

Briefing Paper

Housing Finance Jargonbuster

Adrian Waite – July 2004

A D P or Approved Development Programme

Housing Corporation Budget for assisting Housing Associations and other Registered Social Landlord's

ALMO Arms Length Management Organisation

A company set up and owned by a Council to manage its housing stock.

Annual Budget Cycle

The period, prior to the beginning of the new financial year when budgets are assembled and submitted for approval.

Assets

Things which (usually) have a relatively high value and last for at least one financial year, for example A council house.

Assured Tenant

One whose tenancy conditions are controlled by a contract. Tenants of Registered Social Landlords (Registered Social Landlord).

Assured Tenants Charter

Charter which sets out minimum tenancy conditions which Registered Social Landlord's are required to implement in order to retain registration with the Housing Corporation.

Basic Credit Approval (BCA)

A power, given by the Government, to borrow money up to a certain defined limit to pay for spending on capital projects. For Housing, the BCA is in respect of "General Purpose" housing capital schemes.

Benchmarking

A system of comparing costs and performance indicators with other organisations having made adjustments for differences in service provision.

Best Value (BV)

A concept introduced by the Government in 1997 which requires public sector organisations to secure continuous improvements to the quality, costs and effectiveness of services – by whatever means.

Budget

A statement of the financial resources available and planned to be used to meet an organisation's objectives.

Budget Monitoring

Keeping track of spending and commitments and finding out the reasons for potential (or actual) over or under-spending.

Budget Setting Process

The procedure, including Committee and Council meetings, a council goes through to agree its coming - year's level of spending and income, including Committee and Council meetings.

Budget-Holder

The person responsible for monitoring and managing one or more budgets.

Business Plan

Plan as to how the 'owners' intend to operate and develop a business over a period. E.g. How a local authority is going to manage, maintain and improve its housing stock.

Capital Budget

A statement of the approved capital schemes and where the funding is to come from.

Capital Employed

The assets you use to provide a service, for example Offices, vehicles etc.

Capital Expenditure

Money spent on creating or enhancing assets, which will either substantially lengthen the asset's life or value, or the extent to which the asset can be used.

Capital Financing Charges

The annual interest and loan repayments on loans raised to pay for Capital Expenditure, together with the cost of managing the loans.

Capital Financing Requirement

The amount of money that a local authority needs under the new capital financing regime to fund its capital investment.

Capital Receipt

Income received from sale of a capital asset such as a house.

Cash Limits

Some authorities allocate a fixed sum of money in their budgets, for each individual service. The service has to manage within this, regardless of inflation and changing demands. Local authorities' expenditure can also be cash-limited by Government - in the form of "capping".

Catch up repairs

The level of repairs currently outstanding on council stock necessary to bring the stock to a good standard and to meet all landlord's obligations.

C I P F A

Chartered Institute of Public Finance - The Professional Accountancy body for public sector accountants.

C I P F A Standard Classification (or Form)

Recommendations by The Chartered Institute of Public Finance and Accountancy as to how expenditure should be classified.

Coding Structure

The way that an authority allocates financial codes to particular service functions and costs. See Financial Codes.

Commitments

Contractual commitments entered into but payment not yet actually made.

Contingencies

Money put on one side either to meet unforeseen expenditure, or where the level of expenditure required on a particular type of cost is uncertain.

Contingent major repairs

An allowance to cover unexpected costs over and above the level provided for as future major repairs and catch up repairs.

**Appleby Business Centre, Bridge Street, Appleby in Westmorland, Cumbria CA16 6QH
Telephone: 017683-52347 or 52165 Mobile: 07971-321863. Fax: 017683-52546.
E-Mail: Adrian.waite@awics.co.uk. Website: www.awics.co.uk.**

**Director: Adrian Waite MA CPFA ACIH FIPSM
Company Number: 3713554. VAT Registration Number: 721 9669 13**

Corporate Management Costs

Costs unconnected with particular services, for example the Mayor's official car.

Cost Centre

A logical grouping of all of the costs relating to a particular activity.

Cost of Capital

A charge to a revenue account based upon a percentage of the volume of capital assets. See section in Resource Accounting.

Creditors System

The computer system for the payment of invoices for goods or services.

Credits

Entries in the accounts for income or liabilities.

C R I

Consolidated Rate of Interest.

Current Cost Operating Surplus

The calculation of a surplus which represents the current cost of carrying out an activity. This is achieved by charging depreciation based on the current value of the asset, and excluding capital financing charges which will relate to the original borrowing, and not the current value.

Debits

Entries in the accounts for expenditure or assets.

Deficit

Where expenditure exceeds the income available.

Delegated Budgets

Passing down responsibility, and authority for the use of budgets, from the "centre" of an organisation to the functional level.

E R D F

European Regional Development Fund. Resources available to help fund regeneration and development projects in deprived areas or pockets of deprivation throughout Europe.

E S F

European Social Fund. Resources available to help the provision of training and employment opportunities.

E U V

Existing Use Value. Value of an asset as used for its existing purpose e.g. in the case of social housing it would be referred to as EUV-SH.

Feeder Systems

Payment of Salaries and Wages, Payment of Creditors - these are examples of financial systems which perform functions in their own right, whilst updating (feeding) the Financial Management Information System.

Final Accounts

Statements on the completed financial year which show how much money has been spent and how much is still owed, and how much has been received and how much is still due.

Financial Codes

Use of codes to enable the Financial Management System to classify expenditure and income.

Financial Management Information System

The financial system central to all of an authority's other financial systems. This system normally holds all of the information about all of the authority's budgets and financial transactions, and is used to produce the Final Accounts.

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Financial Regulations

A set of financial rules which seek to ensure that a local authority's financial affairs are properly managed.

Financial Year

From 1 April, through to the following 31 March, for local authorities.

Full-year-effect

When provision is made in a budget to introduce a new service or cost during a financial year an extra provision is required in the following financial year to bring the budget up to the level needed to cover the full year's cost. This is known as the full-year-effect.

Future major repairs

The programme of major works sufficient to maintain the housing stock in good condition. This includes replacement of roofs, kitchens, bathrooms and windows.

G N I

Generalised Needs Index used to help distribute capital resources to local authorities.

G O

Government Office

HC

Housing Corporation – the government regulator of Housing Associations.

HI

Housing Inspectorate – Part of the Audit Commission. It assesses the efficiency of local authorities including housing services.

H I P

Housing Investment Programmes. HIP's is often used when referring to the 'HIP's' process or the 'HIP's' allocation or resources.

H N I

Housing Needs Index. As used by the Housing Corporation to assist in allocating the ADP to Registered Social Landlord's.

Housing General Fund

Housing services not relating to Council Housing and Tenants.

Housing Revenue Account Balances

Arises where income exceeds expenditure resulting in a surplus, available for further spending, a reduction in future rents or addition to reserves.

Housing Revenue Account Budget

The budget relating to the management and maintenance of the Council Housing Stock.

Housing Revenue Account Credit Ceiling

This is the amount of money the authority can borrow for housing purposes. In simple terms it is the outstanding debt less any set-aside capital receipts.

Housing Subsidy

Government grant towards the cost of managing and maintaining the council housing stock and Council Tenants Housing Benefit.

Incremental Budgeting

Working out the cost of continuing to provide services in the new year in the same way as services were provided in the current year.

Index of Local Deprivation

A measure used, to indicate the level of deprivation in an area.

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I P S

Industrial and Provident Society. Refers to housing associations and some companies. A type of structure for a Registered Social Landlord. Means that the organisation concerned is registered with the Registrar of Friendly Societies.

Journal Entries

The accounting entry to transfer spending from one account to another, in the Financial Management Information System.

Leaseholders

Usually, former tenants of flats who have bought their dwelling.

L H C

Local Housing Company.

L S V T

Large Scale Voluntary Transfer. Transfer of 500 properties plus to same landlord.

Mispostings

When expenditure is charged against the wrong budget due to financial coding errors.

MRA

Major Repairs Allowance – An allowance that the council receives in housing subsidy to fund renewals and replacements of worn out components of the housing stock.

New Financial Framework for Local Authority Accounting

See section on Resource Accounting

Notional Housing Revenue Account

The Office of the Deputy Prime Minister's view as to how your housing revenue finances ought to look. This account is used to calculate authorities' entitlement to Housing Subsidy.

Objective Classification of Expenditure

Expenditure classified according to the functions and services a Council provides.

O D P M

Office for the Deputy Prime Minister – The government department responsible for matters including housing, local government and regeneration.

O M V

Open Market Value of an asset for whatever purposes that asset can legally be used for.

Overheads

Indirect costs of providing services as opposed to Direct Costs.

P F I

Private Finance Initiative – See section on Private Finance Initiative.

P I (s)

Performance Indicator(s)

P S B R

Public Sector Borrowing Requirement.

R D A

Regional Development Agency. The Government units established to regenerate the regions.

RSL - (Registered Social Landlord.)

A non-profit making landlord registered with the Housing Corporation under provisions contained within the Housing Act 1996. Usually a Housing Association or a Local Housing Company.

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Regional Housing Pot

The sum of money that the government makes available to a regional housing board to distribute amongst local authorities and housing associations for capital purposes.

Rent Restructuring

sometimes called rent reform or convergence. The new system for moving the setting of the rents of council and housing association properties towards the same basis.

Reserves

Money put on one side, for no intended specific (current) purpose.

Resource Accounting

A new method of accounting for public services that was introduced to council housing in 2001.

Responsive repairs

Day to day repairs of the housing stock including broken glass and leaking pipes.

Revenue Contribution to Capital Outlay

Where a local authority pays for capital spending from its revenues, for example it meets some modernisation costs from its rent income.

Revenue Expenditure

Money spent on goods or services which have a short life, or tend to be used up quickly.

Revenue Income

Money received from fees charges (and rents) to pay for goods or services.

Revenue Support Grant

Government grant towards non-Housing Revenue Account services.

Ring Fence

Government rules to keep Housing Revenue Account finances (relating to council housing and tenants) separate from General Fund Finances (relating to Council Tax payers).

R P I

Retail Price Index. Usually used as an indicator for the rate of inflation.

R T B

Right to Buy as in the case of a council tenant wishing to purchase the dwelling he/she lives in.

Schedule of Rates

A basis used to price (mainly routine maintenance) work for the purposes of submitting a tender.

SCP

Single Capital Pot – The system introduced from 2002/2003 where councils receive approval to borrow to invest in a range of services. The HIP is part of the SCP.

Secure Tenant

Tenant of a local authority where tenancy conditions are secured by an Act of Parliament.

Service Charges

Usually, charges to cover the costs associated with particular dwellings, for example a block of flats where some have been sold. The charge may be intended to cover such costs as caretaking, communal cleaning or painting.

Service Level Agreements

Agreement between a service provider and a functional department on the level of (legal) services to be provided over a given period, at a given cost.

Social Housing Grant

Government grant paid to Registered Social Landlords for the provision of new homes. (that is, Housing Associations and Local Housing Companies). Replaced Housing Association Grant (HAG) and other grants with effect from 1st April 1997.

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SP

Supporting People – The new system from 2003 whereby care and support costs for tenants will be funded from Supporting People Grant rather than from rents, service charges and housing benefit.

(SCG) Specified Capital Grant

A 60% (currently) grant to Local Authorities, from Government, towards spending on, mainly, Private Sector Housing Disabled Facilities Grants.

S R B

Single Regeneration Budget.

Standing Orders

The rules conducting an authority's business, including rules for debate at Council meetings, the powers of its committees and officers, and often incorporating the council's Financial Regulations.

Subjective Classification

Expenditure classified according to the type of spending.

Supplementary Credit Approval (SCA)

A power for a local authority to borrow money up to a defined limit, in relation to capital projects which the Government has a special wish to promote for example. For housing, an SCA may be available for Single Regeneration Budget schemes.

Support Services Costs

The costs of services which support local authority functions. These include legal, financial, computers etc.

Supported Capital Expenditure

Capital expenditure by a local authority under the new capital financing regime that will be supported by the government providing housing subsidy to meet the capital financing costs.

Supported Capital Financing Requirement

The capital financing costs that arise as a result of an authority borrowing money to the extent of supported capital expenditure that will be supported by government through housing subsidy.

Surplus

Excess of income over expenditure in a particular financial period (usually a year).

Suspense Account(s)

These hold financial transactions temporarily (in suspense) until it is decided what to do with them. For example, expenditure with an incorrect financial code, will often automatically be put into a Suspense Account until cleared (or moved out) by the accountant. Another term often used for such a suspense account is "sink"!

T C I

Total Cost Indicator. Used by the Housing Corporation to indicate what the cost of a housing scheme should be. T C I's apply to new build and refurbishment schemes.

T E C

Training Enterprise Council. Organisations set up to assist in the development of business and training opportunities.

Tenant Management Organisation

Tenants who take on the management of some or all of the housing services in their area / estate.

T M V

Tenanted Market Value. Valuation used in calculating the sale price of housing stock transfer to a new landlord.

T P C

Tenant Participation Compact will often be referred to as TP Compact.

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Transitional Housing Benefit Scheme

Scheme to be operated for payment of Housing Benefit in respect of service charges. It is that this will be used for an interim period pending the introduction of the proposed 'Single Budget' for supported housing in 2003. (See Part 2 Section 7)

Virement

Transferring money from one budget to another.

Voids Maintenance

Works necessary to be carried out in void (empty) properties before they can be re-let.

Working Balances

Same as Housing Revenue Account Balances

Year-End Routines

Any routine which is involved in finalising (closing) the accounts for the year, for example, action taken by accountants to ensure that financial transactions appear in the correct financial year.

Zero-Based Budgeting

Building up a budget from scratch, without regard to how the present organisation is currently run.

Adrian Waite

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