARY OF TERMS USED

| | |
|--|--|
| 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. |
| Brexit | “Brexit” is the phrase coined to describe the process of the UK withdrawing from the European Union. The UK joined the EU in 1973. |
| 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 | Since the introduction of the Business Rates Retention Scheme, Local Authorities are liable for successful appeals against business rates charged to businesses. The Valuation Office Agency operates a Check, Challenge and Appeal process for business rates appeals against the 2017 and later rating lists. |

| | |
|--------------------------------------|--|
| Business Rates Retention | 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. |
| Business Rates Pilot | 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. In order 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 a number of local authorities in England to take part in pilot schemes. |
| Capital Expenditure | Expenditure on the creation or enhancement of assets, for example: <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 | 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. |
| Capital Financing Requirement | 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. |
| Capital Receipt | 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. |
| 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. |
| 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 as a consequence 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 taking into account 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) | Enhancing an asset is the carrying out of works which are intended to substantially: <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 Repairs & maintenance is revenue expenditure |

| | |
|--|--|
| 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 is planned to be implemented from 2020/21 onwards. |
| 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 Reserve | This is a usable reserve which has not been earmarked for a specific future use. |
| 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 has to 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. |
| MCHLG | The Ministry of Housing, Communities and Local Government (MHCLG) . |
| 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 has to 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. |

| | |
|---|---|
| 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. |
| Special Expenses | These are a charge for services that are provided in some cases by parishes. 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 don't pay for the district services which aren't being provided in their area. |
| Spending Review | 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 2015 and covers the four years up to and including 2019/20. The next spending review is in 2019. |
| 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. |