Scrutiny Unit, House of Commons: Finance glossary

Note: This glossary focuses in particular on financial terms relevant to the UK Government.

Accounting Boundary - The term to describe which entities are included in the consolidated **resource accounts** of a Government department. Whether or not an entity is included within a Department's accounting boundary will depend on whether the Department is accountable for its spending rather than being based on whether the Department has control over its operating policies.

Accounting Officer - A person appointed or designated by a Government department to be accountable for the operations of an organisation and the preparation of its accounts. The appointee is, by convention, usually the Head of a department or other organisation or the Chief Executive of a **non-departmental public body (NDPB).**

Accounting Policies - The way an organisation the guidance set out in the **Financial Reporting Manual (FReM)**. Accounting policies are set out in the **notes to the accounts**. An example of an accounting policy is the **depreciation** policy of a Government department, which sets out how the department is depreciating fixed assets.

Accounting Standards - Accounting standards are the rules applicable to the preparation of the financial statements of an organisation. They are intended to ensure that the financial statements of an organisation present a true and fair view of its state of affairs and its income and expenditure. The Treasury's Financial Reporting Manual (FReM) applies EU adopted IFRS and interpretations and provides guidance on the application of IFRS as adapted and interpreted for the public sector context.

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 paid or received. Private sector accounts generally use accruals accounting. Resource accounting is the term used for accruals accounting in a public sector context. The principal advantage of accruals accounting is that it allows better financial management and scrutiny by:

- Matching expenditure in any period to revenues earned and obligations incurred in that period. For example, a Government department may have used electricity and received an electricity bill in the year, but may pay it after the financial year ends. The cost would be recognised in **resource accounts** in the financial year in which the cost was incurred. It is referred to as an accrual. The same cost would only have been recognised in cash-based accounts in the following year, when it was actually paid.

- Matching the cost of assets to the period in which they are used or consumed, by charging depreciation on them. **Depreciation** is the measure of the reduction in the value of assets. In resource accounts, assets are recorded in the balance sheet and depreciation is charged as a cost.

Administration budget - Administration budgets limit the resources set aside for the running costs of a Government department within **DEL**. The balance of the resource DEL is referred to as programme expenditure . The **Statement of Comprehensive Net Expenditure** in the **resource accounts** separates **administration** and **programme** expenditure. If the department's administration budget is breached, the Department's accounts will be qualified (see **qualified accounts**).

Alignment project (also known as "Clear Line of Sight" or CLOS) - The Treasury's 'Alignment project' was established to bring together (align) the way financial information recorded and reported in the Supply **Estimates**, departmental budgets and **resource accounts** so that in future all measured expenditure in the same way. The aim was to make information in different documents directly comparable. The annual timetable of Government financial publications would also be rationalised. The achievement of alignment required some legislative changes to allow for the consolidation of executive NDPBs.

Ambit - The description of activities related to expenditure and income included in the Estimate. Departments can only incur expenditure or retain income that is reflected in the relevant ambit. The accounts could be **qualified** if expenditure is incurred outside the ambit. Income outside the ambit cannot be used to offset expenditure within the budgetary limits, but must be surrendered as a non budget **Consolidated Fund Extra Receipt** (CFER).

Annually Managed Expenditure (AME) - AME is public expenditure over which Government departments have less control than **Department Expenditure Limit (DEL)** expenditure. Departmental AME budgets are agreed with the Treasury annually and can be changed in-year, unlike DEL budgets which are set for a four year period in the Spending Review. Examples of AME is unemployment benefit expenditure incurred by the Department of Work and Pensions or revaluation losses in a department's property. AME is split into **departmental AME** and **other AME**

Annual Report and Accounts - departments publish their Annual Report and Accounts each year. They consist of (1)an Annual Report which includes a management commentary and information on past activity and future plans and (2) Statutory Annual Accounts which are audited by the National Audit Office and report on spending related to the previous financial year and assets and liabilities as at the end of the financial year. The Annual Report also reports against the department's **business plan**. It identifies the number of milestones in the **structural reform plan** where the department has not met its deadline and also sets out the Department's impact indicators against each **structural reform priority**.

Appropriations in Aid (A-in-A) - Income that a Government department is authorised to retain (rather than surrender to the **Consolidated Fund**). The income offsets related expenditure in the current financial year. This income used to be voted by Parliament in the Estimates. However one of the reforms in the **Alignment Project** was that expenditure is voted net of income. Therefore the term Appropriations-in-aid no longer needs to be used

Arm's length bodies - bodies not forming part of government departments, but which are consolidated into the department's Estimates and Accounts. ALBs are often established under specific legislation to be semi-autonomous or at arm's length from their departments, although their overall spending is usually tightly controlled by means of budgets set by departments.

Audit - external audit refers to an examination and verification of a company's financial and accounting records and supporting documents by a professional. External audit in the case of the public sector refers to verification of a Government department's or NDPB's **resource accounts**. Internal audit involves reviewing an organisation's systems (usually financial) to ensure that it is achieving the organisation's objective.

Audit Certificate - An audit certificate is issued by the auditor and forms part of the accounts. For central government departments, the audit certificate is issued by the Comptroller and Auditor General to the House of Commons, who is the head of the National Audit Office. The audit certificate contains the audit opinion, which shows whether accounts have been qualified (see **qualified accounts**).

Audit Commission - The Audit Commission audits and reports on local public spending in England. Its areas of responsibility are predominantly local government, criminal justice, housing, fire and police services and health trusts

Autumn Performance Reports - Autumn Performance Reports used to be published by Government departments around December and acted as interim **Departmental Reports**. They showed progress by departments against their **PSA** targets

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. Fixed assets can be distinguished between tangible and intangible assets. Tangible assets are assets which have physical substance and include land, buildings and machinery. Intangible assets have no physical substance and include development expenditure and goodwill.

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.

Budget exchange - mechanism which allows departments to surrender an underspend in advance of the end of the financial year in return for a corresponding increase in the following year, subject to a prudent limit." Budget exchange replaced the **End-year Flexibility** mechanism.

Business plan - the departments' business plan includes the Department's vision, coalition priorities (structural reform priorities), structural reform plan, expenditure over the 2010 Spending Review period and data which can be used to measure the department's performance (**input** and **impact indicators**).

Capital - money or assets put to economic use. A firm's **assets** are known as its capital, which may include fixed capital (machinery, buildings, and so on) and **working capital**.

Cash Accounting - A method of accounting which records cash payments and cash receipts as they occur in an accounting period. Prior to the financial year 2001–2002, public expenditure was planned and subject to parliamentary control solely on a cash basis. The Government Resources and Accounts Act 2000 requires government departments to produce resource accounts based on **accruals accounting**.

Cash Flow Statement - see Statement of Cash Flows

Clear line of sight - see Alignment project

Comptroller and Auditor General (C&AG) - The Comptroller and Auditor General (C&AG) is head of the **National Audit Office**.

Consolidated Fund - The Consolidated Fund essentially acts as the Government's current account. Government revenue from taxes and other sources is collected daily into the Consolidated Fund. Payments from the Fund finance central government spending and grants to local authorities.

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**) - a term used to describe income which exceeded a department's **Appropriation-in-Aid (A-in-A)** limit or lay outside their **ambit** and associated cash receipts. Departments are not allowed to retain CFERS to fund their expenditure have to be pay CFER income back into the **Consolidated Fund**. However there is no longer any limit set in the legislation on income to be appropriated in aid. The legislation instead authorises the appropriation and use of income within the ambit, provided it is consistent with rules issued by the Treasury and presented to Parliament. This will be achieved through the Supply Estimates Guidance Manual, which will cover rules on treatment of income. This means that the term CFERs applies now only rarely e.g. where unexpected types of income, outside the ambit, arise.

Contingent liabilities - See **provisions and contingent liabilities**.

Cost of Capital - The cost of capital used to be a notional charge that was applied to each department's budget in order to make departments aware of the full cost of holding assets.. The "cost of capital" charge represented the interest cost of borrowing to finance investments by departments incurred by the Government as a whole. In general terms, the capital charge was calculated as a percentage of the department's net assets (assets less liabilities). As part of the alignment project this charge has been removed from budgets in recognition of the fact that, although the cost of capital charge was an important step when first introduced, other incentives, such as retaining the proceeds of asset sales have now become more significant in promoting improved asset management.

Creditor - Monies owed to another entity by a Government department. Creditors are included in the **resource accounts** in the **Balance Sheet**. There may also be more detailed information included in a note to the accounts.

Debtor - Monies owed by another entity to a Government department. Debtors are included in the **resource accounts** in the **Balance Sheet**, and further details are generally included in a note to the accounts.

Departmental AME - spending that is outside DEL but included in departmental budgets. Main
categories include social security benefits and tax credits for individuals. Most departments also have AME budgets for non cash items, mainly the take up and use of provisions.

Departmental Report (sometimes referred to as Departmental Annual Report or DAR) - Departmental Reports used to be published by departments under the previous Government to explain to Parliament and the public how the department is organized, what they are spending their money on, what they are trying to achieve, and how they are performing. Most of the information that was published in the Departmental Report is now published in the Annual Report and Accounts.

Departmental Expenditure Limit (DEL) - DEL is expenditure which Government departments can control. The DEL budget forms the department's multi-year budget plan which is agreed in the **Spending Review** and against which spending is managed. Within a department's DEL budget separate elements are identified for capital and current spending.

Departmental Strategic Objectives (DSOs) - Under the 2007 Comprehensive **Spending Review**, all Government departments had strategic objectives which related to the departments' activities. These differed from **PSAs** which were cross-departmental. The coalition Government abandoned this framework and DSOs are no longer used or assessed.

Departmental-Unallocated-Provision - A specific proportion of a Government department's budget set aside as a contingency. It is included within **Main Estimates** but the sums cannot be used until they are reallocated to specific functions in a Supplementary **Estimate**.

Depreciation - A measure of the wear and tear of a fixed **asset** arising from use. It spreads the cost of an asset over its time in use and is often estimated in terms of the value of an asset and its useful life. The most common depreciation policy is "straight-line" and simply means dividing the value of an asset over its estimated useful life. Sometimes the depreciation policy allows for a residual value to the asset, which is generally the amount which an organisation can sell the asset for after it is no longer useful to it.

End-year flexibility - A mechanism which allowed all unspent provision within **Department Expenditure Limits** declared in the Provisional Outurn White Paper (June/July), to be carried forward and used in subsequent years. This has now been replaced with **Budget Exchange**.

Estimate Days - These are days which are allotted under Standing Order No 54 for debates in the House of Commons to consider the **Estimates**. Three days are allotted in each Parliamentary session to debate Estimates. The choice of Estimate is made by the Liaison Committee, and these Estimates can act as a peg for a debate on a select committee report that is more commonly about the policy or administration of a department than about the funds sought in the Estimate. But Estimates Days can be used to explore a major financial issue in depth.

Estimates - See **Supply Estimate**

Excess Vote - The means by which Parliament retrospectively authorises departmental overspends in terms of resources or cash. Excess votes lead to **qualified accounts**.

Finance Bill - The Finance Bill is ordered to give permanent legal effect to the Budget Resolutions and is generally presented at the end of the debate on the Budget. The Finance Bill deals with the revenue side of government finances. It includes
- changes to levels and types of taxation;
- changes to administration of the tax system;
- renewal for taxes already in force.

Financial Reporting Advisory Board - The FRAB is an independent board with the role to promote the highest possible standards of financial reporting in Government and to ensure that any adaptations of, or departures from, Generally Accepted Accounting Practice are justified and properly explained. The role of the Board has a statutory basis in the Government Resources and Accounts Act 2000, which requires the Treasury to consult on accounting principles and standards. The FRAB considers proposed changes to accounting policies and practice. Agreed changes are published by the Treasury in the Financial Reporting Manual (FReM).

Financial Reporting Manual (**FReM**) - The authoritative statement of accounting guidance against which resource accounts are prepared and audited. The manual is based on EU adopted International Financial Reporting Standards and interpretations as adapted and interpreted to take account of the public sector context'. The Financial Reporting Manual (FReM) is produced by the Treasury and endorsed by the independent **Financial Reporting Advisory Board**.

Generally Accepted Accounting Practice (GAAP) - Within the UK, GAAP usually refers to is the body of accounting standards and other guidance published by the UK Accounting Standards Board (ASB). Currently in the UK, companies listed on the stock exchange have to use **IFRS**. However other companies can still use UK GAAP.

For government departments and other central government bodies covered by the FReM, GAAP refers to:

a. the accounting and disclosure elements of the Companies Act 2006
b. pronouncements by or endorsed by the International Accounting Standards Board(IASB), principally international accounting standards (IAS) and International Financial Reporting Standards (IFRS) and interpretations of the standards issued by the Standards Interpretations Committee(SIC) or its successor, the International Financial Reporting Interpretations Committee(IFRIC)
c. the body of accumulated knowledge built up over time

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

Grant - Money voted (i.e. Granted) by Parliament to meet the services shown in **Supply Estimates**. Also used in **Supply Estimates** to describe a payment to an individual body, in the private or public sector, which does not need to be paid back, unless not used for its specific purpose.

Grant-in-aid - A grant made by a Government department from voted money to a particular body, usually a **Non-Departmental Public Body (NDPB)**. Grant-in-aid can be used in any way towards an NDPB's objectives. Grants are usually for specific purposes and should be repaid if not utilised.

Impact assessments - An Impact Assessment provides a framework for departments to analyse the likely impacts of Government policy changes, interventions, and draft bills. They show why the Government is proposing to intervene; how and to what extent new policies may impact on them; and the estimated costs and benefits of proposed and actual measures. Any proposal that imposes or reduces costs on the private sector or the third sector requires an Impact Assessment as does any proposal affecting costs in the public sector, unless the costs fall beneath a pre-agreed threshold (generally £5m).

Impact indicator - indicators established by the departments to monitor effectiveness of Generally departments will be set impact indicators which monitor how effectively they are pursuing their structural reform priorities. Impact indicators form part of departments' **business plans** and will be published in their Annual Reports and Accounts**.**

Impairment - A permanent reduction in the recoverable amount of an **asset** below its value recorded in the accounts. The assets could be tangible fixed assets, intangible assets, financial investments, stocks or debtors. For example an impairment may occur when property loses its value due to changes in market conditions.

Income - Monies received or accrued by a Government department from providing goods or services. Income can relate either to **administration** or **programmes** and is included in the **Statement of Comprehensive Net Expenditure**.

Input indicators - indicators established by the departments to measure how effectively they are using their inputs. An example of an input indicator is rail subsidy per passenger mile for the Department of Transport. Input indicators form part of departments' **business plans** and will be published in their Annual Reports and Accounts and in quarterly data summaries on the Government websites.

International Financial Reporting Standards - The accounting standards issued by the International Accounting Standards Committee (IASC)after 2001. In the UK companies listed on the stock exchange currently have to use IFRS. Other companies still have the option of using UK **GAAP**.

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.

Losses and Special Payments - This is one of the **notes to the accounts** and as the name implies, it highlights losses and special payments. In the case of Government departments, it would show up losses due to fraud and error, any damages due to theft or compensation paid.

Main Estimate - The Main Estimates are the initial **Estimates** for the financial year and cover the expected spending of a department, including its **arms-length bodie**s for the whole financial year. The Main Estimates are presented to Parliament within five weeks of the Budget – usually in April. The totals may be modified later in the year by means of a **Supplementary Estimate**.

Managing Public Money - MPM is a Treasury publication that describes the fiduciary duties of public servants to use public money responsibly. Much of it is common sense but it also sets out roles and responsibilities, as well as specific rules and conventions about how certain things are handled. If guides in MPM or additional requirements promulgated by the treasury are breached to a serious enough degree, the **Comptroller and Auditor General** may qualify his audit opinion.

National Accounts- a measure of public spending used by the Office for National Statistics and Eurostat, and by the **Office for Budget Responsibility**. There are some differences with the **Resource Accounts**, primarily in the treatment of capital grants and **PFI** projects.

National Audit Office - The National Audit Office scrutinises public spending on behalf of Parliament. It audits the accounts of all central government departments and agencies, as well as a wide range of other public bodies, and reports to Parliament on the economy, efficiency and effectiveness with which they have used public money. It is totally independent of Government. The **NAO** is headed by the **Comptroller and Auditor General**.

National Insurance Fund – Funds raised through the National Insurance tax goes into the National Insurance Fund. It is invested before it is paid out for a specific purpose, which is in the main old age pensions. The money collected, and not yet paid out is invested in government securities

National Loans Fund - The Government's account with the Bank of England through which all government borrowing transactions (including payment of debt interest) and most lending transactions are handled.

Net Cash Requirement - The forecast Net Cash Requirement appears in the Supply Estimate and 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 Statement of Comprehensive Net Expenditure.

Non-budget - Non-budget expenditure was previously expenditure that was funded through the Estimates, but was not part of a Government department's budget (DEL or AME). The main elements were grants to devolved administrations and payments of grant-in-aid to executive NDPBs and equivalent bodies. As a consequence of the inclusion of the net expenditure of NDPBs in Departmental Estimates post Alignment, non budget expenditure has reduced significantly and now predominantly comprises payments to devolved administrations in Scotland, Wales and Northern Ireland, which do not score as DEL until spent by those administrations..

Non-Departmental Public Body - An entity that has a role in the process of government but is not a government department nor forms part of a department. It can incur expenditure on its own account and is usually financed at least in part from public funds via grant-in aid from a sponsor department. Generally now known along with other bodies which are not part of a department as arms-length bodies, NDPBs are colloquially known as 'quangos' or 'quasi- non-governmental organisations', even though they are very much part of the Government.

Non-voted expenditure - This is the part of DEL and AME which is not authorised annually through the Supply Estimates. It occurs where Parliament has passed legislation that allows funding of a service on a continuing basis either directly from the Consolidated Fund or from other sources e.g. the National Insurance Fund. Examples of non-voted expenditure include the Civil List, the salaries of certain judges, the salary of the Comptroller and Auditor General, and some benefits paid from the National Insurance Fund. Following the implementation of the Alignment project, non voted expenditure is shown in the Estimate.

Notes to the accounts - The notes to the accounts are supplied after the financial statements and give additional information on individual figures in the accounts or provide further disclosure, as required by the FReM.

Office of Budgetary Responsibility – The OBR was set up by the Coalition Government as an independent fiscal watchdog. It judges progress towards the Government's fiscal targets, assesses the long-term sustainability of the public finances, scrutinises the Treasury's costing of Budget measures and produces forecasts for the economy and public finances

Other AME - public spending that is outside both DEL and departmental AME. It includes net transfers to the EC, locally financed expenditure, debt interest, public corporations‟ own financed
capital expenditure and accounting adjustments.

Outturn - The outturn is the actual result reported by a Government department in its resource accounts.

Private Finance Initiative - PFIs are a type of public, private partnership (PPP). It provides a way of funding major capital investments. In traditional public sector service provision, the government builds or purchases physical assets, retains ownership and uses public sector employees or a private contractor to deliver the required service. Under the PFI, a Government department contracts for a service with the private sector and, although the service depends on capital assets, this should be of secondary importance because the private sector is responsible for providing the assets it needs to provide the contracted service. This type of arrangement is now common in the case of roads, prisons, hospitals and schools both in the UK and elsewhere. Whether PFI liabilities are shown in balance sheets of accounts varies according to the type of accounts measure used. Resource accounts, IFRS and WGA accounts assess such liabilities on the basis of "control" and include most; National Accounts exclude many as such liabilities are defined on a narrowed "risk" definition.

Programme expenditure - These are the resources that the Department uses directly to deliver its policy objectives. A Department's resources are separated into the administration budget and programme expenditure.

Propriety - This is a requirement that expenditure and receipts should be dealt with in accordance with Parliament's intentions and the principles of Parliamentary control, including the conventions agreed with Parliament and, in particular, the Public Accounts Committee (see regularity). Propriety is considered by the Comptroller & Auditor General when auditing the resource accounts.

Provisions and Contingent liabilities - An event which may require a Government department to pay out money at some point in the future will result in a provision or a contingent liability. Whether it becomes a provision or a contingent liability depends on the probability of the pay-out (a provision is more likely to result in a pay-out than a contingent liability). Provisions and contingent liabilities may include, for example, restructuring costs (early retirement, redundancy etc.), legal claims or obligations to clean up waste (e.g. nuclear decommissioning).

Public Dividend Capital (PDC) - Loan capital given to **trading funds** and public corporations which are expected to be fully viable (i.e. able to cover their costs from their income earned) but subject to cyclical fluctuations in their returns as a result of trading conditions under which they operate. Dividends on the capital can be paid to the sponsoring department at a variable rate
depending on financial performance.

Public expenditure statistical analysis (PESA)- PESA is the regular publication of information on government spending. PESA has two main objectives and is therefore based on two datasets:

- **Budgets:** To provide information on government spending plans and outturn expressed in terms of budgeting aggregates. The Government uses the budgeting framework for expenditure planning and control.
- **Total Expenditure on Services:** To present statistical analysis of public expenditure based on a Total Expenditure on Services framework (TES). This framework is more stable over time than the budgeting framework and closer to the National Accounts.

Public private partnership (PPP) - PPP refers to any collaboration between public bodies, such as local authorities or central government, and private companies. **Public Finance Initiative (PFI)** projects are a type of PPP.

Public Service Agreements (PSA) – Under the previous Government, PSAs described what a Government department will deliver in the form of measurable targets over the public expenditure review period, in return for its resource budget. They have been replaced by departments' Business Plans.

Qualified accounts - Accounts are qualified when the auditor deems:

- there is insufficient appropriate audit evidence obtained;
- the financial statements have not been prepared in accordance with accounting standards;
- the financial statements are affected by significant uncertainties;
- the financial statements do not give a true and fair view;
- there is irregular expenditure.

If accounts are qualified, this information will be readily available in the auditor's certificate in the Department's resource accounts. A qualification of a Government department's accounts will tend to reflect badly on the department and its management. It will usually be regarded as an indication of weakness in financial management and even general management, depending on the nature of the qualification by stakeholders.

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 Government department. The reconciliation is included in the Statement of Parliamentary Supply in the resource accounts. It includes the Estimate, outturn and prior year comparatives for each non-cash adjustment.

Regularity - This is a requirement for all items of expenditure and receipts to be dealt with in accordance with the legislation authorising them, any applicable delegated authority and the rules of Government Accounting.

Request for Resources (RfR) - An accruals-based measure of current expenditure which forms part of a Resource Estimate. RfRs will group the costs of Government departments and activities together. It represents the basic unit of Parliamentary control.

Resource Accounts – A department's annual accounts or financial statements consolidating the expenditure of a department and its **arms length bodies**. The term "resource" was used in the past within the Government to indicate preparation on an **accruals basis** as opposed to old style **cash accounts**. The resource accounts form part of the Annual Report and Accounts. Accounts present the financial results of a department for the relevant financial year. They are prepared on the basis of **International Financial Reporting Standards** and the Government **Financial Reporting Manual (FReM).**

Resource Estimate - See **Supply Estimate**

Spending Review - Spending Reviews are currently held every few years and sets firm DEL plans for the subsequent four years. The 2010 Spending Review set departmental budgets for the years 2011–12 to 2014–15.

Statement of Cash Flows - a statement of cash in flows and out flows during an accounting period. For Government departments, this is produced according to guidance in **FReM**.

Statement of Comprehensive Net Expenditure - This is part of a Government department's **resource accounts**. It is similar to the income statement (formerly known as the profit and loss statement) in a company's accounts and shows resources consumed during the year by the department in providing its services. It separates both administration and programme expenditure.

Statement of Financial Position - This is part of a Government department's **resource accounts**. This shows the assets and liabilities at year end and is similar to the statement of financial position/balance sheet in a company's accounts.

Statement of Parliamentary Supply - This forms part of the **Resource Accounts**. It compares outturn (actual expenditure or "actuals") with the **Estimate** (budget) for both resource expenditure and the overall cash requirement. The summary also reconciles the cash figures to the resource figures. In addition, the statement gives an explanation of variances (large movements from this year to prior year) and an analysis of extra income.

Structural reform plans – these are described on the no.10 website as a key tool of the Coalition Government for ensuring that departments are accountable for the implementation of the reforms set out in the Coalition Agreement. The structural reform plan sets out the set of actions with timescales that will enable the Department to achieve its structural reform priorities.

Structural reform priority – these represent the Department's objectives. Each department has produced a set of impact indicators to measure how effectively they are achieving the structural reform priority.

Supply and Appropriation Acts – Supply and Appropriation Acts give parliamentary authority for departments to use the net resources and net capital amounts requested in their Main Estimate and Supplementary Estimate and to be issued with cash from the Consolidated Fund up to the level of the authorised net cash requirement. In addition, they limit the ways in which resources and capital can be used by prescribing the services particular budgets are used for. The Act also limits the income used to offset expenditure to the types of income described in the **Estimate**. The Main Estimate is approved by Parliament through a Supply and Appropriation (Main Estimates) Bill. The Bill becomes the Supply and Appropriation (Main Estimates) Act when passed. The Supplementary Estimate is passed through a Supply and Appropriation (Anticipation and Adjustments) Bill which becomes the Supply and Appropriation (Anticipation and Adjustments) Act when passed

Supplementary Estimate - Supplementary Estimates are presented when Government departments wish to change their voted budget limits or cash requirement in the current financial year. They are also necessary if a department takes on new functions during the financial year, including functions transferred under Machinery of Government changes. Following the implementation of the Alignment Project, Supplementary Estimates can only be presented to Parliament on one occasion, usually in January or February.

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 estimates summarises both the resources and the cash required. There are the Main Estimates and Supplementary Estimates.

Total Managed Expenditure (TME) - A Treasury budgeting term which covers all current and capital spending carried out by the public sector (i.e. not just by central Government departments). It comprises the sum of Departmental-Expenditure Limit **(**DEL) and Annually Managed Expenditure (AME).

Trading Fund - These are bodies established under the Government Trading Funds Act 1973 as amended by the Government Trading Act 1990. Organisations that are so designated normally earn their income from fees and charges, with more than 50% coming from trading activities.

Value for Money studies - Value for Money studies examine the economy, efficiency and effectiveness of public spending. The National Audit Office (NAO) is primarily responsible for monitoring the value for money provided by the Government in the UK. By agreement, it may also conduct VFM studies on other bodies (such as the BBC).

Votes on Account - Money granted by Parliament to carry on public services from 1 April of the forthcoming financial year until the passing of the **Supply and Appropriations (Main Estimates) Act** before August in that year.

Voted provision - expenditure which has been authorised by Parliament through the **Supply Estimates** process.

Whole-of-Government Accounts (WGA) - These are prepared by the Treasury. They are an as yet unpublished annual set of consolidated financial statements covering the whole of the public sector. WGA include many bodies including central government funds, departments and agencies, **Non-Departmental Public Bodies**, **trading funds**, local authorities, fire authorities, police authorities, waste/waste disposal authorities, passenger transport authorities. Parliamentary bodies (including the two Houses, the National Audit Office, Independent Parliamentary Standards Authority, Electoral Commission and the Parliamentary & Health Service Ombudsman) are not included. The first set of consolidated financial statements covering most of the public sector were presented for the year 2009-10 in 2011. The accounts were audited and subject to a number of **qualifications**.

Working capital - Working capital is the difference between the balances of current **assets** and current **liabilities** included in the balance sheet. In a firm it represents stocks of raw materials and part-finished products, as well as money, that are used up in the production process.

Zero-based budgeting - Zero Based Budgeting (ZBB) is an approach to budgeting that starts from the premise that no costs or activities should be factored into the plans for the coming budget period simply because they appeared in the costs or activities for the current or previous periods. Rather, everything that is to be included in the budget must be considered and justified from first principles.