

Glossary of terms – Local Government Budgeting

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. In two-tier areas this is the District Council. West Devon Borough Council is a Billing Authority.

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'. A **Cumulative Budget Gap** assumes annual new budget gaps have not been addressed and is used purely for modelling the overall budget position.

Business Rates – National Non-Domestic Rates ('NNDR') – the tax raised on non-domestic 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. The level of business rates is set by the Government. Business rates are collected by District Councils (such as WDBC) and a proportion is paid over to Central Government, with the remainder retained locally and shared between the District Councils and the County Council. WDBC is also part of a Business Rates pool so business rates are pooled with all Devon Councils.

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 2024/25. Whilst this change is not confirmed by the Government, a reset based on the current tax base would appear very unlikely.

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'. District Councils such as WDBC are normally 'Tariff Authorities' and County Councils such as DCC are 'Top-Up' Authorities.

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 2022-23 the small business multiplier will remain at 49.9 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. West Devon Borough Council is part of the Devon Business Rates Pool. It is recommended that WDBC continues to be part of the Devonwide Business Rates Pool for 2023/24. A 'Business Rates' pooling gain of £200,000 has been modelled for 2023/24.

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 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.

Capping - Government power to limit an authority's budget requirement and hence the 'Council Tax' that it sets. This terminology has been superseded by council tax referendum criteria.

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 re-distribution 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/Collection Fund Surplus or Deficit - a surplus/deficit arising from either more or less 'Council Tax' being collected than expected by District Councils. This would be as a consequence of variations in collection rate or variations to the estimated increase in the number of properties. The annual surplus/deficit is distributed on an annual basis to 'Precepting Authorities'.

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.

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

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

General Fund 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 surplus or deficit on the 'General Fund' at a particular date arising from all transactions up to that date, showing the ability of the Council to fund future revenue expenditure (surplus) or the requirement to make savings or raise additional income (deficit). At Council in February 2022, Members have set a minimum balance for Unearmarked Reserves of £900,000, based on a risk assessment basis and a sensitivity analysis.

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

Local Government Finance Settlement - 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 mid-December, with a final settlement confirmed in mid to late January.

Lower Tier Authorities - Shire District Councils in a two-tier area, who act as 'Billing Authorities' such as West Devon Borough Council.

Lower Tier Services Grant - this is a new grant introduced in 2021/22 provided specifically to lower tier authorities. It is currently anticipated that this grant will continue for 2023/24.

Medium Term Financial Strategy (MTFS) - this sets out the budget strategy for the Council for the next three years. The Council has chosen a three year timeframe for its MTFS, as this dovetails to the timescales of the Corporate Strategy, 'A Plan for West Devon'. The Council will then be able to rely on this to inform future decisions.

Negative RSG – Negative Revenue Support Grant – This is effectively negative government grant, the Council's further predicted funding cuts. The Council would have to make a payment to Government of some of its business rates income, hence the term 'negative'. The latest budget modelling assumes negative RSG of £227,500 in 2024/25 and £227,500 in 2025/26. Some of the negative RSG could be offset by growth.

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. The Council receives 80% of the average national council tax (£1,965) for each property growth over the baseline, this equates to £1,572 per property. In 2022/23 the NHB allocation for West Devon was £352,084. Although the NHB scheme is due to be replaced, it is assumed in the latest budget modelling that the roll over settlement for 2023/24 will give an amount of at least £150,000 of NHB funding (or a similar replacement housing incentive scheme) that could be used to fund the 23/24 revenue base budget.

Precept – the levy made by 'Precepting Authorities' including the County Council on 'Billing Authorities' (West Devon Borough Council), 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' such as WDBC to do it on their behalf. For West Devon Borough the Major Precepting Authorities for 'Council Tax' are Devon County Council, Devon & Cornwall Police & Crime Commissioner and Devon & Somerset Fire Authority. The Local Precepting Authorities are Town and Parish Councils.

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.

Revenue Support Grant (RSG) - the main grant paid to councils by the Government. The amount of this grant has been severely reduced since 2010 and the Council no longer receives any RSG. Between 2009/10 and 2020/21, the Council's Core Government funding has reduced by £3 million. The Council now receives no main Government Grant (Revenue Support Grant) – see **Negative Revenue Support Grant**.

Rural Services Delivery Grant - This is Government grant introduced to recognise the additional cost of delivering services in rural areas. Rural Services Delivery Grant has been modelled to continue for 2023/24 onwards at previous levels (£85m nationally – West Devon Borough Council share of £487,296)

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.

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.

Unearmarked Reserves – see **General Fund Balance**

Upper Tier Authorities – in two-tier areas, this is the County Council (This is Devon County Council in the WDBC area).