

Managing Resources

Analysing resource
accounts:
an introduction

Her Majesty's Treasury June 2001





Introduction

This guide provides a brief introduction to interpreting government departments' annual resource accounts. It sets out a selection of ratios and measures, which can be used to analyse and interpret the raw figures in the accounts and to suggest areas for further investigation.

This guide is for anyone interested in reviewing how government departments have used the resources allocated to them by Parliament to deliver public services. It will help readers of the accounts to understand and interpret the information set out in resource accounts.

The guide is intended for general users, without detailed knowledge of either accruals accounts in general or government resource accounts in particular. More detailed guidance can be found in the companion booklet "Analysing resource accounts: user's guide" published by the Treasury in June 2001.

The guide is structured as follows:

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What are Resource Accounts?

Until the financial year 2001-02, government accounted for expenditure solely on the basis of cash spent and cash received. The annual accounts for each financial year from 1 April to 31 March were called appropriation accounts.

From 2001-02, resource accounts replace appropriation accounts as the means by which each government department sets out for Parliament, as the public's representative, how it has used the resources allocated (voted) to it by Parliament.

Basis of resource accounts

Resource accounts are accruals based accounts. Accruals accounting is a method of recording expenditure as it is incurred, not when it is paid out, and income as it is earned, not when it is received.

Resource accounts therefore provide more useful information than a simple record of cash paid out and received. They record the full costs of activities (eg in the use of assets as well as cash spent). They provide incentives to departments to improve management of what it owns and what it owes (its assets and liabilities). They provide information on how resources have been used to meet objectives. And they enable users of the accounts to assess more easily whether taxpayers are receiving value for money.

The National Audit Office (NAO) audits the resource accounts, and the audited accounts must be presented to Parliament by 31 January following the end of the financial year.

In preparation for the introduction of resource accounts, departments prepared trial resource accounts for 1998-99 and, in the transitional years 1999-2000 and 2000-01, are publishing resource accounts alongside their cash based appropriation accounts.

Public versus private sector accounts

Resource accounts are prepared according to GAAP (Generally Accepted Accounting Practice) standards and are similar in many respects to the annual accounts prepared by private sector businesses.

But there are some differences. In the private sector accounts are prepared mainly for shareholders to provide information on profits, dividend yields and solvency. In contrast:

- Governments do not seek profits as a primary aim;
- Taxpayers do not receive dividends from the government;
- The risk of insolvency is remote because of the government's power to tax.

Different measures are therefore needed to help interpret central government accounts.

The overall account

Resource accounts consist of the following sections:

Foreword

Sets out the aims and objectives and principal activities and achievements of the department and provides other background information.

Statement of Accounting Officer's responsibilities

Explains the responsibilities of the head of the department in respect of the accounts.



What are Resource Accounts?

Statement on the system of internal financial control

Explains how the head of the department ensures that the financial systems in his or her department are structured and controlled so that assets are safeguarded, transactions are properly authorised and recorded, and errors and irregularities are either prevented or detected.

Certificate and report of the Comptroller and Auditor General

Sets out the work done by the NAO on auditing the accounts and the opinion of the NAO as to whether the accounts provide a true and fair view of the department's financial position.

Schedules 1- 5

Are the main parts of the accounts and set out the underlying figures for income and expenditure on an accruals basis. The purpose of each schedule is explained further below.

Notes to the account

Provide essential supporting information for the figures in the schedules.

The schedules

The main parts of resource accounts are the schedules, which set out the underlying figures for income and expenditure on an accruals basis. Resource accounts comprise the following schedules:

Schedule 1 - Summary of Resource Outturn

Compares outturn (actual expenditure or "actuals") with the Estimate for both resource expenditure and the overall cash requirement, and includes a reconciliation of resources to net cash requirement, an explanation of variances and an analysis of extra income.

Schedule 2 – Operating Cost Statement

Shows the resources consumed by a department during the year, comprising administration expenditure and programme expenditure, net of departmental income.

Schedule 3 – Balance Sheet

Shows the assets and liabilities of the department at the year-end.

Schedule 4 – Cash Flow Statement

Analyses a department's cash flows during the year including operating activities, capital expenditure and financing.

Schedule 5 – Resources by Departmental Aim and Objectives

Analyses the department's expenditure by aim and objectives.



What are Resource Accounts?

Points to note in analysing resource accounts

How money is spent

Results of calculations may vary from department to department depending on whether, for example, a department spends most of its money directly or transfers money to other bodies (such as agencies or non-departmental public bodies), and on the nature of the department's operations.

Department specific measures

Generic measures will often need to be supplemented by measures specific to a department to gain a fuller understanding of the accounts.

Analysing trends

Accounts for one year may be more meaningful if read in conjunction with those for past years. Accordingly, analysing trends is an important tool. Resource accounts provide both current and previous year data, so if the same calculations are undertaken for both years, this can highlight a pattern for a particular item of expenditure.

Caution with end-year balances

The measures are based on the assumption that year-end balances in the balance sheet are representative of balances throughout the year. This may not always be the case.

Comparisons between departments

Some functions are undertaken by all departments, but many functions are department-specific. There may be some scope for comparing the results of some measures between departments.

Audit findings

While most departments will receive an unqualified audit report from the NAO - which means that the NAO is satisfied that the accounts present a true and fair view of a department's financial position - accounts may sometimes be qualified (that is, some aspects of the account may not, in the auditors' view, represent a true and fair picture of the underlying transactions). Caution should therefore be exercised when interpreting the results of calculations of measures that rely on amounts in the accounts that have been qualified.

Other relevant material

The resource accounts should be read in conjunction with other published information to obtain a comprehensive picture of departmental activities. You may want to refer also to a department's:

- Public Service Agreement (PSA)
- Service Delivery Agreement (SDA)
- Departmental Investment Strategy (DIS)
- Supply Estimates
- Annual Report
- Any other published information specific to the department.

More information about these publications is provided later in this booklet.

The *Resource Accounting Manual* which is available on the HM Treasury website (www.resource-accounting.gov.uk) provides guidance on how to prepare resource accounts.

The next section outlines some key measures that can be used to analyse resource accounts.

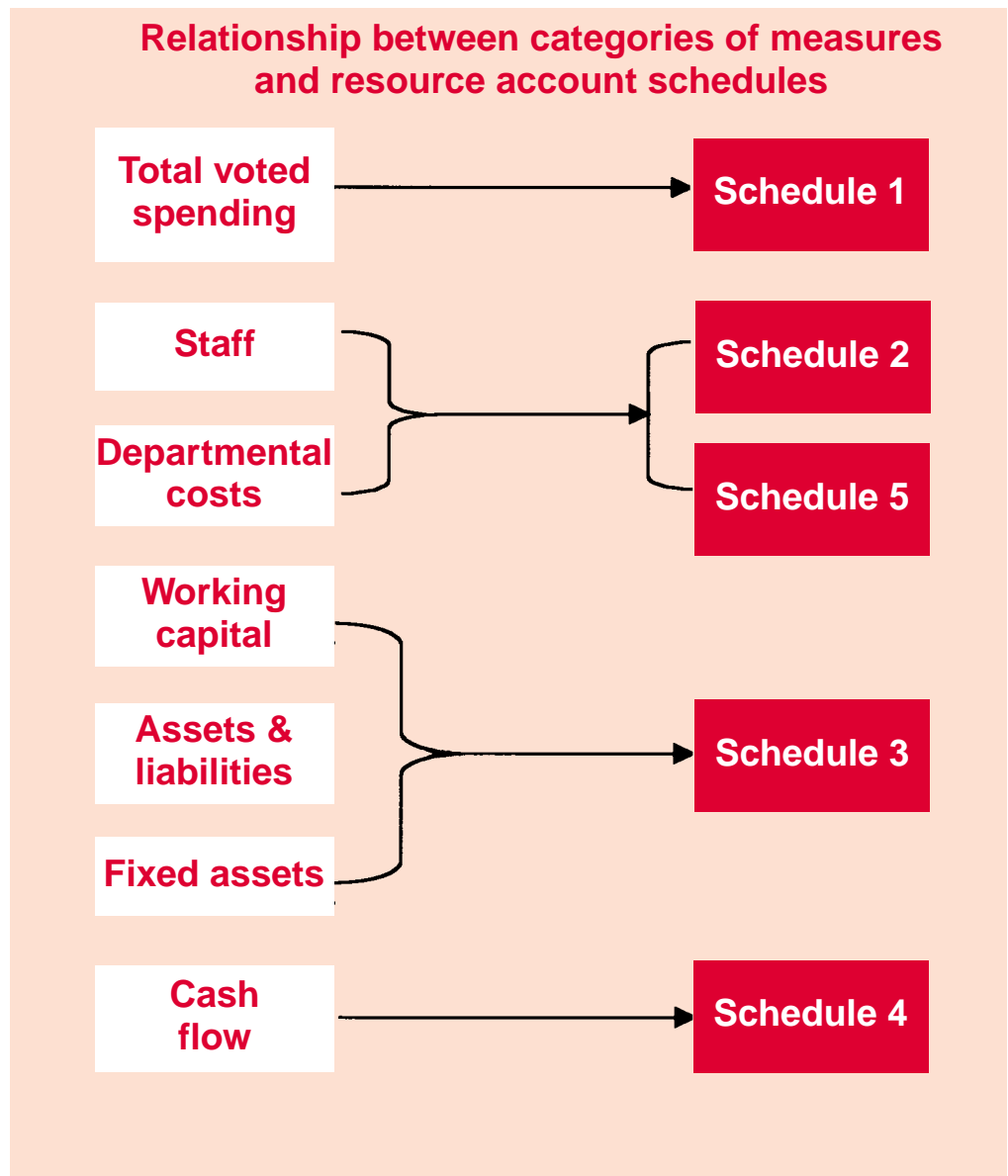


Analysis of the Accounts

A selection of measures can be used to analyse the information in the resource accounts. There are seven categories of measures shown. The categories and their links to the schedules in the resource accounts are set out in the diagram below.

For each category of measures there is a worked example for one of those measures using actual data from departments' 1999-2000 published resource accounts. (Note that the departments referred to reflect the machinery of government changes announced by the Prime Minister in June 2001.) Worked examples for all measures are included in the companion booklet "Analysing resource accounts: user's guide". (available at www.hm-treasury.gov.uk). All amounts in the examples are shown in thousands of pounds unless otherwise indicated.

The results of the measures should be interpreted in conjunction with other published information available on the department. Information on related key documents is on page 20.





Analysis of the Accounts

Total voted spending measures

Percentage variance of Estimate to outturn:

Parliament authorises (votes) most public expenditure by departments annually. The amounts for which approval is sought reflect the government's overall service delivery priorities. Departments can only exceed their allocation (or appropriation) if approved by Parliament.

Refer to
example
opposite



Breakdown of other significant variances between Estimate and outturn:

Readers of the accounts may be interested in the extent to which capital expenditure and income and other cash to accrual adjustments have matched the department's plans. Departments can only increase the amount of income used to finance new capital acquisitions if it is approved by Parliament.

Percentage variance current year outturn to prior year outturn:

Trends in expenditure show the department's changing requirements for resources and cash. Trend data may highlight changes in the demands placed on the department, or its method of service delivery.



Analysis of the Accounts

Example

Percentage variance of Estimate to outturn

This measure helps to establish how close the department's actual results (outturn) are to the limits set by Parliament in agreeing the Estimate. It can be calculated on both an accruals basis and a cash basis. As well as calculating the variance as a percentage, it can also be expressed as an absolute figure.

Formula

a) Percentage variance in estimate to outturn

Outturn (either resource or net cash requirement) for current year
÷
Estimate (resource/net cash requirement) for current year
Expressed as a percentage

b) Absolute change in estimate to outturn

Outturn (resource/net cash requirement)
less
Estimate (resource/net cash requirement)

Foreign and Commonwealth Office

1999-2000 Resource Accounts

Accrual variance:

(a) Percentage: $1,176,346 \div 1,250,835 \times 100 = 94.0\%$ (♣)

(b) Absolute: $1,176,346 - 1,250,835 = \text{£}74.5$ million underspend (♦)

Cash variance:

(a) Percentage: $1,177,117 \div 1,209,158 \times 100$ equals 97.4% (♥)

(b) Absolute: $1,177,117 - 1,209,158 = \text{£}32.0$ million underspend (♠)

Where's the information?

The top section of the Summary of Resource Outturn includes the Estimate and the outturn for each Request for Resources, which are on an accruals basis (♣ and ♦). The Estimate and outturn for the net cash requirement are shown at the foot of the main table (♥ and ♠).

Notes are included at the bottom of the end of Schedule 1 explaining the reason for the variance of Estimate to outturn.



Analysis of the Accounts

Staff measures

Proportion of staff costs to gross administration costs for current/previous year:

This measure can indicate whether the department is changing its mode of service delivery through employing more/less staff to deliver its services directly or seeking less/more service delivery through spending bodies.

When interpreted in conjunction with the following two measures, this measure can indicate if the change in the proportion of staff costs is due to more staff or an increase or decrease in the cost per staff person.

Movements in total staff numbers and staff per objective:

The number of staff employed by the department and allocated to objectives can indicate the government's priorities in relation to the services provided by the department, or can reflect an increase in demand for services.

Wages and salaries costs per employee for current/previous year:

Changes in this measure over time can indicate structural changes in the department's workforce or changes in economic conditions, which affect wage rates.

**Refer to
example
opposite**





Analysis of the Accounts

Example

Wages and salaries costs per employee for current/previous year

This measure indicates whether the average cost of an employee of the department is changing over time.

Formula

(a) Average salary

Wages and salaries current/previous year
÷
Total staff number current/previous year
× 1000
= average employee costs in pounds sterling

(b) Percentage change in average salary

Current year result from (a)
less
Previous year result from (a)
÷
Previous year result from (a)
Expressed as a percentage

Department for Culture, Media and Sport

1999-2000 Resource Accounts

(a) Current year:

$16,657 (\clubsuit) \div 623 (\spadesuit) \times 1000 = \text{£}26,737$

Previous year:

$15,383 (\clubsuit) \div 600 (\spadesuit) \times 1000 = \text{£}25,638$

(b) Overall percentage change:

$(26,736 - 25,638) \div 25,638 \times 100 = 4.3\% \text{ increase}$

Where's the information?

Current and previous years total staff numbers (\spadesuit) are in Note 2: Staff Numbers and Costs. Wages and Salaries (\clubsuit) are in the Operating Cost Statement and in Note 2.



Analysis of the Accounts

Departmental costs measures

Proportion of net administration costs and net programme costs to net operating cost for current/previous year:

This can indicate whether the nature of service delivery used by the department is changing the mix of internal service delivery and delivery through other spending bodies.

Proportion of net expenditure per objective to net operating cost for current/previous year:

Changes in the funding provided to each objective may indicate:

- The relative priority the government is placing on different services;
- Customer demand for each objective; and/or
- The method of service delivery for particular objectives.

Refer to
example
opposite



Other significant movements in administration/ programme costs and income included in Operating Cost Statement:

This can highlight any changes in the government's priority in relation to funding and delivering the various departmental objectives. It also shows whether the different types of income that the department generates has changed.



Analysis of the Accounts

Example

Proportion of net expenditure per objective to net operating cost for current/previous year

This measure determines the proportion of the department's net operating cost that it is spending on each objective

Formula

(a) Percentage change in net costs per objective

Net expenditure for each objective for current/previous year
÷
Net operating cost for department for current/previous year
Expressed as a percentage

(b) Percentage change in costs per objective

Net expenditure for each objective for current year less
net expenditure for each objective for previous year
÷
Net expenditure for each objective for previous year
Expressed as a percentage

(c) Absolute change in costs per objective

Current year amount less previous year amount

Office of Her Majesty's Chief Inspector of Schools in England 1999-2000 Resource Accounts

(a) Change in net operating cost per objective

Current year:

Objective 1: $74,413 \div 85,062 \times 100 = 87.5\%$

Objective 2: $10,649 \div 85,062 \times 100 = 12.5\%$

Previous year:

Objective 1: $98,684 \div 108,563 \times 100 = 90.9\%$

Objective 2: $9,879 \div 108,563 \times 100 = 9.1\%$

(b) and (c) Percentage change and absolute change year on year

Percentage change between current and previous years:

Objective 1: $(74,413 - 98,684) \div 98,684 \times 100 = 24.6\%$ decrease in percentage terms, and £24.2 million in absolute terms

Objective 2: $(10,649 - 9,879) \div 9,879 \times 100 = 7.8\%$ increase in percentage terms and £770,000 in absolute terms

Where's the information?

In Schedule 5: Resources by Departmental Aim and Objectives



Analysis of the Accounts

Working capital measures

Creditor days for current/previous years:

Government departments are required to pay their bills within 30 days. The creditor profile at the end of the year may provide information about departmental procedures. It may also highlight year-end peaks and troughs, which could arise from conditions inside or outside to the department.

**Refer to
example
opposite**



Debtor days for current/ previous years:

This measure calculates the average number of days that the department takes to collect money due to it, based on year-end balances. Changes in the debtor days of the department may reflect changes in services provided by the department. Alternatively, it may reflect changes in customer behaviour, perhaps in line with conditions in the economy generally or within the markets in which the department operates.

Stock turnover for current/previous years:

This measure calculates the average number of days that the department holds its stock before it is used/consumed. Changes in this measure over time could indicate that the nature of the stock held by the department is changing, for example, due to changes in the nature of its services, mode of service delivery or customer behaviour.



Analysis of the Accounts

Example

Creditor days for current/previous year

This measure calculates the average number of days that the department takes to pay its creditors.

Formula

$$\frac{\text{Trade creditors} \times 365 \text{ for current year/previous year}}{\text{Total other expenditure (or other administration costs) for current year/previous year (excluding non-cash items)}} = \text{Days taken}$$

Department for Work and Pensions[†] 1999-2000 Resource Accounts

Creditor days for current/previous year

Current year:

$$85,816 (\clubsuit) \times 365 \div (1,559,527 - 65,045) (\diamond) = 21 \text{ days}$$

Previous year:

$$62,101 (\clubsuit) \times 365 \div (1,531,192 - 105,260) (\diamond) = 16 \text{ days}$$

Where's the information?

Trade and other creditors (\clubsuit) are included in Note 22: Creditors: amounts falling due within one year. Other administration costs (\diamond) is included in Note 3: Other administration costs.

Note: By using the data in "Other administration costs", the calculation assumes that there are no creditors relating to salaries and fixed assets that are included in trade creditors.

[†] Formerly the Department of Social Security.



Analysis of the Accounts

Assets and liabilities measures

Proportion of capital invested – to deliver administration or programmes:

This measure indicates the capital-intensiveness of the services provided directly by the department compared to the services provided through its programmes (which are generally delivered through other spending bodies.)

**Refer to
example
opposite**



Significant movements in assets (except fixed assets) and liabilities on the balance sheet:

This measure may indicate changes in how the department is delivering its services, through changing the mix of its assets and liabilities.



Analysis of the Accounts

Example

Proportion of capital invested – to deliver administration or programmes

This measure shows how the capital invested by a department is used.

Formula

(a) Capital charge included in administration costs

Cost of capital charge in administration costs

÷

Total cost of capital charge

Expressed as a percentage

(b) Capital charge included in programme costs

Cost of capital charge in programme costs

÷

Total cost of capital charge

Expressed as a percentage

Department for Education and Skills[†] 1999-2000 Resource Accounts

(a) Capital charge included in administration costs:

Current year: $7,659 \div 67,099 \times 100 = 11.4\%$

Prior year: $12,573 \div 34,810 \times 100 = 36.1\%$

(b) Capital charge included in programme costs:

Current year: $59,440 \div 67,099 \times 100 = 88.6\%$

Prior year: $22,237 \div 34,810 \times 100 = 63.9\%$

Where's the information?

In Note 3: Other administration costs and Note 4: Net Programme Costs.

[†] Formerly the Department for Education and Employment.



Analysis of the Accounts

Fixed assets measures

Apparent net replacement of fixed assets:
Implied fixed asset replacement:
Apparent actual replacement cycle:
Apparent asset base maintenance:

These four measures taken together indicate how the department is maintaining the value of its asset base. If the assets are aging, this could indicate that the department is divesting itself of assets, or, it could indicate that the department is not maintaining its assets.

Changes in these measures over time may be related to the changing nature of the department's method of service delivery – eg, hiring assets rather than buying them.

The combination of the results of these four measures can indicate depreciation in previous years was based on different assumptions about the assets' useful lives.

Refer to
example
opposite



Assets disposed of as a proportion of their net book value:

Significant mismatches between the disposal price and the net book value in the accounts may indicate:

- Unexpected changes in asset values, which may arise from departmental actions, market movements or changing technology;
- Inaccurate valuations; and/or
- Inappropriate depreciation policies or estimates of asset lives.



Analysis of the Accounts

Example

Apparent net replacement of fixed assets

This measure establishes the average age of a particular category of depreciable assets relative to the assets' estimated useful lives. If the result is greater than 50%, this indicates the assets are less than halfway through their useful lives.

Formula

$$\frac{\text{Net book value of category of depreciable assets at beginning/end of current year}}{\text{Cost or valuation of category of assets at beginning/end of current year}}$$

Expressed as a percentage

Department of Health 1999-2000 Resource Accounts

Asset category: equipment

Current year:
 $25,665 \div 41,251 \times 100 = 62.2\%$

Previous year:
 $25,958 \div 33,201 \times 100 = 78.2\%$

Where's the information?

In Note 10: Tangible fixed assets.

As buildings are normally grouped with land/property, the measures are generally unable to be calculated for buildings.

Revaluations can influence the result of this measure. The department's policy on revaluations should be stated in Note 1: Statement of accounting policies. Under the Resource Accounting Manual (RAM) standards, assets are re-valued annually either through indexation, professional valuation or a mix of both. The total value of revaluations during the year is also included in Schedule 2 – Statement of Recognised Gains and Losses.



Analysis of the Accounts

Cash flow measures

Proportion of cash expended on investing activities to cash expended on operating activities:

A change in the allocation by the department between capital and operating activities could indicate a change in the way the department is delivering its services. For example, if the department decided to out-source services, it would not need to invest as much in capital. Alternatively, the government may have made a policy decision to increase its investment in public assets. This would result in the percentage increasing over time.

**Refer to
example
opposite**



Significant movements in the cash flow statement between years:

Changes in the level of cash movements may reflect changes in the funding or method of delivery of departmental services.



Analysis of the Accounts

Example

Proportion of cash expended on investing activities to cash expended on operating activities

This measure indicates if there is a trend in the proportion of department's expenditure on capital compared to operating activities. A change in the proportion over time should be reflected in the results of the Fixed assets measures listed in the previous section.

Formula

(a) Based on total cash outflows from investing activities

$$\frac{\text{Net cash flow from investing activities current/previous year}}{\text{Net cash flow from operating activities in the current/previous year}} \times 100$$

Expressed as a percentage

(b) Based on purchases of fixed assets only

$$\frac{\text{Purchases of fixed assets in the current/previous year}}{\text{Net cash flow from operating activities in the current/previous year}} \times 100$$

Expressed as a percentage

(c) Absolute change in fixed asset purchases between years

Current year amount less previous year amount

Inland Revenue 1999-2000 Resource Accounts

(a) Based on total cash outflows from investing activities

Current year:

$$162,000 \div 2,034,800 \times 100 = 8.0\%$$

Previous year:

$$159,600 \div 1,729,100 \times 100 = 9.2\%$$

(b) Based on purchases of fixed assets only

Current year:

$$125,000 \div 2,034,800 \times 100 = 6.1\%$$

Previous year:

$$118,200 \div 1,729,100 \times 100 = 6.8\%$$

(c) Absolute value

$$£125 \text{ million} - £118.2 \text{ million} = £6.8 \text{ million}$$

Where's the information?

In Schedule 4: Cash Flow Statement



Related Key Documents

While analysis of resource accounts produces a lot of useful information, it inevitably cannot provide a completely comprehensive picture of the operations of a department. For instance:

- The fact that the accounts contain historic information helps only with analysis of past performance;
- The accounts do not provide any information on how well the department has done against non-financial objectives;
- And while the accounts tell us how the money has been spent, they do not tell us whether that spending has been effective.

It is useful to supplement analysis of the resource accounts with other documents and reports prepared by departments. The key documents are discussed below.

The companion booklet “Analysing resource accounts: user’s guide” provides more extensive information on these publications and is available at www.hm-treasury.gov.uk

Public Service Agreement

A department’s PSA sets out the outcomes the public can expect the department to deliver using its resources. Every large government department has a PSA setting out: the department’s overall aim; its objectives; performance targets; a target for improving efficiency or value for money; and a statement of who is responsible for the delivery of these targets.

There are also a number of PSAs for “cross cutting” programmes which are the responsibility of more than one department.

Service Delivery Agreement

Every government department has a SDA. The SDA underpins the PSA and the detail on how targets will be met, as well as how government will modernise and reform itself to help deliver the targets. For those departments, which do not have a PSA, the SDA sets out the outcomes they will deliver and how they will deliver them.

Supply Estimates

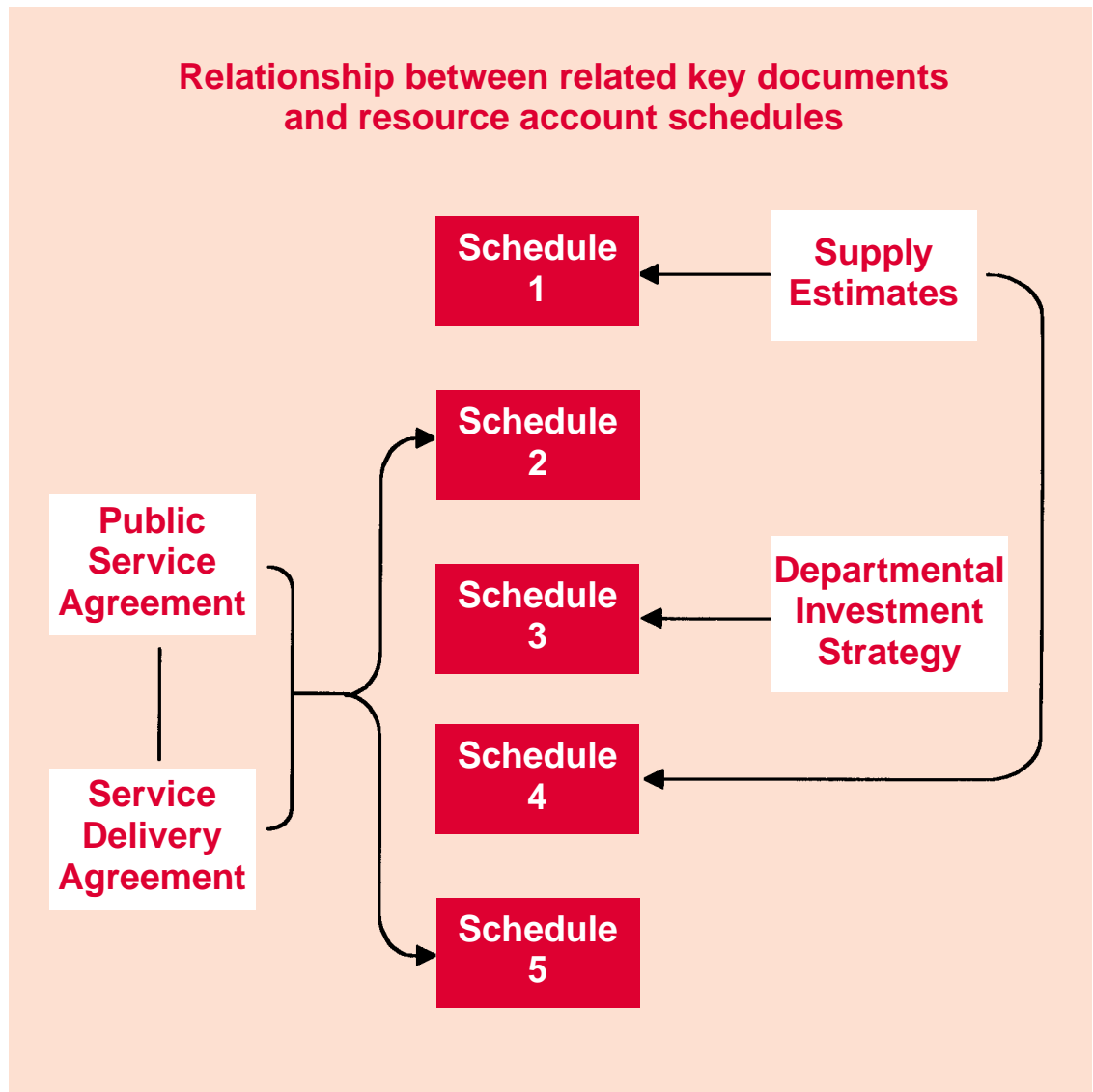
Supply Estimates set out the resource and net cash requirement for each department. They are presented to Parliament for approval at the beginning of each financial year. The outturn of the department is compared to the Supply Estimate in Schedule 1 of the resource accounts.

Departmental Investment Strategy

Departmental Investment Strategies (DISs) set out the department’s plan to invest in assets of the scale and quality needed to deliver public services.



Related Key Documents



Annual Report

Public spending plans for each department are published in annual departmental reports in the Spring, setting out performance against targets, forward plans and targets and financial data. The annual report includes information from these related key documents and other relevant information.



Glossary

Accruals Accounting

A method of recording expenditure as it is incurred, and income as it is earned, during an accounting period.

Administration Costs

Administration costs comprise staff costs, rent, operating leases, research and development expenses and non-cash items. Net Administration costs comprise administration costs less income relating to administration. Net Administration Costs are included in Schedule 2 – Operating Cost Statement.

Appropriation in Aid (A-in-A)

Income receivable by a department that it is authorised to retain. The income offsets related expenditure either operating i.e. related to resource consumption or non-operating, related to asset disposal in the current financial year and is voted by Parliament in the Estimates and accounted for in Schedule 1 of the resource accounts.

Assets

Rights or other access to future economic benefits controlled by an entity as a result of past transactions or events. Assets are included in Schedule 3 – Balance Sheet. Further information is included in the notes to the resource accounts.

Capital Expenditure

Under UK GAAP, comprises expenditure on new construction, land, extensions of, and alterations to, existing buildings and the purchase of any other fixed assets (eg machinery, plant and vehicles) having an expected working life of more than one year.

Cost of Capital

The Government as a whole incurs an interest cost for borrowing to finance investments by departments. To improve transparency and to ensure the full cost of services is reflected in departmental accounts, this borrowing cost has been devolved to departments as a "capital charge".

Creditor

Monies owed to another entity by the department. Creditors are included in the resource accounts in Schedule 3 – Balance Sheet and further details are generally included in a note to the resource accounts.

Debtor

Monies owed by another entity to the department. Debtors are included in the resource accounts in Schedule 3 – Balance Sheet. There may also be more detailed information included in a note in the resource accounts.

Depreciation

A measure of the wearing out, consumption or other reduction in the useful life of a fixed asset whether arising from use, passage of time or obsolescence through technological or market changes.

Estimate

A statement presented to the House of Commons in which a department asks for the approval of its estimated expenditure for the coming financial year. The Estimate summarises the resources required and the associated net cash requirement.

Financial Statements

Prepared annually in accordance with the Resource Accounting Manual, financial statements comprise Schedules 1 to 5 and the notes to the accounts.

Fixed Assets

Assets with an expected life of more than one year, which are held for use on a continuous basis, eg land and buildings, and patents. Fixed assets usually comprise tangible and intangible fixed assets and are included in Schedule 3 – Balance Sheet. Further information on a department's fixed assets is included in the notes to the resource accounts.

Gain/Loss on Disposal of Fixed Assets

The difference between the proceeds on sale of the fixed asset and the net book value of the asset. Details of fixed asset disposals are included in the notes to the resource accounts.

Income

Monies received or accrued by the department from providing goods or services. Income can be either related to administration or programmes and is included in Schedule 2 – Operating Cost Statement.

Liabilities

Obligations to transfer future economic benefits as a result of past transactions or events. Liabilities are included in Schedule 3 – Balance Sheet. Further information is included in the notes to the resource account.

Net Cash Requirement

The cash authorised in a Resource Estimate to be issued from the Consolidated Fund in respect of the year to finance the estimated resource consumption and cash required by a department for capital. The actual cash used during the year is described as the outturn of the net cash requirement.



Glossary

Net Operating Cost

The sum of the net administration costs and the net programme costs included in Schedule 2 – Operating Cost Statement.

Net Resource Outturn

Net voted resources, including operating costs net of income and excluding capital expenditure.

Non-Cash Items

Cost of capital, depreciation, changes in provisions and establishment of new provisions and non-cash working capital adjustments.

Outturn

The actual results reported by a department in its resource accounts.

Programme Costs

All other costs other than administration costs. Generally includes the cost of providing services directly to the public. Programme costs are included in Schedule 2 – Operating Cost Statement and are also further detailed in a note to the resource accounts. Net programme costs are programme costs less programme income.

Reconciliation of Resources to Cash Requirement

Sets out the non-cash costs which represent the difference between the resources and the cash required. The reconciliation is included in Schedule 1 – Summary of Resource Outturn.

Request for Resources (RfR)

An accruals-based measure of current expenditure which represents the basic unit of Parliamentary control in a Resource Estimate. Each RfR is listed in Schedule 1 – Summary of Resource Outturn, Schedule 2 – Operating Cost Statement and in the note to the accounts which analyses the net resource outturn by functional programme within each RfR.

Resource Accounting

A set of accruals accounting techniques for reporting on expenditure by departments and the relationships between expenditure and departmental objectives.

Resource Accounting Manual

The authoritative statement of resource accounting principles against which departmental resource accounts are prepared and audited. The manual is based on UK generally accepted accounting practice (GAAP) adapted where appropriate to take account of the public sector context.

Resource Accounts

Prepared annually to present the financial results of the department for the relevant year, on the basis of generally accepted accounting practice (GAAP) and in accordance with the Resource Accounting Manual.

Staff Costs

Includes wages and salaries, social security and other pension costs. Details are included in the Staff Numbers and Costs note to the resource accounts.

Statement of Accounting Policies

The Statement of Accounting Policies is the department's interpretation of the application of the accounting policies included in the Resource Accounting Manual to its resource accounts. The policies are listed in Note 1 to the resource accounts.

UK Generally Accepted Accounting Practice (GAAP)

The accounting and disclosure requirements of the Companies Act (1985) and pronouncements by the Accounting Standards Board (principally accounting standards and Urgent Issues Task Force abstracts), supplemented by accumulated professional judgement.

Working Capital

Working capital is the relationship between the balances of current assets and current liabilities included in the balance sheet. The cost of capital charge that departments are required to pay provides an incentive to departments to improve the management of their assets and liabilities, including working capital.