

Appendix 10 – Budget Report: Glossary of Terms

Budget

A statement of the Council's policies and spending plans for net revenue and capital expenditure over a specified period of time, usually one financial year from 1st April to 31st March.

Budget Requirement (or External Funding Requirement)

The Council's revenue budget on general fund services after deducting funding streams such as fees and charges and any funding from reserves. This excludes income from council tax, business rates and non-specific government grants such as Revenue Support Grant, Rural Services Delivery Grant and New Homes Bonus.

Business Rates

These rates, called National Non-Domestic Rates, are the means by which local businesses contribute to the cost of providing local authority services.

Business Rates Baseline Funding Level

The amount of a local authority's start-up funding allocation which is provided through the local share of the estimated business rates aggregate (England) at the outset of the scheme as forecast by the Government. This is due to change from 2026/27 – See Business Rates Local Share.

Business Rates Local Share (Retention)

This is the percentage share of locally collected business rates that will be retained by local government, currently 50%. The local share of business rates is divided between authorities on the basis of proportionate shares set by the government. Currently the 50% local share is shared 40% for Derbyshire Dales District Council, 9% for Derbyshire County Council and 1% for Derbyshire Fire and Rescue Authority,

The Government has announced that the local share of business rates will increase to 75%, though this will be accompanied by additional responsibilities and a change in the business rates baseline funding level. The additional responsibilities, baseline funding level and the share between district and county councils have not yet been determined. It is currently expected that these changes will be introduced in the financial year 2026/27.

Business Rates Multiplier

Business rates are calculated by taking the property's rateable value (set by the Valuation Office Agency, not the local authority) and multiplying it by a relevant business rates multiplier, to arrive at the annual rates payable before adjusting for reliefs and exemptions.

Business rates multipliers are set by the government before the start of each financial year.

For 2024/25 the Chancellor announced, that:

- the **small business multiplier** (for properties with a rateable value less than £51,000) will be frozen at 49.9p

- the **standard multiplier** will be updated in April by September's CPI figure (6.7%), increasing the multiplier from 51.2p to 54.6p
- the 2024/25 **Retail, Hospitality and Leisure (RHL) scheme** will be extended for a fifth year into 2024-25, retaining the existing scope and providing eligible properties with 75% relief, up to a cap of £110,000 per business.

Business Rates Pool

As part of the business rates retention scheme, authorities are able to come together, on a voluntary basis, to pool their business rates, giving them scope to generate additional growth through collaborative effort and to smooth the impact of volatility in rates income across a wider economic area. This not only allows them to pool their resources under the scheme (which they could do anyway), but ensures that they are treated as if they were a single entity for the purposes of calculating tariffs, top-ups, levies and safety net payments. Derbyshire Dales District Council has been part of the Derbyshire Business Rates Pool since 1st April 2015.

Capital Charge

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

Capital Expenditure

Spending on assets that have a lasting value such as land, buildings, vehicles and equipment. It can also include grants to other bodies towards such assets.

Chartered Institute of Public Finance & Accountancy (CIPFA)

The Chartered Institute of Public Finance and Accountancy is one of the UK accountancy institutes. Uniquely, CIPFA specialise in the public sector. Consequently, CIPFA holds the responsibility for setting accounting standards for local government.

Collection Fund

A separate account, required by statute, to show the transactions of a billing authority in relation to Council Tax and Non-Domestic Rates (NDR) and the payments to central government and major preceptors (the County Council, the Police and the Fire Authority).

Collection Fund Surplus or Deficit

If the Council collects more or less council tax than it expected at the start of the financial year, the surplus or deficit is shared between the billing authority (Derbyshire Dales District Council) and the major preceptors in proportion to the respective council tax precepts. These surpluses or deficits have to be returned to the council taxpayer in the following year through lower or higher council taxes. If, for example, the number of properties or the allowance for discounts, exemptions or appeals vary from those used in the council tax base, a surplus or deficit will arise.

A separate Collection Fund is maintained for transactions relating to business rates. Any surplus or deficit arising from business rates is shared in proportion to the business rates local share (see above) and taken into account when setting the council tax for the following financial year.

Core Spending Power

A measure of the resources available to local authorities to fund service delivery. It sets out the money that has been made available to local authorities through the Local Government Finance Settlement (LGFS). The definition, broadly speaking, is spending power from council tax, Government revenue grants and the local share of business rates.

Council Tax

A local tax on domestic property, set by local authorities, calculated by deducting any funding from reserves, income it expects to raise and general funding it will receive from the Government, in order to meet its planned spending.

Council Tax Bands

There are eight Council Tax bands. How much Council Tax each household pays depends on the value of the homes. The bands are set out below.

Council Tax bands

Value of home estimated at 1 April 1991		Proportion of the tax due April 1991 for a band D property
Band A	Under £40,000	66.7%
Band B	£40,001 - £52,000	77.8%
Band C	£52,001 - £68,000	88.9%
Band D	£68,001 - £88,000	100.0%
Band E	£88,001 - £120,000	122.2%
Band F	£120,001 - £160,000	144.4%
Band G	£160,001 - £320,000	166.7%
Band H	Over £320,001	200.0%

Council Tax Base

This is the figure that is used by the Council in the calculation of the Council Tax. It is the number of band D equivalent properties within the District. This figure is produced by counting each property in each council tax band across the district; the number of properties in each band is then multiplied by a factor to convert it into a band D equivalent; these are then added up to produce the total number of band D equivalent properties for the district; an adjustment is then made to reflect Council Tax Support; finally a collection rate is applied and the result is the council tax base.

Council Tax Referendum Principles (Capping)

This is the power under which the Government may limit the maximum level of local authority spending or increases in the level of spending year on year, which it considers excessive. It is a tool used by the Government to restrain increases in council tax. For shire district councils their relevant basic amount of council tax in 2024/25 will require a referendum if it is both

- a) **3%, or more than 3%**, above its 2023-24 level; **and**
- b) **more than £5** above its 2023-24 level.

This means that a shire district council will need to exceed **both** the percentage and cash referendum thresholds in order to be subject to a referendum; exceeding one principle but not the other would not require a referendum. Councils losing a referendum would have to revert to a lower increase in their bills.

Council Tax Requirement

The Council Tax Requirement is the amount that the Council needs to collect from Council Tax each year. It is the Budget (or External Funding) requirement less business rates income and non-specific grants.

The Council Tax Requirement is divided by the Council Tax Base to calculate the Band D Council Tax for the financial year.

CPI

The CPI (Consumer Price Index) is the main inflation rate used in the UK. Some of the Council's contracts with suppliers (such as that for waste collection) include an agreement that prices will be increased each year in line with CPI.

Department for Levelling Up, Communities and Housing (DLUHC)

The Department for Levelling Up, Communities and Housing (DLUHC) is the government department responsible for housing, communities, and local government in England and the levelling up policy.

Depreciation

This is a charge made to the revenue account each year that reflects the reduction in value of fixed assets due to age or deterioration through usage.

Earmarked Reserves

Amounts put aside to meet specific liabilities in the future.

Fair Funding Review

The Fair Funding Review is a government review that will "set new baseline funding allocations for local authorities by delivering an up-to-date assessment of their relative needs and resources, using the best available evidence". Consultation took place in 2018 but the new baseline funding allocations have not yet been implemented.

Financial Year

The Council's financial year commences on 1st April and finishes on 31st March the following year.

Funding Guarantee

This guarantee, introduced in 2023/24, ensured that all councils saw at least a 3% increase in their core spending power before any decisions about organisational efficiencies, use of reserves or council tax levels. For 2024/25 the government increased the guarantee to 4%. This means every council in England will receive at least 4% more Core Spending Power, in cash terms, than they did last year, before they have taken any local decisions on council tax.

General Fund

The statutory revenue account of the Council which summarises the cost of all services provided by the Council which are funded from the precept, government grants and other income.

General Fund Balances & General Reserve

This represents amounts put aside for, but not allocated to meet, any future spending commitments or unforeseen pressures.

The Council's General Fund Balances include a working balance of £1m (£1.4m from 31 March 2024, if approved by Council on 29 February 2024) to meet emergencies and contingencies, and to assist with cash flow. Any General Fund Balance over and above the working balance is termed the 'General Reserve'. The Council's General Reserve currently stands at £3m.

The Council's Medium Term Financial Strategy states that the General Reserve will be available for meeting 'one-off' expenditure or development items and should only be used to fund ongoing revenue expenditure in exceptional circumstances. The Council will aim to set balanced budgets that do not require the use of the general reserve.

Government Grants

Part of the cost of the Council's services is paid for by central government from its own tax income. These grants are of two main types. Some (Specific Grants and Supplementary Grants) are for particular services such as Housing Benefits. Others are in aid of services generally such as the Rural Services Delivery Grant.

Local Council Tax Support Scheme

The Local Council Tax Support (also known as Council Tax Reduction) Scheme helps eligible residents who are on a low income or claiming certain benefits to pay their Council Tax bill. The Council has different schemes for pensioners and working age claimants. The Council approves a scheme before the start of each financial year. The scheme is taken into account when setting the council tax base.

Local Government Finance Settlement (LGFS)

The Local Government Finance Settlement is the annual determination of funding distribution to local authorities as made by the Government and debated by Parliament.

Medium Term Financial Plan (MTFP)

The Medium-Term Financial Plan (MTFP) identifies the estimated financial commitments of the Council alongside the likely level of resources available to it over the next five financial years. It provides a financial overview against which budgets will be set, highlighting any future savings requirements.

Medium-Term Financial Strategy (MTFS)

The Medium-Term Financial Strategy is intended to set out the Council's strategic approach to the management of its finances and to provide a framework within which decisions can be made regarding future service provision and council tax levels. The MTFS sets out the approach to delivering the savings requirements identified in the Medium-Term Financial Plan so that a balanced budget can be set. The MTFS aims to ensure the financial sustainability of the Council's financial position; it highlights financial risks and mitigating actions.

Minimum Revenue Provision

The minimum amount which must be charged to an authority's revenue account each year, as a provision to repay borrowing and finance leases.

Negative Revenue Support Grant

See Revenue Support Grant

Net revenue expenditure

This is gross expenditure less income, but before deduction of government grant, business rates and council tax income.

New Homes Bonus (NHB)

Under this scheme local authorities receive a new homes bonus (NHB) for each new property built in the district. There is also a payment in respect of empty homes brought back into use. Payments are based on match funding the council tax raised on each property with an additional amount for affordable homes. It is paid in the form of an un-ringfenced grant, which the government has announced will cease after 2024/25.

Non-Domestic Rates (NDR or NNDR)

Also known as 'business rates', see above,

Precept

The levying of an amount by one authority that requires another authority to collect income on its behalf.

The Council Tax Collection Fund meets the precepts from the major preceptors i.e. the County Council, Police Authority and Fire and Rescue Service) as well as making a payment to the Council's own General Fund.

"Local precepts" are raised by Town and Parish Councils. These are paid from the Council's General Fund and are part of Derbyshire Dales District Council's Council Tax Requirement.

Prudential Borrowing

A set of rules governing local authority borrowing for funding capital projects under a professional code of practice developed by CIPFA to ensure the Council's capital investment plans are affordable, prudent and sustainable.

Reserves

This is a council's accumulated surplus income (in excess of expenditure) which can be used to finance future spending.

Revenue Expenditure

Expenditure to meet the day-to-day running costs incurred in providing services e.g., wages and salaries, purchase of materials and capital charges.

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure classified as capital for funding purpose, when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset. This is to enable it to be funded from capital resources rather than charged to the General Fund and impact on the Council Tax.

Revenue Support Grant (RSG)

A general government grant paid to the Council as a contribution towards the cost of its services. When added to the Business Rates Baseline Funding Level (see above), it produces the Settlement Funding Assessment.

The introduction of **Negative Revenue Support Grant** has been deferred by the government for several financial years but has not been ruled out. As revenue support grant is phased out and replaced by greater business rates retention, some councils will have to pay income back to government as part of the business rates top up and tariff system. This “payback” is known as Negative Revenue Support Grant. It is likely to be revisited as part of the government’s review of the business rates baselines and the Fair Funding Review.

Rural Services Delivery Grant (RSDG)

The Rural services Delivery Grant provides un-ringfenced government funding in recognition of the additional costs of delivering services in sparsely populated areas. This funding is distributed to the top-quartile of authorities ranked by ‘super-sparsity’, a measure of rurality.

Section 106 Agreement (S106)

A Section 106 agreement is a legal agreement between an applicant seeking planning permission and the local planning authority, which is used to mitigate the impact of the new development on the local community and infrastructure. This may generate financial contributions that the local authority may use in defined ways to finance relevant expenditure, such as the provision of affordable housing or play equipment.

Services Grant

The purpose of the services grant is to provide funding to all tiers of local government in recognition of the vital services delivered at every level of local government. This is a non-specific grant towards the general cost of services.

Settlement Funding Assessment

The Settlement Funding Assessment is a key figure in the Local Government Finance Settlement. It comprises at a national level the total Revenue Support Grant and the local share of estimated Business Rates Aggregate for the year in question.

Specific Grants

These grants are for specified purposes and cannot be used on anything else. An example of a specific grant is that for housing benefits administration. Specific grants are usually accounted for in the services to which they relate.

Working balance

The purpose of the working balance is to meet emergencies and contingencies, and to assist with cash flow. The Council currently has a working balance of £1m (£1.4m from 31 March 2024, if approved by Council on 29 February 2024).

The Council’s Medium-Term Financial Strategy states that the Council will maintain a working balance of approximately 10% of its net revenue expenditure, which is considered appropriate to the strategic and operational risks which the authority faces.