

## **Glossary of terms – Local Government Finance**

**Autumn Statement** – a statement made by the Chancellor of the Exchequer in which he updates the House of Commons on the state of the economy and announces tax and spending decisions. It sets out the government's tax and spending plans for the year ahead, affecting the take-home pay and household budgets of millions of people, as well as the funding for key public services.

**Balances** – the cash which the authority uses in the normal course of its business to aid cash management and meet contingencies not otherwise provided for. These are also known as Reserves.

**Base Budget** – the budget from the previous year is taken forward to create the initial budget for the next year before inflation and other adjustments such as budget pressures and savings are added/deducted.

**Billing Authorities** – the tier of local authority who are responsible for the billing and collection of 'Council Tax' and 'Business Rates' in its local area. London Boroughs collect for the Greater London Authority and business rates for Central Government.

**Budget** – The Council's aims and policies set out in financial terms, against which performance is measured. Both capital and revenue budgets are prepared each financial year.

**Budget Gap** – where the estimated expenditure is higher than the estimated income in a budget, there is said to be a 'budget gap'.

**Business Rates – National Non-Domestic Rates ('NNDR')** – the tax raised on nondomestic properties, based each year on a 'Business Rates Multiplier' applied to an assessment of the value of the property. This is the means by which local businesses contribute to the cost of local services. Tower Hamlets is also part of a Business Rates pool so business rates are pooled with other London authorities.

**Business Rates Baseline Funding Level** – the amount of 'Business Rates' income the Government believes a local authority needs to deliver local services. This is the Council's share of the 'Business Rates' income.

**Business Rates Reset** – this is the mechanism used by Government to redistribute the 'Business Rates' growth retained by some councils back into the Business Rates system. This could have a significant impact on the business rates retained by the District Council. The Business Rates Reset has been delayed for successive years and the current budget modelling has assumed that it will be delayed until at least 2026/27.

**Business Rates Retention** - the system under which the Council is able to keep a proportion of the 'Business Rates' raised in any year in excess of a baseline measure.

**Business Rates Tariff** – a local authority must pay a levy (tariff) if its individual 'Business Rates Baseline' is greater than its baseline funding level. Conversely a local authority will receive a **Business Rates Top-Up** if its baseline funding level is greater than its 'Business Rates Baseline'. Tower Hamlets is a Top-Up authority.

**Business Rates Multiplier** – the annual amount established by central government used in the calculation of the 'Business Rates' bill. This amount is multiplied by the businesses rateable value to derive the size of the 'Business Rates' bill for the year. For 2024-25 the small business multiplier will remain at 49.9 pence with the standard multiplier at 54.6 pence.

**Business Rates Pool** – an agreement between neighbouring councils to add together to combine their 'Business Rates' activities in a pool. This is designed to maximise the ability for councils to retain 'Business Rates' locally. Tower Hamlets is part of a pool with 8 other London authorities.

**Capital Expenditure** – expenditure either on the acquisition of a fixed asset (e.g. land, buildings, vehicles), or expenditure which adds to and not merely maintains the value of an existing fixed asset.

**Capital Financing** – the Council's arrangement for meeting the cost of 'Capital Expenditure' covering grants, 'Capital Receipts' and charges to revenue over the period that will benefit from the expenditure. Capital Financing includes borrowing to fund the Capital Programme, made up of principal repayments and interest (similar to a mortgage). Borrowing can only be used to fund capital expenditure, borrowing cannot fund revenue expenditure.

**Capital Programme** – this provides details on the planned expenditure on capital projects over a period of years, and the resources available to fund those schemes.

**Capital Financing Requirement (CFR)** – is the sum of money required from external sources to fund Capital Expenditure and represents the Authority's underlying need to borrow for capital purposes.

**Capital Receipts** – the proceeds of sale from the disposal of assets such as land and buildings. They can be used to finance new capital expenditure, but not revenue.

**Central Schools Services Block (CSSB)** – was introduced in 2018-19 to fund Local Authorities for their statutory duties relating to maintained schools and academies.

**CIPFA** - The Chartered Institute of Public Finance and Accountancy - the accountancy body primarily concerned with public services that issues guidance on accounts preparation for local authorities.

**Collection Fund** – a separate, statutory, account maintained by 'Billing Authorities' such as WDBC into which 'Council Tax' receipts are paid, and from which 'Precepting

Authorities' are paid. A Collection Fund is also maintained for the collection and redistribution of 'Business Rates'.

**Core Spending Power** – this is the term the Government use to say how much money Councils have to run their services. It's a headline figure used by the Government to represent the key revenue resources available to local authorities, including an estimate of actual and potential 'Council Tax'.

**Council Tax** – a local tax on domestic properties 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.

**Council Tax Base** – the number of properties in a local authority area from which it is estimated 'Council Tax' will be collected, expressed as the number of equivalent band D properties using pre-set ratios. The tax base can increased by building new homes as well as by increasing the 'Council Tax' Band D amount itself.

**Council Tax Requirement** – the amount of funding required to be raised from 'Council Tax' to meet the expenditure plans of the authority after taking into account all other funding sources such as business rates income.

**Dedicated Schools Grant (DSG)** – the DSG is a specific grant made under section 14 of the Education Act 2002. It is paid by the Department to local authorities to fund schools, early years, and children and young people with high needs. The grant is the main source of income for the schools budget. The Local Authority receives money from central government each year to fund schools.

**Department for Education (DfE)** – A government department responsible for children's services and education, including early years, schools, higher and further education policy, apprenticeships and wider skills in England.

**Department for Levelling Up, Housing & Communities (DLUHC)** – A government department whose work includes investing in local areas to drive growth and create jobs, delivering homes, supporting community and faith groups, and overseeing local government, planning and building safety.

**Earmarked Reserves** – these are amounts of money which have been set aside for a specific purpose to meet future spending plans or contingencies.

**Fair Funding Review** – the Fair Funding Review is a process to set new baseline funding allocations for local authorities. The review will use various factors to assess the relative needs and resources of local authorities, such as population, deprivation and sparsity. The review has been delayed for a number of years and it unclear when it will be implemented.

**Fees and Charges** - income raised by charging users of services directly for services used e.g. car parking income, planning income.

**General Fund (GF)** - the council's main revenue account which includes day to day income and expenditure on the provision of services.

**General Fund Balance** – also known as '**Unearmarked Reserves**' - the amount the Council has available to fund unforeseen events. It must be maintained at a sufficient level to ensure spending obligations can always be met and is set on a risk based approach. A minimum balance of £20m has been set.

**Gross Expenditure** - the total cost of providing services before the deduction of government grants or other income.

**Housing Revenue Account (HRA)** – The HRA is a ring fenced account that must be kept separate from the General Fund. It relates to the Council's function as a social landlord and is ring fenced to avoid cross subsidy between Council Tax payers and rents from tenants.

**Local Council Tax Relief Scheme (LCTRS)** – Since April 2013, local authorities have had the duty of determining their own scheme. This followed the Government's decision to abolish the national Council Tax benefit arrangements. LCTR is a means-tested benefit for households that have a low income which may result in them having to pay reduced or, in some cases, no Council Tax through this scheme.

**Local Government Finance Settlement (LGFS)** - the annual announcement by Government of the amount of grant funding to be provided for the forthcoming year. The provisional settlement is usually announced in December, with a final settlement confirmed in late January.

**London Councils** – is the collective of London local government, the 32 boroughs and the City of London Corporation. They come together through London Councils to work in collaboration to deliver their shared ambitions for London and Londoners.

**Medium Term Financial Strategy (MTFS)** - this sets out the budget strategy for the Council for the next three years.

**National Schools Funding Formula (NSFF)** – is the way the government decides how much core funding to allocate for mainstream state-funded schools in England.

**Net Expenditure** - the cost of providing a service after the deduction of specific government grants and other sources of income but excluding the use of reserves.

**NNDR** – National Non-Domestic Rates – see **Business Rates**

**New Homes Bonus** - The New Homes Bonus (NHB) scheme was introduced in 2011 to provide an incentive for local authorities to encourage housing growth in their areas. The aim of the NHB was to provide a financial incentive to reward and encourage local authorities to help facilitate housing growth.

**Office of budget Responsibility (OBR)** – is a non-departmental public body funded by the UK Treasury, that the UK government established to provide independent economic forecasts and independent analysis of the public finances.

**Precept** – the levy made by ‘Precepting Authorities’ on ‘Billing Authorities’ requiring it to collect the required income from Council Tax payers on their behalf.

**Precepting Authorities** – these bodies do not collect ‘Council Tax’ directly but instruct ‘Billing Authorities’ to do it on their behalf. The Greater London Authority is a precepting authority and Tower Hamlets is a billing authority.

**Prudential Code** - this is a code of practice agreed between Government and CIPFA that regulates local council capital spending and financing. The Code allows local authorities to set their own borrowing limits based upon affordability, sustainability and prudence.

**PWLB - Public Works Loans Board** - a statutory body operating within the United Kingdom Debt Management Office, which is an Executive Agency of HM Treasury. Its function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.

**Reserves** - amounts of money put aside to meet certain categories of expenditure. Reserves can be ‘Earmarked’ and ‘Unearmarked’.

**Revenue Expenditure** - comprises the day to day costs associated with running the Council’s services and financing the Council’s outstanding debt. The costs such as staff salaries, contract expenditure and general running expenses (heat, light and utilities) are financed from income.

**Section 151 Officer (S151 Officer)** – the responsible financial officer. Every council, by law will designate an individual officer as having legal responsibility over providing effective financial management and advice across the Council. The post holder must be a qualified member of one of the main accountancy bodies in the UK. This is currently Lisa Buckle.

**SEND** – Special Educational Needs or Disabilities.

**Settlement Funding Assessment (SFA)** - this is essentially the ‘Business Rates Baseline’ and is the amount of money the Council retains from its share of the ‘Business Rates’ income.

**Unearmarked Reserves** – see **General Fund Balance**

**Upper Tier Authorities** – in two-tier areas, this is the County Council. Tower Hamlets has both upper tier and lower tier responsibilities.