

Appendix: Glossary of terms



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This listing includes a brief explanation of some of the terms used in the guide but is not exhaustive. The HFMA has produced several briefings that list key financial and governance terms. These can be downloaded from the publications section of our website – type in ‘glossary’ to the search function: <https://www.hfma.org.uk/publications>

Term	
Accountability	Demonstrating on an ongoing basis that public money is being used wisely and effectively and for its intended purpose
Accountable/ Accounting officer	Responsible for ensuring that his or her organisation operates effectively, economically and with probity; makes good use of resources and keeps proper accounts
Accounts directions	In some places, the various Acts of Parliament that establish NHS bodies state that the Secretary for State for Health/ NHS England can ‘direct’ them to do certain things - for example, follow certain guidance when preparing an annual report and accounts. . As a result, directions have statutory force, have to be followed and cannot be ignored
Accrual	An accounting concept that is designed to ensure that the accounts a show all the income and expenditure that relate to the financial year
Activity-based budgeting	Closely links finances to the costs of delivering healthcare
Administration income/ expenditure	Income/ expenditure that is not for the direct provision of healthcare or healthcare related services
Aligned payment and incentive approach (API)	A type of contract between an NHS commissioner and provider consisting of a fixed element for the provision of a baseline level of services and a smaller variable element to reflect the delivery of specific priorities
Allocation	The annual amount of money made available to a health board or integrated care board to deliver/ purchase healthcare for its local population
Annually Managed Expenditure (AME)	Public expenditure that cannot reasonably be subject to firm, multi-year limits
Amortisation	Amortisation is the process of charging the cost of an intangible asset such as a patent or software licence over its useful life
Any qualified provider	A qualified provider is a healthcare provider which is registered with the Care Quality Commission, licensed by NHS England and meets the terms and conditions of the NHS standard contract

Term

Arm's length bodies (ALBs)	ALBs are stand-alone national organisations sponsored by the Department of Health and Social Care (DHSC) that work closely with the local NHS, social care services, and other ALBs to regulate the system, improve standards, protect public welfare and support local services
Audit	The process of validating the accuracy, completeness and adequacy of disclosure in financial records
Audit committee	A statutory committee of the governing body of all NHS organisations. Its role is to review and report on the relevance and rigour of the governance structures in place and the assurances the board receives
Balanced budget	A budget that delivers break-even or a surplus
Benchmarking	The process of comparing objective information from similar activities or organisations to help identify the best or most efficient way of providing a service or carrying out an activity
Best practice tariffs	Under the national tariff payment system, providers were reimbursed more money for each patient who followed the nationally determined best practice pathway for certain procedures
Better care fund (BCF)	This is money from the NHS and local government that is 'pooled' through a section 75 agreement to fund improvements in how health and social care services work together in local areas
Block contract	Allows a healthcare provider to receive a lump sum payment to provide a service irrespective of the number of patients treated or the type of treatment provided
Blended payment	Under the nation tariff payment system, a type of payment between an NHS commissioner and provider consisting of a fixed element for the provision of a baseline level of services and a smaller variable element to reflect the delivery of specific priorities
Board assurance framework (BAF)	Records the key processes used to manage the organisation and the principal risks to meeting its strategic objectives
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 and Parliament
Break even	Income equals expenditure. It's important because an organisation can't spend more money than it has coming in and still be financially viable
Budget	A financial and/ or quantitative statement that is prepared and agreed for a specific future period. It translates aims into a statement of the resources needed to fulfil them and has either a monetary or non-monetary value

Term

Budget holder	The single named individual responsible for or a budget. They are responsible for agreeing, reviewing and monitoring their allocated budgets and taking the action necessary to ensure that income and expenditure do not exceed that planned. In some organisations, this role may be known as a budget manager
Budget monitoring	A continuous process of reviewing actual income and expenditure or non-financial data - for example, patient activity against the budget
Business case	A formal process (in written form) for identifying the financial and qualitative implications of options for changing services and/ or making investments
Business plan	The written end product of a process that identifies the aims, objectives and resource requirements of an organisation over the next three to five-year period
Capital	An asset (or group of functionally interdependent assets) with a useful life expectancy of greater than one year, whose cost exceeds a minimum threshold, normally £5,000
Capital resource limit (CRL)	An expenditure limit for an NHS organisation limiting the amount that may be expended on capital purchases. It takes account of money owed by and to the organisation in relation to capital and the sale or disposal of assets
Capital departmental expenditure limit (CDEL)	A limit on the amount of capital expenditure in an accounting year that can be incurred by all the bodies in the Department of Health and Social Care (DHSC) group
Code of accountability	This defines the public service values that must underpin the work of NHS governing bodies, sets out accountability regimes and describes the basis on which NHS organisations should fulfil their statutory duties
Commissioning for quality and innovation (CQUIN)	Payments designed to ensure that a proportion of a healthcare providers' income is conditional on delivering quality and innovation. The schemes that qualify for the payments reflect both national and local priorities
Comprehensive spending review	A comprehensive spending review (CSR) is a detailed cyclical review undertaken by the Treasury to distribute public funding between the main governmental departments.
Consolidation	The requirement for individual NHS bodies' accounts to be included in a consolidated set of accounts with other bodies under common control
Constitution and/ 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 functions will be carried out and how decisions will be made

Term

Cost improvement plan/ programme (CIP)	Sets out the savings that an NHS organisation is going to save money whilst maintaining the quality of the services it provides. They are used to close the gap between the level of revenue received and the expenditure incurred in any one year
Cost pressures	A generic cost pressure is an increase in cost that is generally beyond the control of an individual organisation. 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
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
Costing	Quantifying, in financial terms, the value of resources consumed in carrying out a particular activity/ service or producing a certain unit of output
Currency	A unit of healthcare that commissioners buy on behalf of patients - for example, an outpatient attendance or an ambulance journey
Deferred income	Income received in advance for goods or services that have not yet been delivered or provided
Depreciation	An accounting charge (not involving a cash outlay) that recognises that the value of a capital asset is used up or consumed over its useful life
Direct costs	Costs that can be directly attributed to a particular activity or output
Discretionary capital	The element of Welsh NHS organisations' capital resource allocations that is intended for meeting statutory obligations
Drawdown	The amount of cash that an integrated care board (ICB) accesses. Cash cannot be accessed in advance of when it is needed
External financing limit (EFL)	External financing limit (EFL) is one of the performance targets against which the financial performance of a non-foundation NHS trust is measured. It is a control on net cash flows and trusts must not overshoot their EFL
Financial model	A mechanism used for illustrating what the income and costs for different scenarios will be, when they will be received and incurred and what tolerances there are for each
Five case model	The HM Treasury approach used to develop public sector business cases for spending proposals. It requires consideration of five 'cases': strategic, economic, commercial, financial and management
Fixed costs	Costs that do not increase or decrease with changes in levels of activity

Term

Forecast	A prediction of future financial performance
Full business case (FBC)	A written document that brings together the arguments for a preferred planned investment including current and future service requirements, affordability, the organisation's competitive service position and the ability to complete the project within the specified budget and time scale
Going concern	All accounts prepared in accordance with international financial reporting standards (IFRS) are prepared on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. For public sector bodies, such as NHS bodies and local authorities, this means focusing on whether the services provided by the entity are going to be continued rather than whether the entity providing the service will continue to exist
Governance	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
Governance statement (GS)	A key component of the annual report and accounts and is signed by the accountable officer (on behalf of the governing body). It is designed to provide assurance in relation to the system of internal control that has been operating throughout the preceding year
Group accounting manual (GAM)	Mandatory accounting guidance for all DHSC group bodies including integrated care boards, NHS trusts, NHS foundation trusts and arm's length bodies (ALBs)
Green paper	Green papers are government consultation documents, allowing interested parties (both inside and outside parliament), the opportunity to provide feedback on policies and legislative proposals.
Healthcare agreements	Contracts agreed between two local health boards or a local health board and an NHS trust
Healthcare resource groups (HRGs)	The currency used to collate the costs of procedures/ diagnoses into common groupings
Incremental/historical budget/base budget	The previous year's budget adjusted for all known changes and developments
Indirect costs	Costs that cannot be attributed directly to a particular activity or cost centre
Integrated care	Healthcare organised with the patient as the central focus. It is frequently provided by more than one organisation – be they from the public, private or voluntary sector

Term

Integrated care board (ICB)	The lead statutory NHS organisations within each of the 42 integrated care systems in England. They are allocated funding from NHS England and work with integrated care partnerships (ICPs) to plan how to use it. They commission NHS services via contracts with providers
Integrated care partnership (ICP)	Bring together the ICBs, their partner local authorities and other locally determined representatives and are tasked with developing a strategy to address the health, social care and public health needs of their system
Integrated care system (ICS)	Geographically based partnerships of health and care organisations that come together to plan and deliver joined-up services and to improve the health of people who live in their area
Liquidity	A measure of how much cash an organisation has to ensure it can meet its financial obligations
Local price	A price for a healthcare activity that is negotiated and agreed between a commissioner and a healthcare provider for a healthcare activity
Local variation	Under the national tariff payment system a local variation was an adjustment to a national price or currency or a payment approach agreed by a provider and commissioner. The proposed variation had to meet documented criteria and be notified to NHS England
National price	Under the national tariff payment system a national price is the price set for a defined unit of healthcare. Currently, national prices are only set for diagnostic imaging services. It is the amount paid by a commissioner to reimburse a provider of NHS funded healthcare for these services
National tariff document (NTD)	The document published each year by NHS England outlining the payment mechanism for the NHS in England
Nolan principles	The key principles of how individuals and organisations in the public sector should conduct themselves
Non-executive directors	They are key members of the organisation's governing body. Appointed based on their individual skills and what they will bring to the overall composition of the board, they are expected to challenge decisions and strategies
Non-recurrent	One-off income, expenditure or savings
Outline business case (OBC)	A written document that evaluates different investment options using economic appraisals to identify the preferred option in financial terms
Overhead costs	Those costs that contribute to the general running of the organisation but cannot be directly related to an activity or service
Patient level costing	Allocating costs, wherever possible, to an individual patient

Term

Patient level costing and information system (PLICS)	Computer software that enables an organisation to determine and analyse patient-level costs
Payment by results (PbR)	Between 2003 and 2013 this was the system for reimbursing healthcare providers in England for the costs of providing treatment, based around the use of a national tariff payment system that linked a preset price to a defined measure of output or activity
Payment mechanism	A system of financial flows that moves funds around the NHS between commissioners and providers applicable to all providers of NHS healthcare services other than primary care and public health
Personal health budget (PHB)	An allocation of NHS resources that individuals can use to meet their health and wellbeing goals
Pooled budget	Pooled budgets exist where a local authority and an NHS body combine resources and jointly commission or manage an integrated service under section 75 of the NHS Act 2006.
Primary care network (PCN)	A group of local GP practices in England for sharing staff and collaborating while maintaining the independence of individual practices. PCNs receive additional funding to deliver commitments made in the NHS long term plan
Programme income or expenditure	Any income spent or expenditure incurred on the direct provision of healthcare or healthcare related services
Public dividend capital (PDC)	Equivalent to taxpayers' share capital in an NHS trust or foundation trust. NHS trusts and foundation trusts pay an annual PDC dividend based on the value of their assets
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 ICBs
Recurrent	On-going income, expenditure or savings
Reserves	Monies that are set aside for a specific purpose, often on receipt of specific or ring-fenced income
Resource limit (RL) or revenue resource limit (RRL)	One of the financial performance targets used to determine whether or not operational financial balance has been met by health boards (RL), NHS England and ICBs (RRL)
Revenue costs	The day-to-day costs of running an organisation

Term

Resource/ revenue departmental expenditure limit (RDEL)	A limit on the amount of expenditure in an accounting year on revenue items. It is set by HM Treasury for the DHSC based on the amount of resource voted to the DHSC by Parliament.
Revenue funding	The funding received by an NHS organisation to meet the costs of its day-to-day activities
Running costs	Incurred by NHS England and integrated care boards (ICBs), the costs of non-clinical management and administrative support including commissioning support services
Scheme of reservation and delegation	A detailed listing of who the board of an organisation empowers to take actions or make decisions on its behalf
Semi fixed/ step costs	Costs that tend to remain fixed for a given level of activity but change in steps when activity levels exceed or fall below given levels
Service line management (SLM)	A way to identify and then manage autonomous and accountable business units within a healthcare provider usually based on individual clinical specialties
Service line reporting (SLR)	Looking in detail at the income and costs of services in much the same way as a private sector company analyses its business units
Standards of business conduct	The strict ethical standards to be applied by all staff when conducting NHS business
Standing financial instructions (SFIs)	Set out the organisation's detailed financial procedures and responsibilities. They are designed to ensure that NHS organisations account fully and openly for all that they do
Sustainability and transformation partnership (STP)	Precursor to ICSs, bringing health and care partners together across a geographical area
Sustainability and transformation plan (STP)	A five-year strategic plan, designed to ensure that organisations within the partnership were working towards the same priorities
Transformation programmes	Enable an NHS organisation or number of organisations to fundamentally change the way that a service is provided/ delivered
Underlying deficit	A recurrent, ongoing mismatch between an organisation's revenue and expenditure
Value for money (VFM)	The term is used when assessing whether the maximum benefit has been obtained from the goods or services bought or an investment made

Term

Variable costs	Those costs that increase/ decrease in line with changes in the level of activity
Variance	The difference between budgeted and actual income and/ or expenditure. Variances are used to identify and analyse the cause of over or under spends with a view to taking action to rectify the position
Virement	The process of transferring money from one budget heading/ line to another
White paper	White papers are policy documents produced by the government. They set out proposals for future legislation and may include a draft version of the planned bill. There is the opportunity for further consultation with interested parties before the bill is formally presented to parliament.
Working capital	The money and assets (owned resources) that an organisation can call upon to finance its day-to-day operations
Zero based budgeting (ZBB)	An approach to budgeting that involves starting with a blank sheet of paper and building up the budget, working out all figures based on the agreed objectives and what it will cost to meet them