KEY FINANCE TERMS – Government departments

AME (Annually Managed Expenditure) – largely difficult to forecast public expenditure such as demand-led benefits and tax credits; non-cash costs; and bank holdings and loan repayments. Spending in AME is separate to DEL.

DEL (Departmental Expenditure Limit) – expenditure that departments can largely control. Annual DEL budgets (spending limits) for several years are set in Spending Reviews, and may only be modified with Treasury agreement. There are separate DELs for Resource and Capital spending.

Resource spending – current expenditure on day to day running costs and delivery of public services, including salaries, rent, grants and non-cash costs such as depreciation.

Capital spending – expenditure on the creation of assets that will generally last more than a year. This includes spending on road construction, hospital construction, infrastructure etc.

Depreciation – a measure of the reducing value of an asset over time. Depreciation **is** treated as resource expenditure (usually DEL) but involves no cash payment.

Impairment – a permanent reduction in the value of an asset below its value recorded in the accounts. The Treasury determines which impairments are treated as resource DEL and which as resource AME.

Provisions/ contingent liabilities – An event that may require a Government department to pay out money at some point in the future will result in a provision or a contingent liability. A provision is probably, whereas a contingent liability is possible. (A provision is more likely to result in a future pay-out than a contingent liability).

Provisions are initially recognised as Resource AME spending, whereas contingent liabilities are just disclosed in a note in the accounts. 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).