



In April 2003, the Government completed the move to the new resource based financial management system in central government. The new system, by bringing together central government planning, budgeting, Supply Estimates and reporting to Parliament on to a full resource basis, places the United Kingdom government amongst the world leaders in financial management reform in the public sector.

One of the key elements of the new system is the replacement of cash based appropriation accounts by accruals based departmental resource accounts as the means of reporting annually the financial results of government departments to Parliament. This Guide is intended to clarify the elements of departmental resource accounts that relate to Parliamentary ‘Supply’ – that is, the means by which Parliamentary authority is secured for most government spending.

The Guide deals mainly with Schedule 1 to the accounts and its links with other financial statements and account notes. It is aimed primarily at those in departments involved in the preparation of resource accounts, and focuses in particular – by means of a detailed checklist – on potential errors in preparing the Supply aspects of the accounts and how they can be rectified. But it is also intended as a more general aid to understanding the financial reporting requirements that stem from Supply.

Schedule 1 is a primary financial statement that is unique to resource accounts. It serves a vital purpose in providing accountability to Parliament for the amounts of expenditure, and income applied towards meeting expenditure, that Parliament has authorised by statute. If it is to provide accountability and assurance that the principles on which Supply has been granted have been adhered to, it is important that those principles and their impacts are well understood. Such understanding is also important in establishing correctly the balances owed or owing by departments to or from the Consolidated Fund.

Detailed requirements for resource accounts are set out in the Treasury’s *Resource Accounting Manual* – in particular chapter 12 and ‘Department Yellow’ at Annex 4. Guidance on Supply is provided in *Government Accounting* – particularly chapter 11. This Guide highlights the key requirements that stem from those two documents. It is based in large part on material contained in the National Audit Office’s June 2003 publication “Resource accounts: A guide to the Supply elements”, available on the NAO’s website at [www.nao.gov.uk/guidance](http://www.nao.gov.uk/guidance), which contains a more detailed explanation of the material covered in this Guide, including further worked examples.

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# What is Supply?

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‘Supply’ is the means by which Parliamentary authority is secured for most government spending. It is required for all expenditure financed from the Consolidated Fund, other than the relatively few elements covered by standing statutory authority – so-called ‘standing services’ such as UK contributions to the European Union and the servicing of government debt.

## Principles of Supply

The principles that govern Supply are a combination of Parliamentary practice and the requirements of the Government Resources and Accounts Act 2000 and associated legislation.

Supply is granted on an annual basis and comprises authority for the ‘use of resources’ (accruals based current expenditure) and associated cash, and for issues from the Consolidated Fund towards financing cash requirements.

## Supply Estimates

Authority is initially provided through Parliamentary approval of Supply Estimates by resolution of the House. Main Estimates are presented near the beginning of each financial year, usually in April, and Supplementary Estimates are usually presented, as necessary, in the Summer (June), Winter (November) and the following Spring (February). Supply resolutions form the basis of Consolidated Fund Acts and Appropriation Acts.

An explanation of the links between Supply Estimates, resource accounts and resource budgets is at Annex A.

## Consolidated Fund and Appropriation Acts

Consolidated Fund Acts give Parliamentary authority for total resources requested to be used and cash to be issued from the Consolidated Fund. In addition, Appropriation Acts limit the way in which resources sought in Supply Estimates can be used, by prescribing how the overall amounts are to be appropriated to particular departmental Requests for Resources (RfRs) in order to finance specified services.

A statement for each RfR setting out such purposes in functional terms is included in the Estimates and is referred to as the ‘ambit’. The ambits are reproduced in the Appropriation Act. Expenditure other than on such purposes is illegal.

Thus, Appropriation Acts are the source of statutory authority for all departmental Supply expenditure. Without them, such expenditure is illegal.

## Statutory authority

For expenditure to be properly incurred, there should normally be specific statutory authority for the activity or service, as well as authority through Estimates for the related expenditure.

This is reflected in the longstanding agreement between the Treasury and the Public Accounts Committee – known as the 1932 ‘PAC Concordat’ – that continuing functions of government should be defined by specific statute and should not rest upon the sole authority of the Appropriation Act.

## Treasury authority

Supply expenditure and income also has to conform with Treasury rules and approval in order to be deemed ‘regular’. All departmental expenditure is subject to Treasury authority. Most is covered by general delegation, subject to limits; certain kinds will require specific prior authority because they lie outside delegated limits or because it is required by law.

These rules are set out in *Government Accounting* – Chapter 2 covers general powers to incur expenditure and Treasury approval, and Chapter 11 describes the Supply process.



# What is Supply?

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## Income within Supply

The Appropriation Acts also set limits on amounts of income that each department may 'appropriate' to finance expenditure in excess of the net amount that Parliament authorises to be financed from the Consolidated Fund. Such income is termed Appropriations in Aid or 'AinA'.

Within such limits, the Treasury is able, under the Government Resources and Accounts Act 2000, to direct that such income (or, in legal terms, 'resource') may be appropriated in aid by departments. The Treasury does this by means of a Treasury Minute laid on each occasion on which Estimates are presented to Parliament.

## Voted limits on income

Statutory limits on AinA are set separately for each Request for Resources and for the (single) limit on 'non-operating' AinA (relating, for example, to the sale of fixed assets or the recovery of loan capital).

The limits may be reduced as well as increased as a result of Supplementary Estimates. Such changes are also given statutory effect through the Appropriation Act. A reduction in AinA is less common and will typically be associated with a transfer of functions between departments resulting from 'machinery of government' changes. The transferring department will 'lose' any relevant AinA, while the receiving department will obtain an increase in AinA.

The amounts of AinA are represented in Estimates, and are accounted for, on an accruals basis.

## Types of income

The Supply Estimates (but not the Appropriation Acts) specify the types of income that may be appropriated in aid for each Request for Resources and for non-operating AinA.

Such specifications regarding income are not statutory constraints but, having been notified to Parliament in Estimates, are deemed to be 'real' constraints. For income to be appropriated in aid, it must therefore fall within those specified types.

Only income up to the limit for each element of AinA, and of authorised types, may be used to finance Supply expenditure. Only the cash inflows from such income may be used towards the department's Net Cash Requirement.

## Cash receipts

The cash derived from AinA income must be applied to the Cash Requirement for the year in which it is received, or else must be surrendered to the Consolidated Fund. This is irrespective of the year in which income is recognised. Cash may thus be applied in advance of, at the same time as, or in a later year than the associated income – but only in the year of receipt.

## Income outside Supply

There are certain types of income that need to be recorded in departmental resource accounts which fall outside Supply. There are two main types of such income.

## Excess or surplus income

Income that is of a type that may be appropriated in aid but exceeds the relevant AinA limit is termed 'excess AinA'. This income must be surrendered to the Consolidated Fund as Consolidated Fund Extra Receipts (CFERs). It cannot be applied towards meeting Supply expenditure – other than where Parliament subsequently gives authority for it to be applied towards meeting an Excess Vote, where that situation arises.

*Government Accounting* Chapter 20 sets out the rules governing Parliamentary control over income, and Chapter 11.8 covers Excess Votes.



# What is Supply?

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## Other income

Certain types of income fall outside the departmental accounting boundary and are therefore not included in departmental resource accounts. They are listed at Annex 2 of the *Resource Accounting Manual* (available at [www.resource-accounting.gov.uk](http://www.resource-accounting.gov.uk)) and include Inland Revenue and HM Customs and Excise taxes and duties, receipt of non-domestic rates, National Insurance receipts and Vehicle Excise Duty.

Other kinds of income that are not specified in Estimates as being able to be appropriated in aid must, like excess AinA, be surrendered to the Consolidated Fund as CFERs.

In both this case and that of excess AinA, this treatment is required because, by default or specific legislation, Crown revenues are payable to the Consolidated Fund. They cannot be retained for use by the department unless and to the extent provided for as AinA.

## Consolidated Fund balances

As a result of the rules governing Supply outlined in this section, two kinds of balance may arise with the Consolidated Fund each year – known as Supply surpluses and CFER balances.

## Supply surpluses

All amounts of Supply received from the Consolidated Fund in excess of amounts spent by the end of the financial year are due to be surrendered to the Consolidated Fund. They are thus recognised as a creditor to the Consolidated Fund.

This is because the Appropriation Act specifies that the cash may be applied for (and thus only for) the financial year in question. This is the concept termed ‘annuality’.

Supply includes cash received from the Consolidated Fund in the current financial year. It also includes any cash received from the Consolidated Fund in the previous financial year but not used in that year – this amount will be “deemed” to form part of Supply for the current year.

The Supply balance payable to the Consolidated Fund is a cash-based amount, because it is a balance of cash provided from the Fund. However, as indicated above, the Supply balance will not usually be repaid in cash to the Consolidated Fund.

## CFER balances

CFERs, whether excess AinA or other income that must be surrendered to the Consolidated Fund, are also to be recognised as a creditor to the Consolidated Fund.

Unlike the Supply balance, the CFER creditor balance is an accruals-based amount. It comprises all such income, regardless of whether the associated cash has been received. Accordingly, it will generally be matched by debtors as well as cash.



# Impact of Supply on resource accounts

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**R**esource accounts fulfil the primary role in accounting to Parliament for Supply. They serve to demonstrate that expenditure and income have been for the purposes authorised, and within the limits imposed, and provide accountability for the use and disposition of cash issued from the Consolidated Fund. Resource accounts also account for other income that is to be surrendered to the Consolidated Fund – ie excess AinA and other forms of CFER.

Schedule 1 to the accounts, together with associated data elsewhere in the financial statements, fulfils these important roles.

## Relationship of Schedule 1 to other Schedules

The Net Resource Outturn and the Net Cash Requirement recognised in Schedule 1 will routinely be different from the net operating cost recognised in Schedule 2 (the Operating Cost Statement) and the overall financing in Schedule 4 (the Cash Flow Statement).

Such differences arise because the income and expenditures recognised against the Requests for Resources, and the cash flows recognised in the Net Cash Requirement, are only the Supply 'subset' of total departmental flows.

The most common component among the differences between Schedules 1 and 2 is income that is 'excess AinA' (that is, exceeds the limit that may be applied as AinA) or which, by its type, is not able to be appropriated in aid. Such types of income cannot be included in Schedule 1 as AinA income, but are included in Schedule 2 (to show the total revenue earned by the department). Both elements are surrendered as CFERs, and are shown as such in the Note to Schedule 1.

In such circumstances, the amount of income appropriated in aid in Schedule 1 may be less than the income recognised in Schedule 2.

## Impacts on working capital movements

Another impact is that movements in debtors and deferred income creditors that relate to excess AinA and other kinds of CFER are excluded from the working capital movements that can be included in Schedule 1. This is because they do not relate to transactions covered by Supply. Departments' accounting systems must therefore be able to distinguish these different elements in debtors and creditors.

In consequence, the working capital movements in Schedule 1, in the reconciliation of resource requirement to cash requirement, are only a 'subset' of overall working capital movements. Separate disclosure of the respective elements in the debtors and creditors notes is therefore required.

The note setting out the movement in working capital thus has to arrive at two figures – one being the overall movement for Schedule 4 (Cash Flow Statement) purposes and the other, the movement for Schedule 1 purposes.

## Expenditure supported by other sources of finance

More rarely, the accounts may also include expenditure supported by other sources of financing such as Standing Services or the National Loans Fund. These too will be reflected in Schedule 2 but not in Schedule 1. Any creditors (and, rarely, debtors) related to such expenditure will also need to be excluded from the working capital movements recognised in Schedule 1. This will entail further 'adjusting' elements in the working capital movements note to arrive at the Schedule 1 movement.

A key requirement is that Schedule 2 and the net operating cost are directly consistent with the Balance Sheet and the Cash Flow Statement, whereas Schedule 1 and the net resource outturn often are not. They require reconciling items.



# Impact of Supply on resource accounts

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## Key consequences of Supply limits

The key consequences of Supply limits are therefore that resource accounts must:

- Show as the Estimates comparators in Schedule 1 the amounts authorised in the related Appropriation Acts (accessible at [www.uk-legislation.hmso.gov.uk](http://www.uk-legislation.hmso.gov.uk)).
- Specifically record an 'Excess' in Schedule 1 if the net limit on a Request for Resources or the Net Cash Requirement is breached (the excess will subsequently need to be approved by Parliament through an Excess Vote).
- Never include in Schedule 1, as outturn, amounts of AinA that are greater than the individually specified limits in the Estimate. This applies to non-operating AinA as well as operating AinA. Excess AinA should be shown in the Note to Schedule 1, along with other CFERs.
- Include in the Balance Sheet as amounts payable to the Consolidated Fund (CFERs) any income in excess of those AinA limits, and disclose the amount separately in the Creditors note.
- Recognise such amounts on an accruals basis.
- Separately identify in the Debtors note such income that is accrued for the benefit of the Consolidated Fund – this will be surrendered to the Consolidated Fund after it has been received.
- Disclose in the notes to Schedule 1 the total cash collected in the year in respect of amounts to be surrendered to the Consolidated Fund (regardless of whether the amounts accrued in the current or another year).
- Include on the Balance Sheet and separately disclose in the Creditors or Debtors note the balance between the outturn Net Cash Requirement and the amount of Supply issued and deemed to be issued from the Consolidated Fund for that financial year.
- Departments must also ensure that indebtedness between the department and the Consolidated Fund for the balance of Supply and for CFERs can be established 'to the penny'.

## Technical guidance on accounting entries

Annex B provides technical guidance for experienced practitioners in key areas where accounting requirements have changed as a result of the move to resource based Supply. It sets out in detail, with worked examples, the implications of various scenarios for the maintenance of the departmental General Ledger and the production of the final accounts.



# The Supply “Golden Rule”

The Supply “Golden Rule” illustrates how the Consolidated Fund Supply balance referred to in the previous sections can be verified.

## Consolidated Fund creditors and debtors

The Treasury issues Supply on request to departments up to the limits approved by Parliament each year, taking account of any deemed Supply. As departments normally request more Supply than they actually spend, they are likely to have a Consolidated Fund creditor at the year end.

If a department's outturn NCR exceeds the amount of Supply (cash and deemed) issued for the current year, it will normally need to establish a Consolidated Fund debtor. The only exception is where the department has incurred an Excess Vote on its NCR and has received all the Supply provision voted by Parliament. No Consolidated Fund debtor can be shown in the account for the amount in excess of the NCR estimate.

## Consolidated Fund creditor

### The Consolidated Fund creditor must equal:

#### + Supply issued

Note: - Cash only, not deemed Supply.  
- In respect of current year only; a prior year Consolidated Fund debtor indicates that some of the cash issued will be in respect of the prior year.

#### + Deemed Supply

Note: Should equal the prior year Consolidated Fund creditor

#### - Outturn Net Cash Requirement

Outturn from current year Resource Account

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### The Consolidated Fund creditor will be next year's deemed Supply

(unless, exceptionally, it has to be repaid in cash eg if a department is being wound up)

# Resource accounts/Supply checklist



To help departments verify the consistency of the figures in their resource accounts, the checklist below addresses the key relationships relating to Supply in the accounts. It is not intended to cover all aspects relating to Supply that may arise, but should serve to highlight where further consideration might be needed.

Test Number	Test	Yes/ No/ NA
<b>SCHEDULE 1</b>		
<b>Requests for Resources and Reconciliation to Net Cash Requirement</b>		
1	<p>Do the amounts shown as the Estimates comparators:</p> <ul style="list-style-type: none"> <li>- for Net Expenditure and AinA for each RfR;</li> <li>- for non-operating cost AinA (in the reconciliation to the NCR); and</li> <li>- for the NCR</li> </ul> <p>agree with those in the relevant Appropriation Act(s) (available at <a href="http://www.uk-legislation.hmso.gov.uk">www.uk-legislation.hmso.gov.uk</a>)?</p> <p><i>Note: where there are Winter or Spring Supplementary Estimates, the Act provides only for the change in amount; it does not include the revised total, which thus needs to be computed.</i></p>	
2	<p>Are the amounts shown as the Outturn for AinA and Non-operating AinA no greater than the Estimate?</p> <p><i>Note: any excess of AinA must be treated as CFER</i></p>	
3	<p>Is the non-operating AinA (included in the reconciliation to the Net Cash Requirement) recognised as the sale proceeds of the assets disposed of (not the book value), with any profit also netted off resource expenditure and any loss scoring as resource expenditure?</p>	
4	<p>Does the accruals adjustment rightly include any profit or loss on asset disposal?</p>	
5	<p>Does the accruals adjustment for non-cash items exclude any items that are included as operating expenditure but not included in resource expenditure? (eg Standing services costs recognised in the Operating Cost Statement but where the cash does not flow through the department)</p> <p><i>Note: the note on "Other Administration Costs" should allow such elements of non-cash items that are not relevant to Schedule 1 to be identified.</i></p>	



# Resource accounts/Supply checklist

6	<p>Does the accruals adjustment for changes in working capital other than cash properly <u>exclude</u> any non-Supply working capital movements – ie those in respect of:</p> <ul style="list-style-type: none"> <li>- debtors or deferred income creditors for excess AinA or other CFERS;</li> <li>- Consolidated Fund creditors/debtors;</li> <li>- interdepartmental debtors/creditors in respect of machinery of government transfers?</li> </ul> <p><i>Note: changes in working capital other than cash for the purpose of Schedule 1 are only a sub-set of all such changes. They exclude any that do not relate to income and expenditure recognised in Resource outturn. The Note on “Movements in working capital other than cash” should show how totals are derived for all working capital movements (for Schedule 4) and for working capital movements excluding non-Supply elements (for Schedule 1).</i></p>	
7	<p>Does the Net Cash Requirement equal that shown in Schedule 4 note iii?</p>	
8	<p>Does:</p> <ul style="list-style-type: none"> <li>- the ‘Saving’ shown between Estimate and Outturn for the NCR on Schedule 1, adjusted by</li> <li>- the amount (if any) of Supply not issued at year-end</li> </ul> <p>equate to the creditor for unspent Supply (or debtor for under-issued Supply)?</p> <p>Thus if all Supply (ie Estimated NCR) was issued either in cash from the Consolidated Fund or as “deemed” Supply (amounts brought over from the previous year), the creditor for unspent Supply would equate to the ‘Saving’.</p> <p>If it does not agree, is the difference explained by any amounts received and repaid (unlikely)?</p> <p><i>Note: this test reflects the Supply “Golden Rule” on page 7.</i></p>	
9	<p>If the Outturn NCR is greater than the Estimate and an “Excess” rather than a saving is shown:-</p> <p>Is this amount (correctly) <u>not</u> shown as a Consolidated Fund debtor?</p>	

# Resource accounts/Supply checklist



Analysis of income payable to the Consolidated Fund		
10	<p>Do outturn Receipts payable to the Consolidated Fund include <u>all</u> amounts received in the year?</p> <p>Thus do they <u>rightly</u> include:</p> <ul style="list-style-type: none"> <li>- any amounts that have been received and paid to the Consolidated Fund in the course of the year;</li> <li>- all kinds - both CFER and Excess AinA (appropriately analysed);</li> <li>- all amounts <u>received</u> in the year and not only those that relate to income for the year?</li> </ul>	
11	<p>Are any amounts that are included as “other non-operating receipts not classified as AinA” and “other amounts collected on behalf of the Consolidated Fund” also included as “Receipts due to the Consolidated Fund which are outside the scope of the departments activities” in Schedule 4?</p> <p>Such amounts are those for which the department acts merely as a ‘collecting agent’ and are not otherwise captured in Schedule 4, because they are neither flows from operating activities nor flows from fixed asset disposals.</p>	
12	<p>Is “operating income – excess AinA” and “other operating income not classified as AinA” (ie CFER) – included, as it ought to be, in the note reconciling net operating cost to net resource outturn?</p>	
13	<p>Is the difference between income and receipts equal to the Debtor for CFER (Debtors note)?</p> <p>If not, is the difference explained by receipts received in the current year but due in previous years?</p> <p><i>Note: if there was a prior year debtor for CFER (shown in prior year Debtors Note), this would be included as part of receipts (if actually received in the current year).</i></p>	
<b>SCHEDULE 4</b>		
14	<p>Are amounts in the statement consistent with the notes to the statement?</p>	



# Resource accounts/Supply checklist

15	Are "Receipts due to the Consolidated Fund which are outside the scope of the department's activities" consistent with the Analysis of income payable to the Consolidated Fund in Schedule 1? (see test 11)	
16	Are "payments of amounts due to the Consolidated Fund" the actual amounts paid over in cash?  <i>Note: This should represent the amount due to be paid over at the end of the prior year (creditors note), plus the amount of current year CFERs already paid over.</i>	
17	Does the increase/decrease in cash match that shown in note iii, and that in the cash Note ( <u>except</u> where there is a movement in an overdraft which, for balance sheet purposes, is reflected in creditors but which is netted against the cash balance for Schedule 4 purposes)?	
<b>Note i - reconciliation of operating cost to operating cash flows</b>		
18	Does the adjustment for non-cash items include <u>all</u> such amounts, including any profit or loss on asset disposal?	
19	Does the adjustment for changes in working capital other than cash include all relevant working capital movements, ie:  - <u>including</u> those in respect of debtors for CFER that are recognised as operating income (ie CFER income recognised but not yet received);  - <u>excluding</u> those in respect of overdrafts shown as creditors for balance sheet purposes?  <i>Note: thus, the figure may differ from that in Schedule 1. The Note on "Movements in working capital other than cash" should show all working capital movements other than cash excluding those in respect of overdrafts (for Schedule 4) and working capital movements excluding non-Supply elements (for Schedule 1).</i>	
<b>Note iii – analysis of financing and reconciliation to the NCR</b>		
20	Does "From the Consolidated Fund (Supply) – current year" reflect cash received in the year and <u>exclude</u> "deemed" Supply (ie the amount of prior year Consolidated Fund (CF) creditor)?	



# Resource accounts/Supply checklist

21	Does "From the Consolidated Fund (Supply) – prior year" reflect cash received in the current year in respect of the prior year, if any? And is it consistent with the amount due from the CF at the end of the prior year (ie any prior year CF debtor).	
22	Does the increase/decrease in cash match that shown in the body of the cash flow statement, and that in the cash Note (except in respect of overdrafts)? (see test 17)	
23	Does the amount for "CFER received in prior year paid over" match that received but not paid over at the end of the prior year?  <i>Note: this will be the prior year CFER creditor (creditors Note) and the prior year "CFER received in current year and not paid over".</i>	
24	Does the amount for "CFER received in current year and not paid over" match:  <ul style="list-style-type: none"> <li>- the element of CFER (inc Excess AinA) actually received (Schedule 1 Analysis Note);</li> <li>- the element of the Cash balance that reflects CFER received and due to the Consolidated Fund (cash Note) - unless this also includes some CFERs received in an earlier year that have yet to be paid over?</li> </ul> <i>Note: this figure will usually be next year's "CFER received in prior year paid over".</i>	
25	Does the Net Cash Requirement equal that shown in Schedule 1?	
<b>NOTES TO THE ACCOUNTS</b>		
<b>Reconciliation of Operating Cost to Net Resource Outturn</b>		
26	In arriving at the Net Resource Outturn, does the reconciliation take account of (ie deduct) operating income (or expenditure) that is not part of resource outturn, such as:  <ul style="list-style-type: none"> <li>- CFER (including excess AinA) – this should match the corresponding figure in the Schedule 1 Analysis of Income Note;</li> <li>- any other income or expenditure included within operating costs but not part of resource outturn eg Consolidated Fund Standing Services (which will also be disclosed in the General Fund reconciliation Note)?</li> </ul>	



# Resource accounts/Supply checklist

Debtors		
27	<p>Does the Note disclose, for current and prior year, the element of debtors that relate to amounts due to the Consolidated Fund once received? (ie the Debtor for CFER being CFER income that has yet to be received in cash)?</p> <p><i>Note: this sub-set of movements in debtors should be excluded from the movements in working capital for Schedule 1.</i></p>	
28	<p>Does the amount shown as the Debtor for CFER equate to the difference between CFER income and CFER receipts (Schedule 1 Income Analysis Note), after taking account of any CFER received that was due in the prior year (ie a prior year debtor for CFER)?</p> <p><i>Note: this relationship will apply only if no CFER has been paid over to the Consolidated Fund for the year and if income does not include deferred income.</i></p>	
Cash at bank and in hand		
29	<p>Is the increase/ decrease in Cash (plus increase/ decrease in overdrafts recognised as creditors) equal to the increase/ decrease in cash in Schedule 4?</p>	
30	<p>Does the amount of cash due to be paid to the Consolidated Fund for CFER received match that shown in Schedule 4 note iii?</p> <p><i>Note: this should generally be so, but will not apply if the department has failed to pay over all cash received in the previous or earlier year.</i></p>	
31	<p>Is the amount of cash due to be paid to the Consolidated Fund for CFER the difference between:</p> <ul style="list-style-type: none"> <li>- CFER received and receivable but not paid to the Consolidated Fund per the creditors Note, and</li> <li>- Debtors for CFER (ie CFER income not yet received in cash – debtors Note)?</li> </ul>	

# Resource accounts/Supply checklist



32	<p>Is the element of cash for “amounts issued from the Consolidated Fund but not spent” the same as the “creditor for amounts issued from the Consolidated Fund but not spent”.</p> <p><i>Note: this will not be the case where the department has a debtor for under-issued Supply, or where there are inter-departmental debtors or creditors representing amounts due in respect of machinery of government (MOG) transfers.</i></p> <p><i>In the former case, other elements of the cash balance – typically CFERs – will have been utilised to finance the under-issue. In such cases the debtor for Supply will be matched by a ‘shortfall’ in such other cash elements. In the case of MOG debtors or creditors, the balance owing in respect of Supply will be matched or offset by those amounts as well as by cash. So a creditor to the Consolidated Fund for unspent Supply would, where there was such an interdepartmental debtor, be matched by that debtor plus the balance in cash, rather than by cash for the whole amount.</i></p>	
<b>Creditors</b>		
33	<p>Does the Note show (or allow to be derived) the balance of and movement in creditors excluding amounts due to the Consolidated Fund?</p> <p><i>Note: the Note will need to show the total creditor balance, as well as amounts due to the Consolidated Fund for amounts received but not spent and CFER (both received and receivable).</i></p>	
34	<p>Does the “Amounts issued from the Consolidated Fund but not spent” (the Consolidated Fund creditor) equal:</p> <ul style="list-style-type: none"> <li>- Supply issued for the current year <i>Note: if there was a Consolidated Fund debtor in the prior year, some of the cash issued will be in respect of the prior year; and thus not included here.</i></li> <li>- <u>plus</u> “deemed” Supply (ie generally the prior year Consolidated Fund Supply creditor)</li> <li>- <u>minus</u> the Net Cash Requirement (from Schedule 1)?</li> </ul> <p><i>Note: if Net Cash Requirement outturn is greater than Supply (cash and deemed), the resulting debtor balance will be reflected in the debtors Note.</i></p>	



# Resource accounts/Supply checklist

<b>Movements in operating working capital other than cash</b>		
35	Do the movements shown reconcile to the Debtors, Creditors and Stock notes as appropriate?	
36	<p>Does the Note identify (or allow to be derived readily) movements in working capital to be included in Schedule 1 and in Schedule 4?</p> <ul style="list-style-type: none"> <li>- For <u>Schedule 4</u>, does the Note show total movements excluding financing movements (being amounts due to or from the Consolidated Fund (Consolidated Fund creditor) or due to or from other departments for machinery of government transfers), and excluding movements in overdrafts shown as creditors?</li> <li>- For <u>Schedule 1</u>, does the Note show those movements shown for Schedule 4 <u>other than</u> movements not related to Supply (ie the movement in Debtors for CFER – being those amounts of CFER and excess AinA that will be surrendered to the Consolidated Fund once received)?</li> </ul>	
<b>Reconciliation of net operating cost to changes in General Fund</b>		
37	<p>Are the elements of the reconciliation consistent with figures elsewhere in the accounts? – ie:</p> <ul style="list-style-type: none"> <li>- Net operating cost for the year - Schedule 2;</li> <li>- Income for current year not appropriated in aid payable to Consolidated Fund – from Schedule 1 “Income Analysis” Note;</li> <li>- Net Parliamentary funding - current year cash issued in the year excluding “deemed” Supply (ie excluding the amount of prior year Consolidated Fund creditor) and excluding any amounts issued in respect of the prior year (ie if there was a prior year Consolidated Fund debtor);</li> <li>- Prior year surplus – prior year creditor for Supply cash unspent;</li> <li>- Realised element of Revaluation Reserve transferred to general fund – revaluation reserve Note;</li> <li>- Transferred from Consolidated Fund for standing services – operating cost to resource reconciliation Note;</li> <li>- Consolidated Fund creditor for current year Supply cash unspent – creditors Note;</li> <li>- Cost of capital – other admin costs Note;</li> <li>- General Fund at 1 April – prior year figure.</li> </ul>	

# Annex A: Estimates, budgets and accounts



**T**his Annex provides a brief explanation of the links between Supply Estimates, resource accounts and resource budgets.

## Supply Estimates

Supply Estimates are requests by the Treasury to the House of Commons for approval for most departmental spending. The Estimates, which are prepared on an accruals basis, summarise both the resources and the cash required by departments in a particular year.

## Resource accounts

Resource accounts are prepared annually and present the financial results of a department for the relevant financial year. They are presented in a format which is consistent with that of Supply Estimates, and are prepared on the basis of generally accepted accounting practice (GAAP) and in accordance with the Resource Accounting Manual.

## Resource budgeting

Resource budgeting uses accruals based principles in order to plan and control public spending. Although, generally, resource budgeting is based on the information contained in resource accounts, in practice budgets, accounts and Estimates serve different functions. Therefore, there are some key differences in their coverage, resulting in different treatment of a number of transactions.

The resource budgeting framework is designed to ensure that the level of total public expenditure is affordable, whilst setting the right management objectives. Thus, of necessity, its boundary is wider than the accounting and Estimates boundary. It includes, for example, the resources used by non-departmental public bodies (NDPBs), whereas the boundary for accounts and Estimates focuses on the department.

## Roles of budgets, Estimates and accounts

The roles of budgets, Estimates and accounts can therefore be summarised as follows:

- Budgets are set by the Treasury for each department within the Government's framework for expenditure control. Departmental Expenditure Limits (DELs) are set in biennial Spending Reviews for three years in advance. DELs are administrative limits imposed by the Government on departments and sponsored bodies. They restrict the amount of expenditure for both capital investment and resource spending within the budget that departments and other bodies may make.

Budgeting aggregates do not in themselves convey cash. Budgeting is done at the public sector level.

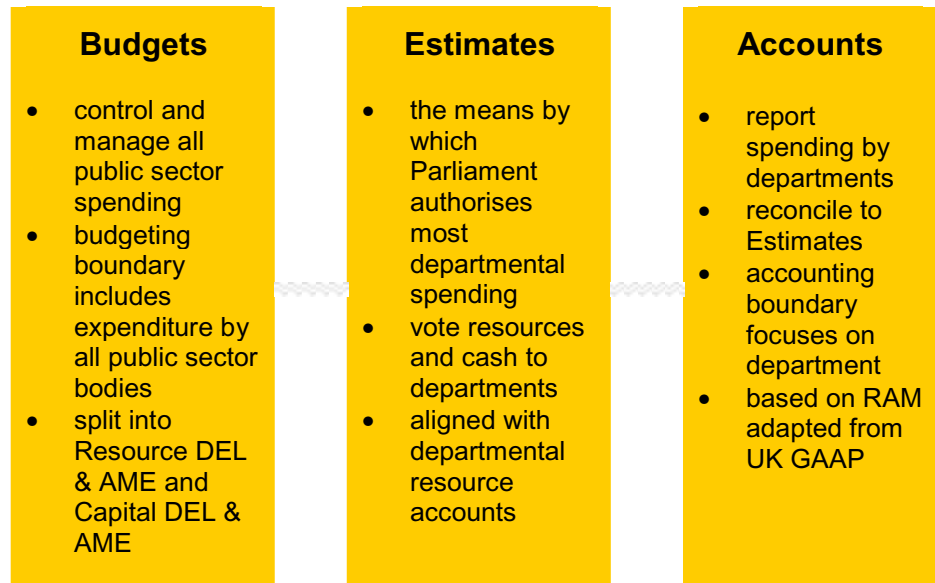
- Estimates are the means by which Parliament authorises most departmental spending. In particular, in the annual Main Estimates, Parliament:
  - > votes resources to departments for their own expenditure and for grants made to bodies beyond the accounting boundary;
  - > votes the overall cash consequences of Estimates; and
  - > approves the areas of spending on which the resources and cash may be used (as set out in the Ambit in Part I of the Estimate).



# Annex A: Estimates, budgets and accounts

- Accounts report how departments have used the resources at their disposal during the financial year to which the accounts relate, including other bodies within the accounting boundary. The accounts are audited by the National Audit Office, who report their findings to Parliament. The underlying rules for departmental resource accounts are set out in the Resource Accounting Manual, which is based on generally accepted accounting practice in the UK (UK GAAP).

## Links between Estimates, budgets and accounts



It follows that there will be different numbers in budgets, Estimates and accounts. For instance, not all spending in DEL is voted in Estimates: in 2003-04 around 70 per cent of DEL is voted, but 30 per cent is not. An example of non-voted DEL is actual NDPB expenditure (rather than the grant-in-aid which is voted), eg self-funded capital expenditure by museums which generate income from trading or via donations.

## Scoring spending in Estimates, budgets and accounts

Most expenditure now scores in the same way in budgets, Estimates and accounts. For example, cash current grants to the private sector given by the department, the department's accruals expenditure on pay, current procurement and new capital investment all score in the same way in the three aggregates. However, although the boundaries of budgets, Estimates and accounts have increasingly been aligned, differences remain because of their different roles. Expenditure relating to bodies that are inside the budgeting boundary, but outside the Estimates and accounting boundary, necessarily scores differently.

Again, NDPB expenditure illustrates this. In accounts and Estimates, where the NDPB is outside the boundary, the grant in aid from the department to the NDPB scores; but in the budget, where the NDPB is inside the boundary, its full resource consumption scores.

## Reconciliation between budgets, Estimates and accounts

Budgets, Estimates and accounts are consistent in that they use the same dataset, and departments must be able to reconcile between them. The following two tables show how resource expenditure is reconciled between Estimates, accounts and budgets, and how capital expenditure is reconciled between Estimates and budgets.



## Reconciliation of resource expenditure

### Net Resource Outturn (Estimates)

#### Remove

- Prior period adjustments

#### Additionally include

- Non-voted expenditure in the operating costs statement (OCS)
- Consolidated Fund Extra Receipts in the OCS

### = Net Operating Costs (Accounts)

#### Remove

- Capital grants to local authorities
- Capital grants funded from the Capital Modernisation Fund (CMF)
- EU income and related adjustments
- Voted expenditure outside the budget

#### Additionally include

- Other CFERs relating to budget income – current
- Resource consumption of NDPBs
- Unallocated resource provision

### = Resource Budget Outturn (Budget)

#### Of which

- Departmental Expenditure Limits (DELs)
- Annually Managed Expenditure (AME)

## Reconciliation of capital expenditure

### Net Voted Capital Outturn (Estimates)

#### Remove

- Gains/losses from sale of capital assets

#### Additionally include

- Other CFERs relating to budget income – capital
- Capital spending by NDPBs
- Capital grants to local authorities
- Capital grants financed by the CMF
- Local authority credit approvals
- Capital spending by levy funded bodies
- Unallocated capital provision

### = Capital Budget Outturn (Budget)

#### Of which

- Departmental Expenditure Limits (DELs)
- Annually Managed Expenditure (AME)



# Annex B: Technical guidance on accounting entries

This Annex provides technical guidance in key areas where accounting requirements have changed as a result of the move to resource based Supply. It is directed mainly at qualified accountants involved in the maintenance of the departmental General Ledger and the production of the final accounts.

It deals in turn with:

- Supply Estimates and the issue of cash from the Consolidated Fund
- Treatment of income payable to the Consolidated Fund
- Consolidated Fund Supply balances
- The cash balance
- Movements in working capital
- Treatment of non-operating appropriations in aid.

## Supply Estimates and the issue of cash from the Consolidated Fund

Neither the Net Cash Requirement (NCR) nor the Net Resource Outturn allocated to a department through the Parliamentary approval of Supply Estimates should give rise to an entry within the departmental General Ledger.

Under the Appropriation Accounts, many departmental ledgers would have recorded the total “cash” allocated to them for the year. No entry will usually be made under resource accounting.

Only when cash is issued from the Consolidated Fund should an entry be made in the ledger.

Dr Cash	£100
Cr General Fund (Parliamentary Funding Issued in Year)	£100

## Treatment of income payable to the Consolidated Fund

There are 3 categories of income payable to the Consolidated Fund:

- Income that could normally be appropriated in aid, but is in excess of the Estimate for that specific year.
- Income that is recorded in Schedule 2, but is CFER income by category – ie the department never had Parliamentary authority to use this type of income as appropriations in aid.
- Income that is not recorded in Schedule 2. This is income that does not fall under the categories of AinA or CFER income.

### (a) CFERs including Excess AinA (Income Categories i and ii)

When income is recorded under categories i and ii, both the income and the creditor to the Consolidated Fund should normally be recognised in the accounts at the same time.

# Annex B: Technical guidance on accounting entries



Dr Debtors/Cash	£100
Cr Income	£100

## AND

Dr General Fund (Income not appropriated in aid paid or payable to the Consolidated Fund)	£100
Cr Creditor – Consolidated Fund Extra Receipts received and receivable and other due to be paid to the Consolidated Fund	£100

Note that it is the General Fund entry which is the other side to the creation of the Consolidated Fund Creditor, not the creation of the Debtor.

When cash is received, this should subsequently be paid over to the Consolidated Fund (CF), extinguishing the creditor balance. Any CF Creditor left at the year-end will relate to amounts not yet paid over to the CF. In some cases this may be the result of the department not having received the cash by the year-end and hence being unable to pass that cash on to the CF.

In some instances, the amounts due in respect of Excess AinA (category i) may be established only at the year-end, when the accounts are finalised. As a result, the second accounting entry to recognise the CF Creditor will only be made at this point and not when the income was originally recognised.

As departments need to pay the cash associated with this income to the Consolidated Fund after it is received, the department will need to identify which elements of the AinA income form the “Excess” part. This may require the department to set up a separate Debtors Code within the ledger, so that the receipt of these monies can be tracked.

### **(b) Income not recorded in Schedule 2 (Income Category iii)**

Income that is not recorded in Schedule 2 should not be recorded as income in the departmental ledger. But the liability to the Consolidated Fund should be recognised.

Dr Debtors/Cash	£100
Cr Consolidated Fund Extra Receipts received and receivable and other due to be paid to the Consolidated Fund	£100

This should be recognised on an accruals basis in line with resource accounting principles.

Again, when the actual cash is received, this should be paid over to the Consolidated Fund, extinguishing the creditor balance. The CF Creditor left at the year-end will relate to amounts not yet paid over to the CF. This may be the result of the department not having yet received the cash and hence being unable to pass that cash on to the CF.



# Annex B: Technical guidance on accounting entries

## Consolidated Fund Supply balances

At the end of each accounting year, the department must calculate its Supply balance with the Consolidated Fund and enter that Debtor or Creditor into the ledger and accounts. This calculation is the "Supply Golden Rule" described on page 7.

The worked example below illustrates the 3 potential Supply outturns for the department:

- Year 1 – A Creditor balance
- Year 2 – A Debtor balance
- Year 3 – A Debit balance in excess of the NCR in the Estimate.

The example shows the accounting entries for the actual year and the following year.

### Year 1 (Accounting period 2004-05)

Department X is set up on 1/4/04. Department X's Supply Estimate for 2004-05 sets the net cash requirement (NCR) at £11,000. Over the year, the department receives £10,000 cash from the Consolidated Fund. At the year-end, the Outturn Net Cash Requirement for the department is £8,000.

Supply Received (Parliamentary Funding within the General Fund)	£10,000
Less: NCR	<u>(£8,000)</u>
	<b>£2,000</b>

So Department X owes the Consolidated Fund the £2,000 in respect of Supply for 2004-05.

Dr General Fund (Consolidated Fund Creditor for Cash unspent)	£2,000
Cr Amounts issued from the Consolidated Fund for Supply but not spent at the year-end	£2,000

### Year 2 (Accounting period 2005-06)

An actual payment to the Consolidated Fund of £2,000 will not be made in 2005-06. The £2,000 will be set against the NCR for 2005-06. It becomes DEEMED SUPPLY for the 2005-06 financial year. In the 2005-06 Ledger the following entries should be made.

Dr Amounts issued from the Consolidated Fund for Supply but not spent at the year-end	£2,000
Cr General Fund (Parliamentary Funding – Deemed Supply for 2005-06)	£2,000

Department X's Supply Estimate for 2005-06 sets the NCR at £13,000. Department X receives an additional £8,000 in cash from the Consolidated Fund, giving total Parliamentary Funding for 2005-06 of £10,000. The department's Outturn NCR is £12,000.

Supply Received and Deemed	£10,000
Less: NCR	<u>(£12,000)</u>
	(£2,000)

# Annex B: Technical guidance on accounting entries



The Consolidated Fund owes Department X £2,000 in respect of Supply for 2005-06.

Dr Amounts due from the Consolidated Fund in respect of Supply	£2,000
Cr General Fund (Consolidated Fund Debtor in respect of Supply)	£2,000

## Year 3 (Accounting period 2006-07)

The Consolidated Fund pays Department X the £2,000 it is owed. This will be an actual cash transfer.

Dr Cash	£2,000
Cr Amounts due from the Consolidated Fund in respect of Supply (Debtor balance)	£2,000

Department X's Supply Estimate for 2006-07 sets the NCR at £10,000. Department X receives £9,000 in year. The department's Outturn NCR is £12,000.

Supply Received (no Deemed Supply for 2006-07)	£9,000
Less: NCR	<u>(£12,000)</u>
	<b>(£3,000)</b>

The department's Outturn NCR is £3,000 greater than its Parliamentary funding. However, for 2006-07, the department has received Parliamentary authority to spend an NCR of only £10,000. The department has an Excess Vote of £2,000 in cash terms. As a result, only a debtor up to the level of the NCR in the approved Estimate can be recognised.

Supply Received (no Deemed Supply for 2006-07)	£9,000
Less: NCR limit within Estimate	<u>(£10,000)</u>
	<b>(£1,000)</b>

The following entries should be made in the Ledger.

Dr Amounts due from the Consolidated Fund in respect of Supply	£1,000
Cr General Fund (Consolidated Fund Debtor in respect of Supply)	£1,000

## Year 4 (Accounting period 2007-08)

The Consolidated Fund pays Department X the £1,000 it owes them. This will be an actual cash transfer.

Dr Cash	£1,000
Cr Amounts due from the Consolidated Fund in respect of Supply (Debtor balance)	£1,000



# Annex B: Technical guidance on accounting entries

Department X receives retrospective Parliamentary authority for the additional £2,000 NCR spent in 2006-07 by way of an Excess Vote. The cash is paid to the department from the Consolidated Fund.

Dr Cash	£2,000
Cr General Fund (Parliamentary Funding in respect of prior year 2006-07)	£2,000

This £2,000 will not form part of the 2007-08 Parliamentary Funding when calculating the Supply balance with the Consolidated Fund.

## The cash balance

The cash balance held by the department at the year-end needs to be split into three main categories. The 3 amounts added together should equal the “Cash at bank and in hand” balance shown in the accounts. Note that item ii below may be a positive or negative figure.

- i. CFERs received but not yet paid over to the Consolidated Fund. This relates to income payable to the Consolidated Fund (see earlier example) where the cash has been received by the department but at the year-end it has not been paid over to the CF.
- ii. Amounts due to or from the Consolidated Fund in respect of Supply. This relates to the Supply balance also discussed above. If the department has a Supply Creditor, a positive amount should be shown. If the department has a Supply Debtor, a negative amount should be shown.
- iii. Amounts within the departmental year-end cash balance held in relation to, or on behalf of, 3<sup>rd</sup> Parties. This may include amounts due to the National Loans Fund or National Insurance Fund, for example, as well as external 3<sup>rd</sup> Parties. (See Department Yellow in the RAM for a comprehensive list.) Generally, cash held in respect of Third Party Asset (RAM 8.9) will not be included in the cash balance shown in resource accounts.

If the department has an NCR Outturn above the Estimate limit, it will need to show a Supply Debtor up to the level of the NCR estimate, to the extent that it has not received Supply up to the Estimate limit (£1,000 in the earlier example), and then an additional line for the £2,000 for which Parliamentary authority has not yet been obtained.

If these 3 amounts do not together equal the “Cash at bank and in hand”, the difference should be explained fully in the Notes to the accounts. Any difference indicates that the department’s cash balance is not in line with its outturn figures reported in Schedule 1, and may indicate an underlying problem within the accounts.

Departments are advised to check that treatment of any amount falling under this category is agreed with the National Audit Office and the Treasury’s Exchequer Funds and Accounts (EFA) team.

## Movements in working capital

There is a difference between the amounts shown for the movements in working capital (MIWC) in Schedule 1 and Schedule 4. The extract below shows the calculations needed to produce the correct MIWC figures for both Schedule 1 and Schedule 4.

# Annex B: Technical guidance on accounting entries



<b><u>Movements in Working Capital other than Cash</u></b>	
	£
Decrease in stock/work in progress	(244)
Decrease in debtors	(1,139)
Decrease in Creditors	192
<b>LINE 1</b>	<b>(1,191)</b>
Adjustment: Remove movements in Consolidated Fund creditors/ debtors <b>LINE 2</b>	822
Net decrease in working capital other than cash shown in the Cashflow Statement ( <b>Schedule 4</b> )	(369)
Adjustment: Remove movement within Trade Debtors that will be due to the Consolidated Fund – <b>LINE 3</b>	121
Net decrease in working capital other than cash shown in the Reconciliation of resource to cash requirement ( <b>Schedule 1</b> )	(248)

## Calculations to LINE 1

LINE 1 shows the full movement in Stock, Debtors and Creditors (excluding financing items) within the year. This is in line with the standard accounting calculation.

## Calculation of LINE 2

This is the first adjustment needed to departmental accounts. This adjustment added to the basic calculation made in LINE 1 gives the MIWC figure that should appear in Schedule 4.

This adjustment removes all movements in balances due to and from the Consolidated Fund. Balances with the Consolidated Fund do not relate to the operating costs statement and should not appear in Schedule 4.

Movements from the following sources should be adjusted for here:

- i. Amounts issued from the Consolidated Fund for Supply but not spent at the year-end – Creditor (closing £2,386 – opening £2,073 = Difference £313)
- ii. Consolidated Fund extra receipts received and receivable and other due to be paid to the Consolidated Fund – Creditor (closing £657 – opening £148 = £509)
- iii. Amounts due from the Consolidated Fund in respect of Supply – Debtor. Here there is no opening or closing Consolidated Fund Debtor in respect of Supply.



# Annex B: Technical guidance on accounting entries

The figures from Department Yellow are shown in brackets. The adjustment shown in the example above is:

$$£313 + £509 = £822$$

### Calculation of LINE 3

This adjustment added to the MIWC figure appearing in Schedule 4 gives the MIWC figure that should appear in Schedule 1.

This adjustment removes all movements in debtor balances which, when the cash is received, will be paid to the Consolidated Fund. This refers to any Debtor balances related to income payable to the Consolidated Fund as discussed in the earlier example.

The income related to these debtors (primarily excess AinA or CFER income) does not appear in the Outturn figures in Schedule 1. In line with this, any working capital movements should not appear in the NCR in Schedule 1.

In Department Yellow, the amount is £27k for the current year and £148k for the prior year. The adjustment shown in the example above is:

$$£148 - £27 = £121$$

## Treatment of non-operating AinA

Non-operating AinA appears within the NCR in Schedule 1. It relates to the proceeds from the sale of Fixed Assets (from 2003-04 it is proceeds not Net Book Value that should appear in this line).

As with Operating AinA, a limit on Non-Operating AinA is set within the Parliamentary Estimate. The department cannot retain proceeds above this level. Any proceeds received above the limit set within the Estimate must be surrendered to the Consolidated Fund.

### Example

Department X receives £300 proceeds from the sale of Fixed Assets; the limit set in Department X's Estimate is £200.

Dr General Fund (Non-operating income and receipts – excess AinA)	£100
Cr Consolidated Fund extra receipts received and receivable and other due to be paid to the Consolidated Fund	£100

The amount shown in the outturn column of the NCR will be £200, as only £200 can be appropriated in aid.



# Annex C: Glossary

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## **Accounting Policies**

The way the organisation applies GAAP and the guidance set out in the Resource Accounting Manual.

## **Accruals Accounting**

A method of recording expenditure as it is incurred, and income as it is earned, during an accounting period, rather than when cash is spent or received.

## **Ambit**

The description of the services included in the Supply Estimate.

## **Appropriation Act**

Appropriation Acts give Parliamentary authority for net resources requested to be used, the income that can be appropriated and cash to be issued from the Consolidated Fund and, in addition, limit the way in which resources sought can be used by prescribing how the overall amounts are to be appropriated to particular departmental Requests for Resources.

## **Appropriations in Aid (AinA)**

Income that a department is authorised to retain (rather than surrender to the Consolidated Fund). The income offsets related expenditure in the current financial year. This income is voted by Parliament in the Estimates and is accounted for in Schedule 1 of the resource accounts.

## **Assets**

Assets are rights or other access to future economic benefits controlled by an entity as a result of past transactions or events. Fixed Assets are assets with an expected life of more than one year, held for use by the organisation. Current Assets include cash or other assets which can reasonably be expected to be converted to cash in the normal course of business, including debtors, stocks, accrued income and payments made in advance.

## **Balance Sheet**

A financial statement, which shows the assets, liabilities and capital of an organisation on a particular date, normally the end of the accounting period.

## **Cash Accounting**

A method of accounting which records cash payments and cash receipts as they occur in an accounting period.

## **Cash Flow Statement**

A statement of cash inflows and outflows during an accounting period.

## **Consolidated Fund**

Government revenue from taxes and other sources is collected daily into the Consolidated Fund. Payments from the Fund finance central government spending.

## **Consolidated Fund Act**

Consolidated Fund Acts give Parliamentary authority for total resources requested to be used and cash to be issued from the Consolidated Fund.

## **Consolidated Fund Extra Receipts (CFERs)**

Income in addition to appropriations in aid and associated cash receipts which are payable to the Consolidated Fund. CFERs are listed in the Analysis of income payable to the Consolidated Fund in Schedule 1.

## **Cost of Capital**

The Government as a whole incurs an interest cost for borrowing to finance investments by departments. This is also described as the Government's cost of capital. To improve transparency and to ensure the full cost of services is reflected in departmental accounts, departments incur a "capital charge" representing this borrowing cost. In general terms, the capital charge is calculated as a percentage of the department's net assets (assets less liabilities).

## **Creditor**

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

## **Debtor**

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

## **Deemed Supply**

The settlement of a prior year Consolidated Fund Supply creditor balance. The creditor is settled when it is set against Supply in the current year, so the amount of cash provided from the Consolidated Fund may be different from the amount of Supply issued in respect of any one year.

## **Depreciation**

A measure of the consumption of a fixed asset arising from use. Depreciation is often estimated in terms of the value of an asset and its useful life.

## **Excess Vote**

The means by which Parliament retrospectively authorises departmental overspends in terms of resources or cash.

## **General Fund**

The General Fund represents the total assets less liabilities of the entity, to the extent that it is not represented by other resources and financing items

## **Government Accounting**

Provides guidance on a wide range of issues relating to the proper handling and reporting of public money.

## **Income**

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



# Annex C: Glossary

## **Liabilities**

Obligations to transfer future economic benefits as a result of past transactions or events. Current liabilities are liabilities incurred in the normal course of business and which fall due within one year, including creditors, accrued expenditure and receipts in advance.

## **Net Cash Requirement**

In relation to the forecast Net Cash Requirement in the Supply Estimate, it is the Supply authorised to be issued from the Consolidated Fund in respect of the year to finance the estimated resource consumption and cash required for capital. The actual cash used during the year associated with resource or capital expenditure is described as the outturn Net Cash Requirement.

## **Net operating cost**

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

## **Net Resource Outturn**

Comprises the net voted resources (including operating costs net of income and excluding expenditure on capital).

## **Non-operating AinA**

Income relating eg to the sale of fixed assets and the recovery of loan capital.

## **Objectives**

A department's objectives are statements of policy describing how it will achieve its Aim. Departments list their objectives in Schedule 5 of their resource accounts and allocate the current year's net operating costs across the objectives.

## **Operating Cost Statement**

A statement showing resources consumed during the year by the department in providing its services. Includes both administration and programme expenditure.

## **Outturn**

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

## **Receipts**

Actual cash received in return for providing a good or service or from the sale of a capital asset.

## **Reconciliation of resources to cash requirement**

Sets out the non-cash costs, which represent the difference between the voted resources and cash required by a department. The reconciliation is included in Schedule 1 – Summary of Resource Outturn. It includes the Estimate, outturn and prior year comparatives for each non-cash adjustment.

## **Request for Resources (RfR)**

An accruals-based measure of current expenditure which forms part of a Resource Estimate. It represents the basic unit of Parliamentary control.

## **Resource Accounting Manual**

The authoritative statement of accounting guidance against which 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. The Resource Accounting Manual is endorsed by the independent Financial Reporting Advisory Board.

## **Resource Accounts**

Resource accounts are prepared annually and present the financial results of a department for the relevant financial year. They are prepared on the basis of generally accepted accounting practice in the UK (UK GAAP) and in accordance with the Resource Accounting Manual.

## **Resource Estimate**

See Supply Estimate

## **Schedule 1**

The Parliamentary control schedule in the resource accounts comparing Outturn with Estimate for resource expenditure and the overall cash requirement of the department. It includes a Reconciliation of resources to net cash requirement, explanations for variances and an analysis of income payable to the Consolidated Fund.

## **Schedule 2**

See Operating Cost Statement

## **Schedule 3**

See Balance Sheet

## **Schedule 4**

See Cash Flow Statement

## **Schedule 5**

See Objectives

## **Supplementary Estimate**

Additional requests for resources and/ or cash presented by the Treasury to Parliament during the course of the year.

## **Supply**

The means by which Parliamentary authority is secured for most government spending.

## **Supply Estimate**

A statement presented by the Treasury to the House of Commons in which a department seeks approval for its spending for the coming financial year. The Estimate summarises both the resources and the cash required.

## **Supply Resolution**

Supply Resolutions form the basis of Consolidated Fund and Appropriation Acts.

## **Working capital**

Working capital is the difference between the balances of current assets and current liabilities included in the balance sheet.



## Annex D: Further information

### “Managing Resources” booklets

Further information on resource management issues is available on the Treasury’s website at [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk) and is included in many published documents. Booklets in the “Managing Resources” series (copies available from Christine Ruston, e-mail: [Christine.Ruston@hm-treasury.gov.uk](mailto:Christine.Ruston@hm-treasury.gov.uk)) include:



Implementing resource based financial management (the “New Blue Guide”) – September 2002



Analysing resource accounts: an introduction (the “Short Red Guide”) – June 2001



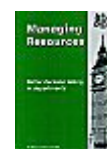
Case studies (the “Orange Guide”) – January 2002



Analysing resource accounts: user’s guide (the “Big Red Guide”) – June 2001



Reporting to the Board (the “Burgundy Guide”) – July 2002



Better decision taking in departments (the “Green Guide”) 3<sup>rd</sup> edition – October 2003



A strategic approach to finance training (the “Pink Guide”) – September 2001



Maximising the benefits for departments (the “Purple Guide”) – June 2001



Summary (the “Blue Leaflet”) – January 2002



Accountability (the “Chocolate Guide”) – July 2002



Faster closing (the “Mauve Guide”) – December 2002



Managing the links to Parliamentary Supply (the “Yellow Guide”) – October 2003

### Other guidance

The *Resource Accounting Manual* is available at [www.resource-accounting.gov.uk](http://www.resource-accounting.gov.uk) and *Government Accounting* is at [www.government-accounting.gov.uk](http://www.government-accounting.gov.uk).

Public spending guidance is at [www.knowledgenetwork.gsi.gov.uk/psg/psg.nsf](http://www.knowledgenetwork.gsi.gov.uk/psg/psg.nsf), which contains summary guidance on a wide range of public spending issues, including Supply and budgets.

Information on Whole of Government Accounts is at [www.wga.gov.uk](http://www.wga.gov.uk).

Appropriation Acts can be found at [www.legislation.hms.gov.uk/acts.htm](http://www.legislation.hms.gov.uk/acts.htm).