

Glossary

Allocative efficiency	Targeting resources at the things that matter most in different places to increase the overall level of satisfaction and welfare that can be produced from the resources available.
Assignment	Describes a method by which revenues from nationally controlled taxation could be allocated specifically to certain bodies or services, in this case – local government.
Balance of funding	The proportion of local authority revenue expenditure financed centrally as against the proportion financed locally. Except where stated otherwise, this report uses a definition based on “local authority income” which includes specific grants and income from sales, fees and charges, as well as the core revenue streams of council tax, business rates and revenue support grant. Under this definition council tax represents 16 per cent of local income, with a further 11 per cent from charges for services (including rents).
Billing authority	A local authority that is responsible for collecting the council taxes and business rates for its area. In practice, they are metropolitan districts, shire districts, unitary authorities, London boroughs and the City of London.
Budget requirement	A measure of local authority expenditure. In broad terms, it is the total amount of an authority’s expenditure that is financed from Formula Grant and council tax.
Business Improvement Districts (BIDs)	Public/private sector partnership schemes in which property and business owners of a defined area elect to make a collective contribution to the maintenance, development and marketing/promotion of their commercial area for set purposes and within set timescales.
Capping	When central government limits a local authority’s budget requirement and hence the amount by which it can increase its council tax.
Co-production	Where service providers (such as local authorities) work with service users, through active engagement, to improve service delivery outcomes and efficiency.
Collection Rate	The proportion of a tax owed that is actually collected.
Comprehensive Spending Review (CSR)	Spending Reviews set firm and fixed three-year Departmental Expenditure Limits and, through Public Service Agreements (PSAs) define the key improvements that the public can expect from these resources. The comprehensive Spending Review (CSR) reporting in 2007 will represent a long-term and fundamental review of government expenditure. It will cover departmental allocations for 2008-09, 2009-10 and 2010-11.
Convening	A role carried out by local authorities in seeking to influence and bring together the efforts and/or views of the public, private and voluntary sectors to secure the well-being of local citizens.
Council tax burden	The percentage of net household income that is paid as council tax.
Council tax requirement	The total amount of council tax that an authority assumes – when setting its budget – it will receive for the financial year. It is dependent upon an assumed collection rate and an assumed tax base .

Dedicated Schools Grant (DSG)	The grant by which schools funding is provided by the Department for Education and Skills. This money is ring-fenced and cannot be spent on other things. The DSG is paid to local authorities and it is then for each local authority to distribute funding using its locally agreed formula. It is for schools' governing bodies and other providers to decide how to spend their available resources.
Duty to cooperate	A legal term used in the 2004 Children's Act, and the Local Government & Involvement in Health Bill, placing a duty on local authorities to require co-operation between local authorities and other locally determined partners.
Employment and Skills Boards (ESBs)	Employer-led groups proposed in the Leitch review to monitor local skills, productivity and employment, and articulate these needs to the proposed integrated employment and skills service within a locality.
Equalisation	The local government finance system intending to even out the differences between local authorities' tax bases , needs and costs.
Fiscal	Relating to government revenue, mainly in relation to taxes.
Floor damping	Involves adjusting the grant allocations calculated for each authority in order to guarantee a minimum year-on-year percentage increase for each class of authority. More details are given in Annex A.
Formula Grant	The collective term for Revenue Support Grant , redistributed business rates and Principal Formula Police Grant. From 2006-07, Formula Grant is distributed using the four-block model. Further details are given in Annex A.
Gearing	A measure of the impact on council taxes of increasing budgets. This varies widely between local authorities. An authority that meets 25 per cent of its budget through council tax is said to have a gearing ratio of 4.0. This means a one per cent increase in budget would have a four per cent increase in council tax. See also the box in Chapter 3.
Government Offices	Represent central government regionally, and are the primary means by which a wide range of government policies are delivered within these English regions. Government offices play a key role in the negotiation of Local Area Agreements.
Government Office Regions	Nine English regions that are routinely referred to as administrative units by central government, (namely: <i>North East, North West, Yorkshire & the Humber, East Midlands, West Midlands, East of England, South East, South West and London</i>).
Learning and Skills Council (LSC)	A non-departmental public body responsible for planning, funding and improving the quality of post-16 education and training (excluding higher education) in England, consisting of a National Council and a number of local LSCs.
Local Area Agreements (LAAs)	Three-year agreements between central government, local authorities and their partners agreed through the Local Strategic Partnership .
Local Authority Business Growth Incentive scheme (LABGI)	A financial incentive scheme, encouraging economic growth by allowing local authorities to retain a share of business rates for spending on their own local priorities.
Local Strategic Partnership (LSP)	A single non-statutory, multi-agency body, which matches local authority boundaries, and aims to bring together at a local level the different parts of the public, private, community and voluntary sectors to secure the well-being of their communities.
Net household income	Usually defined as the income received by a household after taking account of taxes and benefits but before accounting for housing costs.

National non-domestic rate (NNDR)	A property tax paid by businesses and other non-domestic bodies – another name for business rates.
Passenger Transport Authorities	Local government bodies which are responsible for public transport within large urban areas, set up as a result of the abolition of metropolitan county councils in the 1985 Local Government Act.
Passporting	A government requirement for local authorities to pass on annual education funding increases to education departments and schools. This was replaced by the Dedicated Schools Grant for 2006-07.
Place-shaping	The creative use of powers and influence to promote the general well-being of a community and its citizens. A fuller explanation is found in Chapter 2.
Planning-gain Supplement (PGS)	A proposed levy on the land value uplift resulting from detailed planning consent. It is intended to provide revenues to invest in community development, be collected centrally but be recycled back to the community with the ‘overwhelming majority’ returning to the ‘region’ from which they derive.
Postcode lottery	A common term used to intimate how services vary from one locality to another.
Precept	The amount of money (council tax) a local or major precepting authority has instructed the billing authority to collect and pay over to it in order to finance its net expenditure.
Precepting authorities	Are county councils, police and fire authorities, the Greater London Authority, parishes and some other bodies, which instruct the billing authority to collect council tax on their behalf in order to finance their expenditure. Parish councils are classed as local precepting authorities whilst county councils, police and fire authorities along with the GLA are major precepting authorities.
Revenue Support Grant	A general grant which replaced rate support grant in 1990-91. Now distributed as part of Formula Grant .
Ring-fenced grants	Grants which fund particular services or initiatives considered a national priority, which must be spent on the service specified.
Section 106 contributions	Payments from the construction of residential and commercial developments whereby the developer is expected to make a contribution to local government’s infrastructure costs around the development. Usage set to be scaled back with the introduction of Planning-gain Supplement .
Social cohesion	The existence of mutual trust and relationships between individuals and communities of different backgrounds and characteristics.
Specific grants	Grants paid by various government departments outside the main Formula Grant . They include ring-fenced grants (which have to be spent on a particular service) and specific formula grants (which do not, such as the Neighbourhood Renewal Fund).
Tax base	General term for taxable capacity of a local authority. More precisely, the council tax base is the number of band D-equivalent domestic properties within an authority’s area and the effective taxbase for business rates is the total rateable value of non-domestic properties within an authority’s area.
Third sector	Includes voluntary and community organisations, charities, faith groups, social enterprises, cooperatives and mutuals. The Government’s Office for the Third Sector describes the sector as comprising: non-governmental; ‘value-driven’ organisations primarily motivated by the desire to further social, environmental or cultural objectives rather than to make a profit per se; and to principally reinvest surpluses to further their social, environmental or cultural objectives.
Yield	General term for the amount that is due to be raised from a local or national tax.