

Glossary of Terms

Aggregate External Finance (AEF)

=

The total level of support Government provides to local authorities. It is normally made up of Revenue Support Grant, specific and ring fenced grants and grant redistributed from National Non Domestic Rates.

Area Based Grant

New grant from 2008/9. Government attempting to reduce the number of specific grants in the system and a number have been transferred into this new grant. The purpose of the grant is to give authorities flexibility to tackle local and national issues on a cross cutting basis. The grant is in future likely to be utilised through local area agreements or similar vehicles.

Area Cost Adjustment

=

The scaling factor applied to the formula to reflect higher costs -mostly pay in some council areas.

Base budget

In terms of the report the base budget is that element which is needed to run day-to-day services and is required year on year. Control of the base budget is key to the financial stability of the Council to ensure year on year costs are matched by income that can be relied upon year on year.

Basic Credit Approvals

Term used to define how much local authorities are allowed to borrow for capital investment.

Budget Requirement

The amount each authority estimates it will spend after deducting any funding from reserves and any income it expects to raise other than council tax and grants.

=

Business or National Non Domestic rates

=

The means by which local businesses contribute to the cost of providing local authority services. Rates are paid into a central pool and then divided between authorities on the basis of the number of residents each authority has.=

Council Tax

A local tax set on domestic property

Damping/Floors and Ceilings

Damping is used to describe the way the phasing of changes to the 'Formula Spending Share.' (FSS). It limits the effects the changes may have on council tax levels and allows authorities time to adjust to the changes. The damping mechanism is the floors and ceilings arrangement.

Environmental, Protective and Cultural Services (EPCS)

EPCS is an element of formula grant. Formula Grant is one of 7 major service blocks, which are Children's Services, Adult Social Services, Police, Fire and Rescue, Highways Maintenance, EPCS and Capital financing. EPCS to some degree is the catch all in terms of upper tier authorities but is the main service block for District Councils.

=

Fixed Costs

=

An element of a Council's costs which do not vary in size. Mainly consists of the costs of the corporate and democratic core and sometimes described as 'the costs of being in business, not the costs of doing business.'

Formula Grant

=

Comprises of Revenue Support Grant and redistributed business rates grant =

=

=

Inflation

For the purpose of the report references to inflation over 4% refer to the measure using the RPI (*retail price index*), which includes housing related costs such as mortgage interest, rents and council tax payments. (December figure: - 4.2%).

In 2003 the Chancellor of the Exchequer introduced a new measure called the *Consumer Price Index*, which excluded housing related costs. This index is based on a European Union formula allowing direct comparison with other European states. December **figure xxx**

Local Government Finance Settlement

Is the annual determination of formula grant distribution as made by the Government and debated in Parliament. It includes

- the totals of formula grant
- how the grant will be distributed between authorities and
- the support given to other local government bodies.

Local Authority Business Growth Incentive (LABGI)

LABGI grant was introduced in 2005/6 for a 3-year period to reward authorities whose business rate bases increased due to inward investment attracted by regeneration/ planning initiatives.

Local Enterprise Growth Initiative (LEGI)

LEGI Funding was granted with a specific aim to promote enterprise in disadvantaged neighbourhoods so as to help create more economically sustainable communities. The Council is working with 3 other district partners to deliver the agreed programme.

Net Revenue Expenditure

Is an authority's budget requirement and use of reserves.

Precept

This is the amount of council tax income the County Council, Parish Councils and the Police Authority need to provide their services. They levy the precept on the Billing Authority, which collects the tax. *b-éiá0íçá-éè-Áííííá0-i íÚçéáíó.*

=

Precepting Authority

An authority, which sets a precept to be collected by the billing authorities. Durham County, the Durham Police Authority and the Parish Councils are precepting authorities for the District.

=

Reserves

Is a Council's surplus income in excess of expenditure and can be used to finance future spending.

=

Revenue Expenditure

Is day-to-day or recurring expenditure financed by AEF Grants, council taxes and reserves.

Revenue Support Grant

A government grant plugging the gap between the Council's FSS and the amount it should receive from Assumed National Council Tax and redistributed business rates.

Ring Fenced Grant

A grant paid to an authority, which has conditions attached to it, which restricts the way in which it can be used.

=====

=

=

Specific and Special Grants

Specific formula grants, targeted or ring fenced grants are sometimes referred to as specific or special grants. A specific grant is paid under a specific legislative power whereas a special grant uses a general power to pay grants.

Specific Formula Grant

A grant distributed outside the formula grant distribution system but with no conditions attached.

Targeted Grant

A type of ring-fenced grant, which has conditions, attached which specify a broad outcome.

Total Assumed Spending

The amount of spending by local government as a whole, which the government is prepared to support through grants. Formerly 'Total Standard Spending'

Working Neighbourhoods Fund

Replacement for neighbourhood renewal funding and is designed to tackle employment issues in deprived areas to bring about sustainable employment opportunities and getting people back into work.

Lgfs-08-09/THB/SU

