

GLOSSARY OF FINANCIAL TERMS

ASSET MANAGEMENT PLANS (AMPs)

A plan maintained by the authority of the condition and suitability of its buildings, updated regularly and utilised to prioritise future capital programmes. These plans will form part of future government strategies in allocating capital resources.

BAND D PROPERTY

Property band commonly used to specify the average council tax. The band includes property values between £68,001 and £88,000 (as at 1st April 1991).

BEST VALUE

A duty placed on local councils that came into force in April 2000 with the aim of improving the effectiveness, efficiency, economy and quality of local services.

BILLING AUTHORITY

A local authority that has the power to set and collect Council Taxes. In the area served by the County Council these are the seven District Councils.

BUDGET

A statement of the Council's policy expressed in financial terms.

BUDGET REQUIREMENT

Estimated revenue expenditure, net of income from specific grants, fees and charges for services and any use of earmarked funds.

BUSINESS RATES (NATIONAL NON DOMESTIC RATES, NNDR)

The business rate poundage is the same for all non domestic rate payers and is set annually by the Government. Until 2013/14, income from business rates went into a central pool which was then distributed as part of the Formula Grant.

BUSINESS RATES RETENTION SCHEME

The Government introduced a new treatment of Business Rates income from April 2013. The main features of the BRR Scheme are:

- a) There is a "central share" which equates to 50% of business rates raised locally which goes to the Treasury. Of the remaining 50%, 9% goes to the County Council, 40% to District Councils and 1% to the Leicester, Leicestershire and Rutland Combined Fire Authority (CFA). As only 50% is localised there will be a continuing need for revenue support grant (at least in the medium term).
- b) Government funding is termed 'settlement funding' and comprises three elements: Revenue Support Grant (this will reduce in line with Government funding reductions), Business Rate top up (this is for 'lop up' authorities such as the County Council and will increase by Retail Price Index (RPI)), and Business Rates Baseline (which is the County Council's share of localised business rates). The last will change in relation to the **RPI** and the levels of business rates generated locally.
- c) Tariff authorities (those whose business rate income is greater than their baseline funding) will be updated by RPI (or a rate determined by Government). Tariff authorities contribute to a central fund which is redistributed to authorities requiring a 'lop up'.
- d) All County Councils are 'lop up' authorities, as business rates are split 80/20 in favour of District Councils and, as a result, Districts are 'tariff' authorities.

- e) Funding will be "reset" to take account of local needs every 10 years, although the first reset is planned for 2020 in line with the next revaluation. The "local share" retained by local authorities may increase to 75%, but grants (including Public Health grant) will be rolled in the Retention Scheme.
- f) The safety net has been set at -7.5%. This means that all authorities will have to manage a 7.5% reduction in baseline funding before the Government safety net is activated.

BUSINESS RATES POOLING

As part of the Business Rates Retention Scheme, Authorities can agree to form a "Pool and the Government then applies levy and safety net criteria to the aggregate totals of the Pool. The County Council was a member of the Leicester and Leicestershire Pool during 2013/14; the Pool comprised the County Council, Leicester City Council, the seven district councils in the County Council area and the Combined Fire Authority. The Pool was in a net top-up position and was therefore not subject to the levy; however, the safety net threshold was relatively high. There were uncertainties over aspects of the Business Rates Retention Scheme at the point in January 2014 when a decision regarding pooling in 2014/15 had to be taken and all the Pool members agreed reluctantly to terminate the Pool after 2013/14. The members agreed to review the position during 2014/15 and agreed in January 2015 to re-form the Pool for 2015/16. The Pool will have continued in subsequent years and will operate in 2018/19.

CAPITAL CHARGES

Charges to services for the use of assets. Includes depreciation on capital assets used by services.

CAPITAL EXPENDITURE

Expenditure on the acquisition of fixed assets or expenditure that adds to the life or value of an existing fixed asset.

CAPITAL FINANCING COSTS | FINANCING OF CAPITAL

Costs associated with borrowing to finance capital expenditure. Includes capital expenditure financed by revenue and debt management costs.

CAPITAL PROGRAMME

The authority's plan of capital works for the future years. Expenditure on the acquisition of fixed assets or expenditure that adds to the life or value of an existing fixed asset.

CENTRAL SERVICES RECHARGES

The transfer of costs from central services departments to service departments to reflect the support services provided, e.g. payroll.

CIPFA

Chartered Institute of Public Finance and Accountancy.

COMMUNITIES AND LOCAL GOVERNMENT (CLG) — see MHCLG.

A government department created in May 2006 that promoted community cohesion and equality and was responsible for housing, urban regeneration, planning and local government. Replaced by the Ministry of Housing, Communities and Local Government (MHCLG) in January 2018 following a Cabinet reshuffle.

COMPREHENSIVE SPENDING REVIEW (CSR)

A long-term and fundamental review of Government expenditure, including local government. The current CSR was published in November 2015 and covers the period 2016/17 to 2019/20.

CORPORATE AND DEMOCRATIC CORE

Costs associated with County Council members and corporate management.

CORE SPENDING POWER

A Government measure of the overall revenue funding available for local authorities CSP includes Council Tax, locally retained business rates and some government grants, such as Revenue Support Grant and New Homes Bonus Grant.

COUNCIL TAX

A property tax introduced in 1993/94. Each residential property is placed in one of the eight council tax valuation bands determined by its estimated market value on 1st April 1991. There are discounts including where only one adult lives in the property. Bills are also reduced for properties with people on low incomes, some people with disabilities and some other special cases.

COUNTY FUND

The main revenue fund of the Council. Income from the Council Tax precept and Government grants are paid into the fund, from which the cost of providing services is met.

DEDICATED SCHOOLS GRANT

A major ring-fenced government specific grant introduced in 2006/07, providing funding for schools and schools-related expenditure.

EARMARKED FUNDS

Funds which are set aside for specific purposes.

FLOOD DEFENCE LEVIES

Amounts payable to the Environment Agency to deal with flood defences.

FORMULA GRANT

Grant distributed by Government formula (see Four Block Model). Comprises National Non Domestic Rates (NNDR) and Revenue Support Grant (RSG). Effectively absorbed into the new Business Rates Retention Scheme from April 2013.

FOUR BLOCK MODEL

A complex grant allocation method introduced by Government from 2006/07 used for the calculation of Formula Grant. The four blocks were:

- Relative Needs (based on Relative Needs Formulae (RNF))
- Relative Resources
- Central Allocation (an amount per head, by 'class' of authority)
- Floor Damping

The Model has not been used since the introduction of the Business Rates Retention Scheme in April 2013 but may be used in some form when the BRRS is "reset" in 2020.

LEICESTERSHIRE SUSTAINABLE COMMUNITY STRATEGY

A strategy which identifies priorities for services, developed by the Leicestershire Together partnership.

LOCAL TRANSPORT PLAN (LTP)

A rolling five year plan of local transport strategies for achieving an integrated transport system to tackle the problems of congestion and pollution.

MINISTRY OF HOUSING, COMMUNITIES & LOCAL GOVERNMENT (MHCLG)

A government ministry created in January 2018 as part of a Cabinet reshuffle, replacing the former Department for Communities and Local Government (CLG). The Ministry's "job is to create great places to live and work, and to give more power to local people to shape what happens in their area". Its responsibilities include:

- driving up housing supply
- increasing home ownership
- devolving powers and budgets to boost local growth in England
- supporting strong communities with excellent public services

NON-DISTRIBUTED COSTS

Central costs not included within the cost of individual services, e.g. charges for added years and early retirement.

PRECEPT

The income which the Council requires a District Council to raise on its behalf from Council Tax.

PROVISION

An amount set aside for future liabilities/losses.

PRUDENTIAL CODE

The Local Government Act 2003 replaced detailed central government controls over the level of local authority capital expenditure with a system of self regulation based upon a requirement to ensure that capital expenditure plans are affordable, sustainable and prudent, as prescribed in CIPFA's prudential code.

RELATIVE NEEDS FORMULAE (RNF)

RNF formed part of the Four Block Model formula grant distribution calculation, introduced by the Government from 2006/07. RNFs are mathematical formulae that include information on the population, social structure and other characteristics of each authority and are designed to reflect the relative needs of individual authorities in providing services. The Government stated that RNF are "not intended to measure the actual amount needed by any authority to provide local services, but to simply recognise the various factors which affect local authorities' costs locally". RNFs are expressed as proportions (to 14 decimal places) of an overall national control total for relative needs. RNFs have not been issued since 2013/14; they may be used again in 2020, when the Government intends to "reset" the Business Rates Retention system.

REVENUE EXPENDITURE

Expenditure that the Council incurs on the day to day costs of providing services including salaries and wages, running expenses of premises and vehicles as well as the annual repayment of debt charges.

REVENUE SUPPORT GRANT (RSG)

Revenue Support Grant is paid by the Government in respect of local authority expenditure generally and forms part of the Business Rates Retention Scheme from April 2013 (Formula Grant before April 2013).

SPECIFIC GOVERNMENT GRANTS

Grants paid by the Government for particular services, eg Dedicated Schools Grant or specific service areas/projects. The number of specific grants was significantly reduced with effect from 2011/12.