



October 2015

Glossary for NHS and local authority finance and governance

Briefing

In association with

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Public Finance & Accountancy

Index

1. Who does what in the NHS?	3	2. Who does what in local government?	7
Department of Health		Department for Communities and Local Government	
<i>Arm's length bodies (ALBs)</i>		<i>Arm's length bodies (ALBs)</i>	
NHS England		Planning inspectorate	
Monitor		Building Regulations Advisory Committee (BRAC)	
Care Quality Commission (CQC)		Valuation Tribunal for England	
NHS Trust Development Authority (NHS TDA)		Homes and Communities Agency	
National Institute for Health and Care Excellence (NICE)		Housing Ombudsman	
NHS Business Services Authority (NHS BSA)		Leasehold Advisory Service	
Health Education England (HEE)		Councils/local authorities	
Health and Social Care Information Centre (HSCIC)		Two-tier	
NHS Litigation Authority (NHSLA)		Unitary	
Public Health England (PHE)		Town, parish and community	
Medicines and Healthcare products Regulatory Agency (MHRA)		Combined authority	
Health Research Authority (HRA)		<i>How a council is governed</i>	
National Institute for Health Research (NIHR)		A leader and cabinet	
Community Health Partnerships (CHP)		A committee system	
NHS Property Services Limited		Executive arrangements and a directly elected mayor	
NHS Shared Business Services (NHS SBS)		Other arrangements prescribed by the secretary of state	
Integrated Single Financial Environment (ISFE)		Council	
<i>Commissioners of healthcare</i>		Councillor	
Clinical commissioning groups (CCGs)		<i>Working in partnership</i>	
Council of members			
Governing body		3. Glossary of NHS/local government terminology	10
<i>Providers of healthcare</i>		4. Terms with different meanings in health and local government	13
Providers			
Foundation trusts		5. Local government terms health colleagues might find helpful	14
Council of governors			
Board		6. Health terms local government colleagues might find helpful	18
NHS trusts			
Other qualified providers			

About the briefing

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Introduction

As health and local government work increasingly closely to deliver public services centred on the service user, all finance professionals need to develop an open and transparent partnership with colleagues across organisations and sectors.

The greatest success will come when everyone has a shared understanding of what is being discussed and what needs to be achieved. This requires clarity of the definitions and terms used. Financial regimes, cultures and terminology differ between health and local government – therein lies the potential for confusion.

The briefing begins by outlining the role of relevant national and local NHS and government bodies. It goes on to provide a glossary of terms used frequently in relation to finance and governance in the NHS and local government.

It is not intended to be exhaustive in its coverage – instead, it focuses on key terms that it is helpful for everyone to understand when working collaboratively.

1. WHO DOES WHAT IN THE NHS?

This section examines who does what in the NHS in England and how their roles relate to each other in finance and governance terms. The diagram below sets out the key organisations involved and the way that funds flow between them.

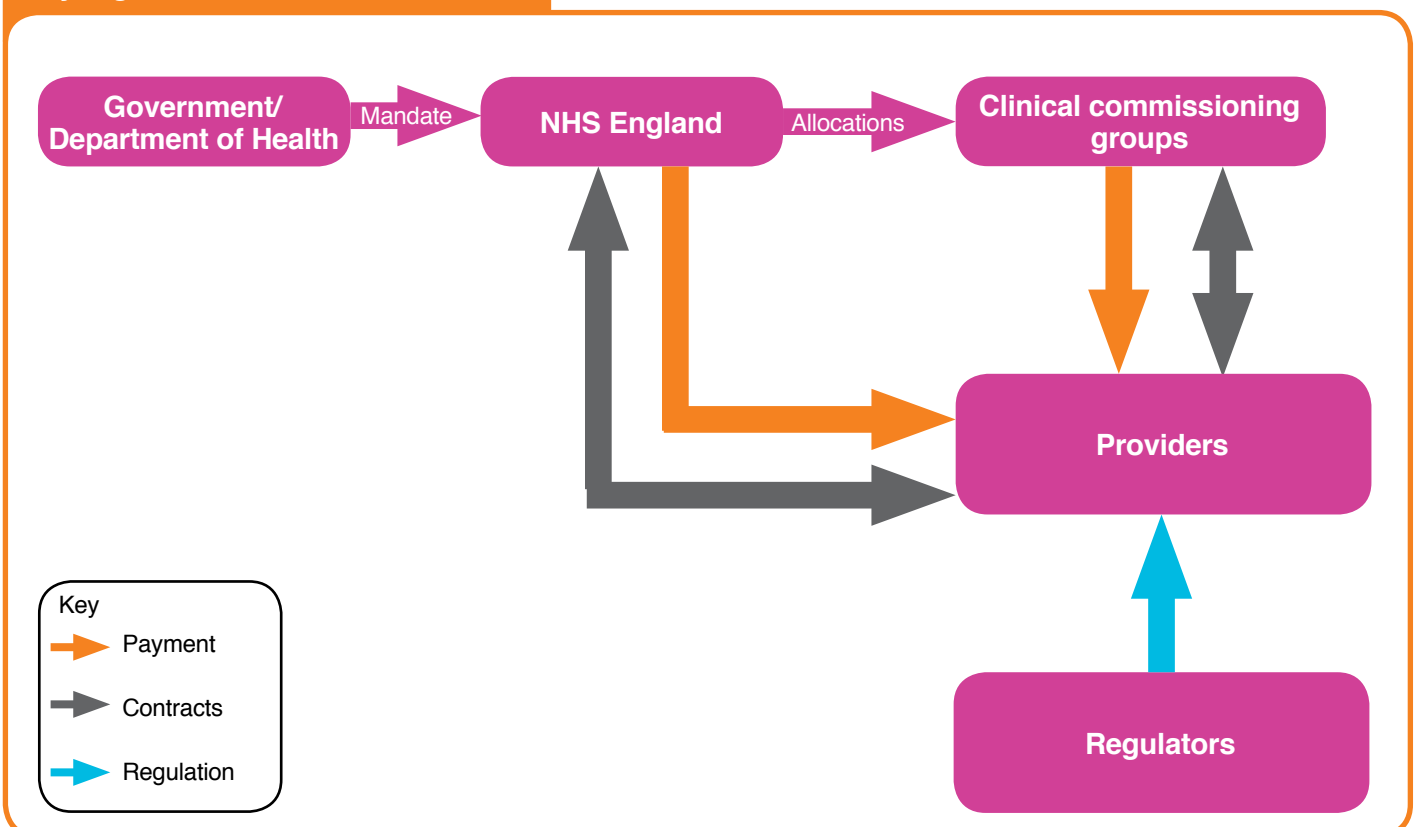
The Department of Health's objective is to help people live better for longer. It is responsible for ensuring the provision of a comprehensive health service in England through the NHS. The Department supports the health secretary and other departmental ministers to carry out their responsibilities for health and social care services by setting national standards, policy and priorities.

Arm's length bodies (ALBs)

In constitutional terms, there are three types of ALB:

- Executive agencies – these are part of the Department (and are accountable to it) but have

Key organisations and flow of funds



greater operational independence than a division or section of the Department

- Special health authorities – these are independent bodies, although they are subject to ministerial direction, and are created by order (a statutory instrument)
- Executive non-departmental public bodies (ENDPBs) – these are established by primary legislation and have their own statutory functions. Their relationship with the Department is defined in legislation. They play important roles but are not part of the Department itself.

The Department sponsors a number of ALBs to undertake specific activities to help deliver its agenda. These can be categorised by function:

Regulatory ALBs hold the health and social care system to account and include:

NHS England – an ENDPB working at arm’s length from the Department. Its legal name is the NHS Commissioning Board. It is accountable to the secretary of state for health for meeting its legal duties and fulfilling its mandate. It must stay within its allocated resources and deliver a wide range of improvements in healthcare. It is responsible for some commissioning activities, including:

- Primary care services
- National and regional specialised services and other prescribed services
- Offender health services
- Health services for serving personnel and families in the armed forces
- Four public health services:
 - Screening
 - Immunisation
 - Public health services within prisons
 - Public health services for children up to five years old.

It is also responsible for managing the commissioning system for the NHS,

primarily through the authorisation and monitoring of clinical commissioning groups (CCGs).

At present, **Monitor** is the sector regulator for healthcare. Like NHS England, it is also an ENDPB. It has a core duty to ‘protect and promote patients’ interests’ and responsibility for licensing healthcare providers, setting and regulating prices (with NHS England) and ensuring continuity of services – maintaining those patient services deemed essential and for which no viable alternative exists. It is also required to ‘enable integrated care and prevent anti-competitive behaviour.’ It is due to merge with the NHS Trust Development Authority (NHS TDA) to become NHS Improvement.

The **Care Quality Commission (CQC)** is an ENDPB that is responsible for registering and regulating all providers of health and adult social care in England (including private providers).

The **NHS Trust Development Authority (NHS TDA)** is a special health authority with responsibility for overseeing all remaining NHS trusts and for supporting them as they move towards foundation status. It is due to merge with Monitor to become NHS Improvement.

Standards ALBs focus on establishing national standards and best practice:

The **National Institute for Health and Care Excellence (NICE)** is an ENDPB responsible for providing national guidance and quality standards to improve the outcomes of people using the NHS and other public health and social care services.

Providing cost-effective services to the whole of the NHS, some ALBs bring together specific expertise into a single organisation, including:

The **NHS Business Services Authority (NHS BSA)** – a special health authority that provides many central services to NHS organisations,

NHS England is an executive non-departmental public body working at arm’s length from the Department and accountable to the secretary of state

directly to patients and the general public. These include:

- NHS Supply Chain (provides patient-focused healthcare products and supply chain services to the NHS)
- Making payments to dentists and pharmacists
- Issuing European Health Insurance Cards
- Managing the NHS pension scheme
- Providing NHS Protect services in England and Wales (working on the identification and prevention of crime across the health service).

Health Education England (HEE) is a special health authority providing national leadership and oversight on strategic planning and development of the health and public health workforce. It allocates education and training resources, commissioning training for healthcare staff, working through its local education and training boards (LETBs).

The **Health and Social Care Information Centre (HSCIC)** is an ENDPB that collects, analyses and publishes data and information relating to health and social care. It also supports the delivery of IT infrastructure, information systems and standards to ensure information flows efficiently and securely across the health and social care system to improve patient outcomes.

The **NHS Litigation Authority (NHSLA)** is a special health authority that handles negligence claims and works to improve risk management practices in the NHS. It operates the clinical negligence scheme for trusts (CNST), a risk pooling scheme that covers all liability arising from medical negligence for employees while operating under their contract of employment with an NHS organisation. The scheme is also available to private healthcare providers.

There are also ALBs that focus on **patient safety and the protection of patients and the public**:

Public Health England (PHE) is an executive agency that leads on health protection and harnessing efforts to improve the public's health. It works closely with local authorities that have primary responsibility at local level for health improvement and reducing health inequalities.

Medicines and Healthcare products Regulatory Agency (MHRA) is an executive agency that operates as a trading fund to enhance and safeguard the health of the public by ensuring that medicines and medical devices work and are safe.

The **Health Research Authority (HRA)** was established to protect and promote the interests of patients and the public in health research, and to streamline the regulation of research. Formerly a special health authority, the HRA became an ENDPB on 1 January 2015.

NHS-funded research is overseen by the **National Institute for Health Research (NIHR)**. The NIHR is a 'virtual body' funded by the Department to improve the health and wealth of the nation through research and is headed by the chief medical officer.

The Department is also involved in three more commercial arrangements to deliver services to the wider NHS:

Community Health Partnerships (CHP) is an independent company owned by the Department. Its remit is to deliver NHS local improvement finance trust (LIFT) schemes on behalf of the Department and in partnership with the local health economy through LIFT companies.

NHS Property Services Limited is a private limited company wholly owned by the secretary of state for health. Its role is to maintain, manage and develop NHS facilities.

Public Health England (PHE) is an executive agency that leads on health protection and harnessing efforts to improve the public's health

CCGs are responsible for agreeing what care the patients registered with their GP practices need, negotiating contracts with healthcare providers and monitoring their implementation

NHS Shared Business Services (NHS SBS) is a joint venture between the Department and Steria. It provides 'back office' finance and accounting services to a variety of public and private sector clients, including all commissioning organisations in the NHS in England.

This includes the provision and operation of the financial ledger used by all clinical commissioning groups (CCGs) and commissioning support units (CSUs), as well as NHS England, including area teams. The financial ledger is known as the **Integrated Single Financial Environment (ISFE)**.

Commissioners of healthcare

As well as NHS England, healthcare is also commissioned by **clinical commissioning groups (CCGs)**. These are statutory member bodies created by the Health and Social Care Act 2012 and made up of the GP practices within a geographical area. They are responsible for agreeing what care the patients registered with their constituent practices need, negotiating contracts with healthcare providers and monitoring their implementation.

They commission the majority of NHS services for their patients except those services commissioned directly by NHS England. Depending on the constitution of the CCG, representatives of each practice may belong to a **council of members**. The **governing body**, which is comprised of lay members and executive officers, oversees the operations of the CCG but reports to the council of members.

Providers of healthcare

NHS-funded healthcare can be provided by a range of organisations both within and outside of the NHS. **Providers** form the other half of the commissioning equation as the organisations that provide the care bought by commissioners. Commissioners can place contracts

for the delivery of healthcare with any qualified provider – one that is able to meet the required standards of NHS care and quality and likely to be one of the following types of organisation:

- **Foundation trusts** are public benefit corporations that remain part of the NHS providing healthcare (acute, community, mental health or ambulance services) free at the point of need. They are accountable to local people through members and a **council of governors**. The **board** oversees the operations of the foundation trust and is comprised of non-executive directors and executive officers. Authorisation and ongoing regulation is by the sector regulator, Monitor.
- Non-foundation **NHS trusts** also provide a variety of healthcare services. The board, comprised of non-executive directors and executive officers, oversees the operations of the NHS trust. Performance is overseen by the NHS TDA.
- **Other qualified providers** (from the private and voluntary sectors) provide NHS care that might involve:
 - The provision of a specific service
 - The provision of additional capacity for an NHS hospital based on an agreed contract and payment arrangement
 - A franchising arrangement where an entire hospital is run by a private sector provider but remains in the NHS.

2. WHO DOES WHAT IN LOCAL GOVERNMENT?

This section examines who does what in local government in England and how their roles relate to each other in finance and governance terms. The diagram below shows a local unitary authority's funding flows.

- The purpose of the **Department for Communities and Local Government (DCLG)** is to 'create great places for people to live and work'. It supports the secretary of state for communities and local government and ministers in carrying out their responsibilities for supporting local government, local enterprise zones and fire and rescue authorities by setting national standards, policy and priorities.

Arm's length bodies (ALBs)

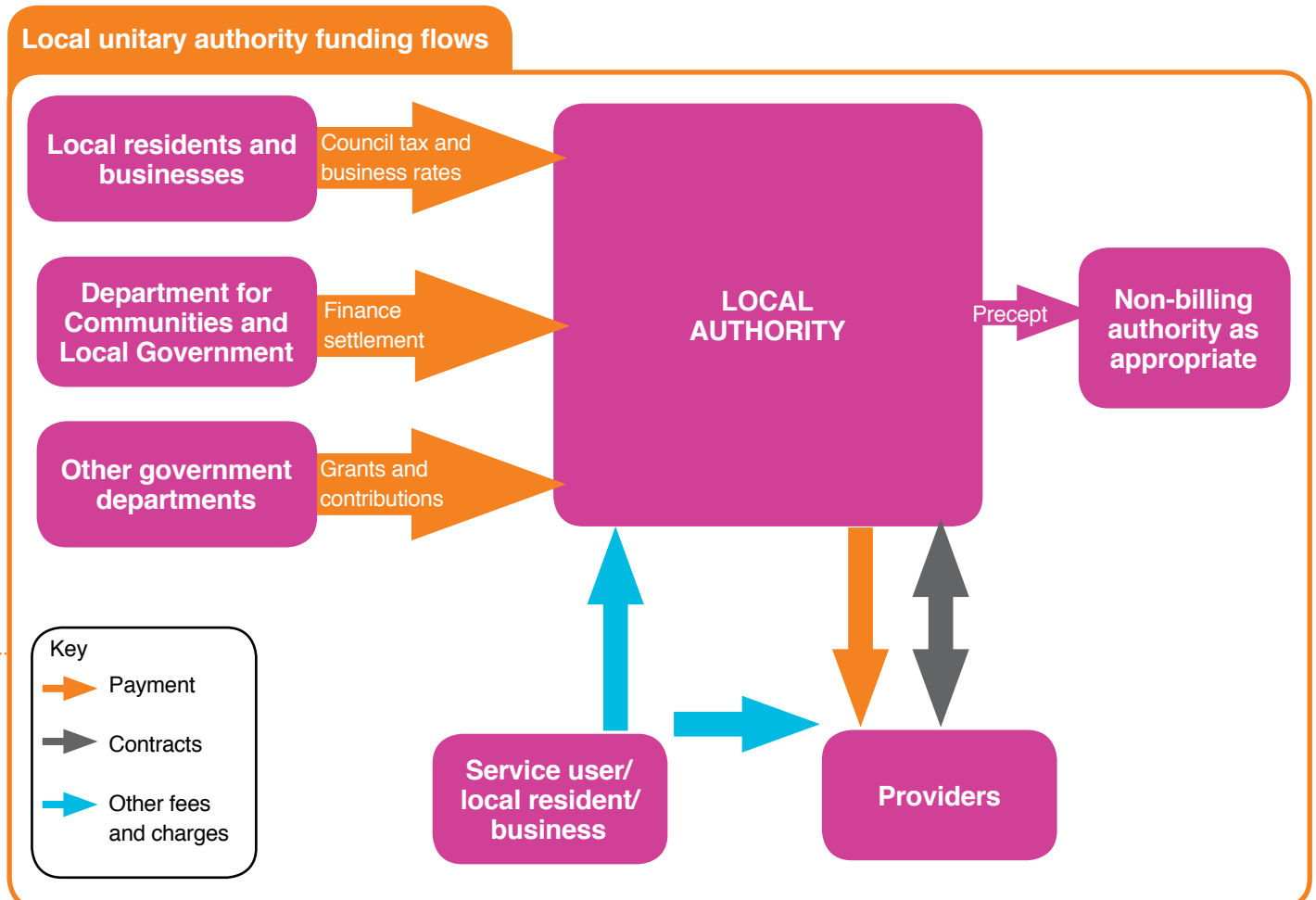
The DCLG sponsors a number of ALBs to undertake specific activities to help deliver its agenda:

The **Planning Inspectorate** is an executive agency of the DCLG. Its role is to help shape planned environments and deliver sustainable development through examination of local development plans, the processing of appeals and other casework arising from planning and allied legislation. It also advises ministers on major infrastructure projects.

Non-departmental public bodies

The **Building Regulations Advisory Committee (BRAC)** advises the secretary of state on the exercise of his/her power to make building

The Planning Inspectorate helps shape planned environments and deliver sustainable development by examining local development plans and processing appeals



A combined authority whereby all the councils in an area come together in a voluntary arrangement – for example, Greater Manchester – allows councils to work more closely together

regulations and other related subjects in England and Wales.

The **Valuation Tribunal for England** is an independent appeals tribunal funded by Parliament to handle council tax and rating appeals in England. It is supported by the Valuation Tribunal Service.

Executive non-departmental public bodies (ENDPBs)

The **Homes and Communities Agency** creates opportunities for people to live in high-quality, sustainable places. It also provides funding for affordable housing, brings land back into productive use and enables local authorities to achieve housing and regeneration ambitions for their own areas.

The **Housing Ombudsman** provides a free, independent and impartial service to review complaints about registered housing providers, including housing associations and other landlords, managers and agents.

The **Leasehold Advisory Service** provides free legal advice and information on all aspects of residential leasehold law in England and Wales.

Councils – also known as **local authorities** – are responsible for the economic, social and environmental wellbeing of their areas. They purchase and provide services to local communities. Councils are organised in different ways in different areas and can fall into one of the following categories:

- **Two-tier** – a county council (responsible for county-wide services such as education, transport, planning, fire and public safety, social care, libraries, waste management and trading standards) or a district/city/borough council (responsible for rubbish collection, recycling, council tax collection, housing and planning

applications in their area).

- **Unitary** – this type of authority can be a metropolitan council (responsible for an urban area), a London borough or a unitary authority (covering the whole or part of a county or a large town or city) and is responsible for all of the services listed above.
- **Town, parish and community** – these councils are the smallest and most local. They exist in certain parts of the country for historical reasons. They work to maintain local amenities such as allotments, bus shelters and play areas and may be consulted in relation to planning applications and highway issues.

A two-tier or unitary authority can also be part of a **combined authority** whereby all the councils in an area come together in a voluntary arrangement – for example, Greater Manchester and Sheffield City. This allows councils to work more closely together in relation to economic development, regeneration and local transport, while each individual organisation operates in accordance with the statutory instrument by which it was created.

How a council is governed

A council can operate under one of four models¹:

A leader and cabinet

In this model (the most common), the full council elects a leader, who in turn appoints and chairs the cabinet/executive. Each cabinet member has a specific area of responsibility – for example, housing or resources. Many councils have a civic mayor or chairman to carry out ceremonial duties and chair meetings, although they cannot make decisions about council business.

A committee system

Some councils opt for a committee system whereby a number of

¹ *Councillors' Guide: A new guide for councillors 2015/16*, Local Government Association

committees are established, each with a specific area of responsibility. The political groups appoint elected members to those committees.

Executive arrangements and a directly elected mayor

In some areas an executive mayor is elected. The mayor has greater powers than the leader. Responsible for the day-to-day running of local services, he/she proposes the budget and policy framework and appoints and chairs the cabinet.

Other arrangements prescribed by the secretary of state

Increasingly, areas are creating joint decision-making arrangements – for example, combined authorities or joint leader boards – to deal with important issues that cross local authority boundaries, such as economic growth and transport.

Whichever model operates, the council must meet ‘in full’, which means all councillors get together to set the overall strategy and policy framework, agree the budget and spending plans, approve the statement of accounts, elect the leader and make constitutional decisions. The full council meeting is also a forum for debate on major issues.

Where a directly elected mayor is in place, the budget and framework are proposed by the mayor and can only be amended or overturned by the council with a two-thirds majority.

A councillor is elected to represent people in a defined geographical area for a fixed term. Councillors sit on the full council and set the overall policy of the authority. They may serve on different council tiers simultaneously. For example, a councillor may sit on both a town council and a metropolitan council.

Working in partnership

Under *Section 75 of the NHS Act 2006* (as amended), the secretary of state can make provision for local authorities and NHS bodies to enter into partnership arrangements in relation to certain functions, where these arrangements are likely to lead to an improvement in the way that those functions are exercised.

The specific provision for these arrangements is set out in the *NHS Bodies and Local Authorities Partnership Arrangements Regulations 2000*. The regulations:

- Set out the NHS bodies and local authorities that may participate in partnership arrangements
- Set out the functions of those bodies that may be the subject of partnership arrangements
- Enable partners to enter into arrangements for, or in connection with, the establishment of a pooled fund
- Enable partners to enter into arrangements for an NHS body to exercise the prescribed health-related functions of local authorities
- Enable partners to enter into arrangements for a local authority to exercise prescribed NHS functions.

This subject is covered in more detail in the HFMA briefing *Pooled budgets and the better care fund*, published in October 2014.

The secretary of state can make provision for local authorities and NHS bodies to enter into partnership arrangements in relation to certain functions

3. GLOSSARY OF NHS AND LOCAL GOVERNMENT TERMINOLOGY

Health term	Local government term	Meaning
Accounts direction	<i>Accounts and Audit Regulations 2015</i>	<p>These set out detailed rules about the preparation, approval and publication of the annual report and accounts</p> <p>The regulations for local authorities require local authorities to make their accounts available to electors for inspection, objection and to question the auditor. The directions for NHS bodies require them to comply with the appropriate manual for accounts</p>
Activity-based budgeting		This produces a budget for a defined activity level. As activity levels change, so do costs and income
Allocation	Formula funding	<p>An allocation is the amount of money made available to a CCG to purchase healthcare for the patients registered with its constituent practices. The allocation will be split into two elements:</p> <ul style="list-style-type: none"> • The programme allocation for all the services provided to manage and improve the health of the local population and running costs • The resources available to manage and administer those services <p><i>(See distance from target below)</i></p> <p>In local government, formula funding allocates funding between councils. The formula uses a number of local indicators, including population figures and measures of deprivation</p>
Budget		A financial and/or quantitative statement that is prepared and agreed for a specific future period. It usually covers a year but to help with planning, budgets can cover longer periods – three to five years are common. It translates aims into a statement of the resources needed to fulfil them and has either a monetary or non-monetary value
Budget manager		The single named individual responsible for ensuring that the budget is met and highlighting when the budget is likely to be under or overspent
Budget profile		The likely spending or activity pattern during the time period covered by the budget. For example, vehicle tax is due annually, so the budget for that should be in the month that the payment is due rather than being split evenly over a year. Staff costs, on the other hand, are usually incurred evenly over a period of time
Call-off contract or framework agreement/contract		This is where the terms, conditions and prices (or at least the pricing strategy) are agreed with a supplier(s), for the supply of goods and services. Making orders under the overarching contract is by way of quotation if there is more than one supplier on the framework, or 'calling off' from the single supplier up to an agreed threshold. Contracts usually last three to five years

Health term	Local government term	Meaning
Commissioning		<p>Commissioning starts with a deep understanding of citizens and communities, ensuring services are designed and delivered according to their needs, aspirations and experiences. It considers how best to use allocated resources to improve outcomes in relation to:</p> <ul style="list-style-type: none"> • Health, well-being and social care needs • Health and/or social inequalities • Access to high-quality, effective services
Constitution/standing orders	Standing orders	<p>The constitution or standing orders translate an organisation's statutory powers into a series of practical rules designed to protect the interests of the organisation, its staff and 'customers'. They specify how the organisation will conduct its business</p>
Establishment		<p>The number of full-time/whole-time equivalents for each grade of staff budgeted for a department or service</p>
Forecast outturn/projection		<p>A prediction of the future performance of a budget</p>
Governance		<p>The system by which organisations are directed and controlled. It is concerned with how an organisation is run – how it structures itself and how it is led</p>
Long-term financial strategy	Medium-term financial strategy (MTFS)	<p>All NHS organisations need to produce medium-to long-term financial plans. The exact length of time to be covered is determined by Monitor for foundation trusts, the NHS TDA for NHS trusts and NHS England for CCGs</p> <p>The MTFS is a rolling financial plan that is updated annually by local authorities. Typically this will include planned expenditure for three to five years</p>
Manual for accounts	Code of Practice on Local Authority Accounting in the United Kingdom	<p>Both the manual and the Code set out how health bodies and councils respectively should apply international financial reporting standards (IFRS) when preparing their accounts. They also set out sector-specific disclosures required in their annual report and accounts</p>
Non-recurrent/non-recurring		<p>One-off income, expenditure or savings</p>
Personal health budget (PHB)	Direct payment/self-directed support (SDS)	<p>The support a person purchases or arranges to meet agreed health and/or social care outcomes. The money can be made available via a direct payment, a notional budget or a real budget held by a third party</p> <p>Integrated personal care (IPC) brings together personal health and social care budgets to provide an integrated 'year of care' budget. It can be managed by people themselves or on their behalf by local authorities, the NHS or a voluntary organisation</p>

Health term	Local government term	Meaning
Pressures		A generic cost pressure is an increase in cost that is generally beyond the control of an individual organisation. In the NHS, a local cost pressure is an increase in cost that, although it may or may not be geographically widespread, is considered to be within the control of an individual organisation
Prime financial policies/ standing financial instructions (SFIs)	Financial regulations	Detailed financial procedures and responsibilities
Recurrent		Ongoing income, expenditure or savings
Reserves		Monies that are set aside for a specific purpose
Statement of cashflows	Cashflow statement	This statement shows the movement in cash and cash equivalents during the financial year
Statement of changes in taxpayers' equity	Movement in reserves statement	This statement shows the impact of the financial year on the organisation's reserves
Statement of comprehensive net expenditure (SOCNE)/statement of comprehensive income (SOCI)	Comprehensive income and expenditure statement	This statement shows day-to-day expenditure and any revenue
Statement of financial position (SOFP)	Balance sheet	This statement shows the assets (what is owned), liabilities (what is owed) and equity (taxpayers' investment) as at a point in time, normally a month or year end
Transformation		Programmes that enable an organisation or a number of organisations to fundamentally change the way that a service is provided/delivered
Variance		The difference between what was budgeted and what actually happens
Virement		The process of transferring money from one budget heading/line to another

4. TERMS WITH DIFFERENT MEANINGS IN HEALTH AND LOCAL GOVERNMENT

Term	Health meaning	Local government meaning
Balanced budget	A budget that delivers break-even or a surplus	Requirement for a local authority to set a budget that is sustainable and balanced – not making a surplus or a deficit
Service level agreement	An agreement that may be used by commissioners and providers where the NHS standard contract does not apply	An agreement between the provider and user of a service setting out the service to be provided and the associated charges
Drawdown	The amount of cash that a CCG can access. Cash cannot be accessed in advance of when it is needed	Council reserves can be accessed throughout the year. The planned use of and contributions to/ from reserves are determined as part of the annual budget-setting process
Consolidation	<p>The requirement for individual NHS bodies' accounts to be included in a consolidated set of accounts with other bodies under common control</p> <p>A common example in provider organisations is where a related healthcare charity has the same management structure and therefore needs to be consolidated into an overall group</p> <p>Monitor prepares a set of accounts consolidating all foundation trusts' accounts. NHS England consolidates CCGs' accounts into its own. All NHS bodies' accounts are consolidated into the Department's accounts. Consolidation requires NHS bodies to complete a standard set of returns to the consolidating body and to meet strict deadlines to allow the Department's accounts to be laid before Parliament before the summer recess</p>	<p>Most local authorities have subsidiaries that must be consolidated into their annual accounts. The consolidation therefore takes place at local authority level</p> <p>Local authorities' accounts are not consolidated together except at the highest level – whole of government accounts (WGAs). Local authorities prepare WGA returns to allow this to happen</p>
General fund	The taxpayers' equity in the CCG. It is where parliamentary funding is shown in the accounts	The main revenue fund from which the cost of services is met
Incremental/ historical budget/base budget	The previous year's budget adjusted for all known changes and developments	The basis generally adopted in preparing a council's budget for the coming financial year. It provides for the continuation of current policies and is updated to include a further year's estimated inflation
Over-performance	From a commissioner perspective, a contract that is overspending against its plan that is causing a financial pressure. The reverse may be the case for a healthcare provider that is reimbursed under the national tariff	A contract that is delivering above expectations and is considered to be a positive state delivering value for money

5. LOCAL GOVERNMENT TERMS THAT HEALTH COLLEAGUES MIGHT FIND HELPFUL

Term	Meaning
Above the line	The recharging of costs to services that are within their cash limits – for example, a support service delivered by a central service. It is also used to describe 'normal' income and expenditure that count for all accounting purposes and are included in comparisons between one year and another
Below the line	The recharging of costs to services that are outside their cash limits – for example, pension costs
Best value	The duty to secure continuous improvement in the economy, efficiency and effectiveness with which a local authority exercises its functions
Billing authority	District, unitary, metropolitan and London borough councils that collect council tax and non-domestic rates on behalf of all local councils
Budget book	The budget book presents the budgeted spending plans for the authority's revenue and capital activities, as approved at full council. In some authorities the budget book may be prepared on a service line or cost centre basis for key budget holders. In addition to the final agreed budget, the budget book typically contains information regarding: <ul style="list-style-type: none"> • The calculation of the council tax • The predicted reserves and balances • The capital programme for the medium term, including future years • Key facts and statistics about each department
Budget estimate	Local authorities' estimates of their planned expenditure for the forthcoming year
Budget requirement	The amount a council needs to fund its spending from council tax, non-domestic rates and the revenue support grant
Cash limit	A defined figure set by the council that represents the maximum expenditure that a service can spend on its 'above the line' activities
Collection fund	A ring-fenced account maintained by a billing authority recording the amounts collected in council tax and non-domestic rates, from which it distributes the income to itself and its major preceptors
Community budget	A budget created by a number of public sector organisations combining their resources
Contracting out	The practice of purchasing services from charities and companies rather than being carried out by the local authority, particularly where the service was formerly carried out in house
Corporate and democratic core (CDC)	Those activities that local authorities engage in specifically because they are elected multi-purpose authorities. CDC is shown as a separate service in the revenue account and consists of two parts: <ul style="list-style-type: none"> • Democratic representation • Management and corporate management
Current expenditure	Revenue expenditure (chargeable against service cash limits) consisting of day-to-day expenditure under the control of the service – for example, staff and supplies. It excludes below the line recharges
Damping	Central government method of limiting the impact of changes to grant distribution. Damping restricts the adverse effect on an authority losing out under the new arrangements by scaling back the grant allocated to authorities gaining under the new arrangements
Discretionary expenditure	Expenditure incurred by a local authority that relates to services that it is not legally obliged to provide

Term	Meaning
Earmarked reserves	Executive members may choose to earmark reserves, putting aside cash to deliver specific longer-term objectives – for example, the replacement of vehicles, plant and equipment. The purpose and usage of each earmarked reserve should be clearly set out
Gearing	A measure of the impact on council taxes of increasing budgets This varies widely between local authorities, with considerable effect on budget planning and the extent of local accountability. For example, if an authority meets 25% of its budget through council tax, a 1% increase in budget would lead to a 4% increase in council tax, assuming such an increase is possible
Housing revenue account (HRA)	An account used to record the income and expenditure related to council housing. It is ring-fenced and cannot subsidise or be subsidised by other activities
Health and well-being board (HWB)	Introduced by the <i>Health and Social Care Act 2012</i> , HWBs are forums of key leaders from the health and care system. Every upper tier local authority has an HWB to join up commissioning across the NHS, social care, public health and other services that are directly related to health and well-being in the local area
Hypothecated	Money attributed to a specific purpose, often in conjunction with a ring-fence
Individual service fund (ISF)	An individual service fund is an amount of money paid directly to a care provider on behalf of a service user. The home care provider works directly with the service user to agree how the care and support will be arranged
In-house services	Services carried out by staff employed by the authority
Joint arrangement	The transfer of money between one local authority and another for a specific purpose or enterprise, or when one authority carries out work on behalf of another
Joint funding	Where two or more agencies – for example, health and social services – agree to share the cost of running a project or service. This may make use of pooled budget arrangements
Joint investment plans	Plans for purchasing care services jointly, produced by health organisations and local authorities as well as other key agencies and representatives of service users and carers
Key decision	A decision that involves significant amounts of expenditure or saving (more than £0.5m) or which affects two or more local government wards. Key decisions must be made in public
Levy	A levy is an amount of money a local authority is compelled to collect (and include in its budget) on behalf of another organisation – for example, a government agency – and which appears as a separate item on the council tax bill
Local government control total	The amount of the overall public spending envelope the government decides should be spent by local government
Local government finance settlement	This is announced annually and sets out the amount of funding (or revenue support grant) that local government will receive for the following year from central government. Proposals are made in December, with the final settlement being announced following consultation in January
Local Government Pension Scheme (LGPS)	A nationwide scheme for employees working in local government (excluding teachers, police and fire fighters, who have separate arrangements). It is a funded scheme with investments managed by local authorities
Major preceptors	County councils, the Greater London Authority and police and fire authorities that collect their share of council tax through a precept on their billing authority

Term	Meaning
Net revenue expenditure	The amount a local council spends on providing services after non-tax income, capital financing costs and specific government grants are taken into account
Non-discretionary expenditure	Services/activities that are required by statute to be provided by local government – for example, education. This is the first priority for local government spending
Original budget	A term used to describe the budget set in the February prior to each financial year. It is used once the financial year has begun to distinguish it from the revised budget. It follows from the base budget, but allows for growth (or savings) and other variations
Overview and Scrutiny Committee (for example, HOSC for Health scrutiny)	<p>A committee of councillors providing overview and scrutiny of local NHS organisations by virtue of powers set out in chapter 38 of the <i>Local Government Act 2000</i>. The aim is to secure health improvement for local communities. This is achieved by giving democratically elected representatives the right to scrutinise how local health services are provided and developed</p> <p>There are also internal scrutiny committees that enable non-executive councillors to scrutinise the decisions made by the executive</p>
Precept	The total amount non-billing organisations – for example, police and fire authorities – require the billing authority to collect on their behalf
Prudential borrowing	Regime for council borrowing that allows local authorities to borrow without recourse to central government. Councils must demonstrate that they can afford to service the debt from their own resources by means of a set of financial ratios (as set out in the <i>Prudential Code</i>)
Revenue support grant	General grant that is paid to local authorities by the government to support their expenditure
Revised budget	This is constructed from the original budget for the year and virements to adjust for known underspending or overspending within the overall cash limit for the service
Ring-fencing	The earmarking of money – for example, a grant or fund – for one particular purpose, so as to restrict its use to that purpose
Section 151 officer	Section 151 of the <i>Local Government Act 1972</i> requires every local authority to make arrangements for the proper administration of their financial affairs. This includes the requirement for one officer to be nominated to take responsibility for the administration of those affairs. The Section 151 officer is usually the local authority's treasurer and must be a qualified accountant belonging to one of the recognised chartered accountancy bodies
Service expenditure analysis (SEA)	This aims to promote consistency between local authorities in the reporting of financial performance
Specific government grants	Grants given to local authorities by the government to support specific activities or projects – for example, the disabilities facilities grant (part of the better care fund)
Total revenue funding (TRF)	The total amount of money paid by the government to local authorities through the core local government finance settlement in support of their non-housing net revenue expenditure
Trading accounts	Trading accounts are used to record financial performance, and a measure of surplus or deficit, where local authorities have set up a trading 'arm' to provide goods or services.
	The total amount of money paid by the government to local authorities through the core local government finance settlement in support of their non-housing net revenue expenditure.



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6. HEALTH TERMS THAT LOCAL GOVERNMENT COLLEAGUES MIGHT FIND HELPFUL

Term	Meaning
Accountable/accounting officer	The accountable officer (AO) is responsible for ensuring that his or her organisation operates effectively, economically and with probity, makes good use of resources and keeps proper accounts. For NHS trusts, the accountable officer is the chief executive who is accountable to Parliament via the Department's accounting officer (the permanent secretary). For CCGs, it is either the chief officer or the chief clinical officer who is accountable to Parliament via NHS England's accounting officer (the chief executive). In foundation trusts, the chief executive is the accounting officer who is directly responsible to Parliament
Administration income or expenditure	Any income or expenditure that is not for the direct provision of healthcare or healthcare-related services
Agenda for change (AFC)	This is the NHS-wide pay system for all NHS staff with the exception of medical and dental staff and some senior managers. Each relevant job role in the NHS is matched to a band on the agenda for change pay scale
Best practice tariff	Rather than being set at the national average cost of delivering the procedures concerned, best practice tariffs reflect the costs of delivering treatments in line with NICE guidance – for example, by undertaking cholecystectomies (gall bladder removal) as day case procedures or admitting stroke patients directly to a dedicated stroke unit. They financially incentivise the clinically appropriate model against other ways of treating the same condition
Block contract	A healthcare provider receives a lump sum payment to provide a service irrespective of the number of patients treated or the type of treatment provided
Board assurance framework	This records the key processes used to manage the organisation and the principle risks to meeting its strategic objectives
Break-even	Income equals expenditure. Although the break-even duty is a statutory requirement for NHS trusts, all NHS bodies are expected to operate a balanced budget, ensuring that total expenditure does not exceed total income
Capital resource limit (CRL)	An expenditure limit determined annually by the Department for each NHS trust and NHS England, and by NHS England for CCGs. It limits the amount that may be spent on capital purchases and takes account of money owed by and to the organisation in relation to capital, as well as the sale or disposal of assets. If net capital expenditure is less than the limit, the target has been achieved
Care cluster	The unit of activity or currency used for adult mental health and learning disability services
Clinical governance	A framework of processes, systems and controls that helps NHS organisations demonstrate accountability for continuously improving the quality of their services and safeguarding high standards of care
Co-commissioning	The term used to describe arrangements where two or more commissioning organisations align their commissioning systems and priorities for the purpose of achieving shared outcomes while retaining separate responsibility for managing their own resources to support this. It is normally an arrangement made between a CCG and NHS England in relation to primary medical services provided by GPs
Collaborative commissioning	The term used to describe arrangements where NHS England and CCGs work together to commission specialised healthcare services. It is currently at an early stage with specialised services still commissioned by NHS England

Term	Meaning
Commissioner requested services (CRS)	Those services that local commissioners believe must continue to be delivered to local patients should the provider fail, where there is no alternative provider and where removing the services would significantly increase health inequalities or make other services unviable
Commissioning for quality and innovation (CQUIN)	Payments designed to ensure that a proportion of providers' income is conditional on quality and innovation and is linked to service improvement
Cost and volume contracts	Contracts where a fixed sum is paid for access to a defined range and volume of services. If activity varies from the planned level, a variation payment is made according to a variation or threshold agreement clause. This determines the marginal or per unit rate of payment for higher or lower than planned performance
Cost improvement programme (CIP)	Sets out the savings that an NHS organisation plans to make to reduce its expenditure/increase efficiency. It is used to close the gap between the income received by the NHS body and the expenditure incurred in any one year
Cost per case contracts	Commonplace for individual, expensive and bespoke care package agreements, these contracts identify for each episode or unit of care, a payment to the service provider
Council of governors	All foundation trusts have governors who are elected from the public and staff members. Governors hold the foundation trust's non-executive directors to account for the performance of the board and represent the interests of all members and the public
Council of members	All GP practices in the geographical area covered by a CCG are members of that CCG. Depending on the constitution of the CCG, representatives of each practice may belong to a council of members
Currency	A defined unit of output activity or healthcare that is paid for by commissioners
Data quality improvement plans	These are agreed between commissioners and providers to improve the capture, quality and flow of data that is essential for the effective management of contracts
Demand management	A key part of the commissioning cycle and involves using planning and forecasting skills to ensure patients receive the most appropriate care in the right setting. It is not about managing the number and type of referrals
Distance from target (DFT)	The difference between a CCG's target allocation and its actual share of available resources based on the health needs of its population. The target allocation of each CCG is determined by a formula that takes account of: <ul style="list-style-type: none"> • The number of patients registered with each GP practice • The age and recent diagnostic history of those patients • The relative level of deprivation • Unmet health needs
Financial sustainability risk rating	A financial risk rating used by Monitor to describe the risk of a provider ceasing to be a going concern and its overall financial efficiency. The rating consists of a score from 1 (serious concerns) to 4 (no concerns) indicating the extent of regulatory action to be taken. The rating is derived primarily from an algorithm which assesses the continuity of services rating and financial efficiency
General conditions	Part of the NHS standard contract, these contain fixed conditions that apply to all services and all types of provider, including mechanisms for contract management and generic legal requirements. General conditions cannot be varied
Governance rating	A rating of foundation trust governance used by Monitor. A green rating indicates that there are no governance concerns at the organisation. If a trust is under review, there are potential material concerns identified in one or more area. A red rating indicates that enforcement action is being taken

Term	Meaning
Governance reviews (Well-led framework)	Monitor requires foundation trusts to undertake governance reviews at least once every three years, considering performance against good practice for board leadership and governance
Governing body or board	The organisation's pre-eminent group that takes corporate responsibility for the strategies and actions of the organisation and is accountable to the public for the services provided. It sets the strategy and objectives for the organisation, monitors their achievement, and looks for potential problems and risks that might prevent them being achieved
Healthcare resource groups (HRGs)	The currency used to collate the costs of procedures/diagnoses into common groupings to which prices can be applied
Lay member	A member of a CCG's governing body who is not directly employed by the organisation. They are normally appointed by the organisation's nominations committee based on their individual skills and what they will bring to the overall composition of the governing body. They are expected to challenge decisions and strategies
Lead commissioning	This commissioning model enables CCGs to work together so that a single multi-lateral contract is negotiated by the co-ordinating or lead commissioner with the local service provider
Local improvement finance trust (LIFT)	A form of public private partnership established as part of the strategy to deliver high-quality public services by having the right infrastructure in place
Local price	A price negotiated and agreed between a commissioner and a healthcare provider for a healthcare activity when a national preset price does not exist
Marginal rate emergency tariff (MRET)	An adjustment made to the amount a provider of emergency services is reimbursed to encourage health economies to redesign emergency services and manage patient demand for those services. A provider is paid a percentage of the national price for each patient admitted as an emergency over and above a set threshold
Material transaction	Where a transaction is classified as material, Monitor will, as part of its overall assessment of financial and governance risk, request evidence in the form of a certification that the board has satisfied itself in a number of areas, including due diligence and options appraisal
National price	The price set by Monitor for a defined unit of healthcare. It is the amount paid by a commissioner to reimburse a provider of NHS funded healthcare
National tariff	The system of financial flows to move funds around the health service. It enables healthcare providers in England to be reimbursed for the costs of providing treatment
Never events	A key indicator of quality, these are serious patient safety events that are largely preventable. They must be recorded in contract monitoring information
NHS standard contract	The contract used for agreements between commissioners and providers of NHS funded care. A standard framework is produced each year by NHS England that is then added to locally. It is comprised of three parts: <ul style="list-style-type: none"> • The particulars • The service conditions • The general conditions
Non-executive director (NED)	A member of a trust/foundation trust board who is not directly employed by the organisation. They are normally appointed by the organisation's nominations committee and are chosen based on their individual skills and what they will bring to the overall composition of the governing body. They are expected to challenge decisions and strategies

Term	Meaning
Operational/operating plans (OPs)	These set out how an NHS organisation plans to meet national and local priorities within the resources available to it. It is produced as part of the annual planning process
Particulars	The particulars to the standard contract set out the key parties involved and the dates by which the contract must be agreed and signed
Pathway price	A price based on a patient pathway (an outline of what is likely to happen on the patient's journey). Commonly used for maternity services where the pathway is split into stages: <ul style="list-style-type: none"> • Ante-natal • Delivery • Post-natal
Patient-level costing and information system (PLICS)	Computer software that enables an organisation to determine and analyse patient-level costs. This information can help organisations to understand whether cost variations result from differences between patients or between how their treatment was delivered
Payment by results (PBR)	Introduced in 2003, PBR was the system for reimbursing healthcare providers in England for the costs of providing treatment. PBR was based around the linking of a preset price to a defined measure of output or activity. PBR as a term has been superseded by the national tariff
Penalties	NHS commissioners may exercise a contractual right to retain an element of payment when a healthcare provider breaches one or more national standards as set out in the NHS standard contract – for example, waiting times
Prescribed specialised services	Also known as specialised services, these are healthcare services that are high in cost and low in volume and can often only be provided by a few specialist organisations (sometimes referred to as tertiary providers)
Programme income or expenditure	Any income spent or expenditure incurred on the direct provision of healthcare or healthcare-related services
Public dividend capital (PDC)	Represents the Department's equity interest in defined public assets across the NHS. The Department is required to make a return on its net assets, including the assets of NHS trusts, of 3.5%. For NHS providers this is paid as a PDC dividend. PDC has traditionally been issued as non-repayable cash support for capital expenditure. More recently, PDC is being used to support the cash shortfalls in the NHS
Quality, innovation, productivity and prevention (QIPP)	A programme designed to identify savings that can be reinvested in the health service and improve the quality of care. Responsibility for achievement lies with CCGs
Revenue resource limit (RRL)	One of the financial performance targets against which NHS England and CCGs are measured. It is used to determine whether or not operational financial balance has been met. It is set annually and is the total funding allocated for revenue or day-to-day spending
Risk assessment framework (RAF)	The framework used by Monitor to assess each NHS foundation trust's compliance with its provider licence. Monitor's assessment of a foundation trust under the RAF aims to identify significant risk to the financial sustainability of a provider of key NHS services that endangers the continuity of those services and/or poor governance
Running cost allowance	The money allocated to CCGs to pay for clinical and non-clinical management and administrative support including commissioning support services

Term	Meaning
Secondary uses service (SUS)	This provides anonymised patient-based data for purposes other than direct patient care. These secondary uses include functions such as healthcare planning, commissioning, public health, clinical audit, benchmarking, performance improvement, research and clinical governance
Serious incidents (previously serious untoward incidents, SUI)	Serious incidents in healthcare are adverse events where the consequences to patients, families and carers, staff or organisations are so significant, or the potential for learning is so great, that a heightened level of response is justified
Service conditions	Part of the NHS standard contract, these contain the generic, system-wide clauses that relate to the delivery of services – for example, the need for the service provider to publish, maintain and operate a consent policy
Service delivery and improvement plans	Mandated plans that describe changes to services during the contract period
Service line management (SLM)	An organisation structure and management framework where specialist clinical areas are identified and managed as distinct operational units
Service line reporting (SLR)	Looking in detail at the profitability and financial contribution of services in much the same way as a private sector company analyses its business units. When supported by patient-level costing information, this allows clinicians to relate service delivery actions to costs
Service specifications	Describe the services covered by the standard contract. They can describe services in terms of patient pathways, mental healthcare clusters, individual service or service user
Significant transaction	Very large changes or proposals by a foundation trust that require a full review by Monitor. The review will be based on an assessment of strategy, transaction execution, quality and finance. The financial aspects will be based on Monitor's view of the long-term financial model (LTFM) which will be subjected to stress or downside testing
Standards of business conduct	First published in 1993, the standards of business conduct are the strict ethical standards to be applied by all staff when conducting NHS business. They include the standards expected of all NHS staff and the measures that NHS organisations need to take to safeguard themselves. For example, they include the requirement to prevent bribery taking place with the introduction of the <i>Bribery Act 2010</i>
Vanguard site	A group of NHS organisations that arrange services across organisational boundaries to better focus services around the patient's needs and thereby improve outcomes. There are five types: <ul style="list-style-type: none"> • Integrated primary and acute care • Enhanced health in care homes • Multispecialty community provider • Urgent and emergency care • Acute care collaborations
Variations	Variations to the standard contract must be agreed between both parties to the original contract. Any such variations are normally recorded in a 'deed of variation' that is agreed by both the commissioner(s) and the provider, following prescribed procedures
Year of care payment	A payment to a healthcare provider that pays for specified treatment and care for one patient during the course of the year

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