

3 Parliamentary Accountability

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3.1 Introduction

- 3.1.1 This chapter applies only to departments financed through the Westminster or Northern Ireland Assembly Estimates process. It provides guidance on how departments should account for Supply in the *Statement of Parliamentary Supply* and for outturn against Estimates in the notes supporting the Statement. The Scottish Parliament and the National Assembly for Wales have their own financing arrangements and their own forms of parliamentary accountability. Relevant sections covering these bodies are included below.
- 3.1.2 The format of the accounts produced under the Public Finance and Accountability (Scotland) Act 2000 includes comparison of outturn against budget but does not include a separate *Statement of Parliamentary Supply* as set out in this chapter. However, the reconciliation of Parliamentary Supply (parliamentary funding) for a financial year follows the principles set out in this chapter and is disclosed in notes in the annual accounts.
- 3.1.3 Information on the general principles relating to Supply and to Parliamentary control over income and expenditure are set out in the introductory sections to the Main Supply Estimates, in *Managing Public Money* (HM Treasury) and in *Managing Public Money Northern Ireland* (the Department of Finance and Personnel Northern Ireland). Further guidance on the day-to-day management of the Consolidated Fund and the links with departments is available from HM Treasury's Exchequer Funds and Accounts Team.
- 3.1.4 General information about the Fiscal Framework, the public spending framework and the Public Expenditure Statistical Analyses is available on HM Treasury's website. Specific guidance on budgeting and on the Consolidated On-line Information System (COINS) database is available on HM Treasury's gsi website.
- 3.1.5 A worked example of accounting for Supply, including the treatment of balances to be surrendered at the end of the financial year and income payable to the Consolidated Fund, is available in the 'Practical Examples' section of this Manual's website.
- 3.1.6 For Scottish Bodies, relevant guidance is set out in the *Scottish Public Finance Manual*.

3.2 The Statement of Parliamentary Supply

Introduction

- 3.2.1 This section of the chapter explains the *Statement of Parliamentary Supply*. Supply is defined in the next section.

The Statement of Parliamentary Supply

- 3.2.2 The *Statement of Parliamentary Supply* is the parliamentary accountability statement. For the Westminster departments, it reports the following to Parliament:
- a) in the summary of resource outturn, a comparison of outturn against the Supply Estimate voted by Parliament in respect of each budgetary control limit. The Summary will show net resource expenditure, and net capital expenditure for both Departmental Expenditure Limit (DEL) and Departmental Annually

Managed Expenditure (AME) budget classifications. It will in addition report the Estimate and outturn for non-voted expenditure (eg Consolidated Fund standing services);

- b) the net cash requirement (calculated on the same basis as the Voted Supply Estimate), with a comparison of the outturn against the Voted Supply Estimate.; and
- c) a reconciliation of the resource outturn to the net operating cost disclosed in the Statement of Comprehensive Net Expenditure.

3.2.3 The Statement of Parliamentary Supply for Northern Ireland departments is based on similar principles, excepting that the summary of resource outturn reports a comparison of outturn against the Supply Estimate voted in respect of each Request for Resources showing gross resource expenditure, accruing resources (income) and net resource expenditure. The Statement also includes a summary of income (other than accruing resources) that is payable to the Consolidated Fund.

3.2.4 Explanations of variances between the Estimates and outturn should be given in the Management Commentary. A brief explanation of any Excess Votes should be given on the face of the Statement of Parliamentary Supply, with a detailed explanation given in the Operating and Financial Review.

The Notes to the Statement of Parliamentary Supply

3.2.5 The *Statement of Parliamentary Supply* is supported by Notes to the accounts. For Westminster departments the following information must be given in the supporting notes.

Note 2: Analysis of net resource outturn by section

3.2.6 This note follows the format of Part II of the Estimate. The first part of the note analyses net resource outturn by section and between administration costs, programme costs and Income, comparing the net total outturn for each section within each budgetary control limit with the Estimate. The second part analyses net capital outturn by section and between gross expenditure and income, comparing the net total outturn for each section within each budgetary control limit with the Estimate. The note should give a brief explanation of the reasons for variances between the Estimate and outturn, with more detail being given in the Management Commentary.

Note 3: Reconciliation of outturn to net operating cost and against Administration Budget and Administration net operating costs

3.2.7 This note is in two parts:

- a) Note 3.1 reconciles the net resource outturn (from Note 2) to the net operating cost shown in the Statement of Comprehensive Net Expenditure. Reconciling items, other than capital grants to external bodies (treated as resource expenditure in the Statement of Comprehensive Net Expenditure but as capital in budgets) [and differences related to differing budget / accounts treatment of PFI] will be rare, but might include prior period adjustments relating to errors or accounting policy changes at the instigation of the department itself, and occasional non-budget income or expenditure.
- b) Note 3.2 shows outturn against the Administration Budget and a reconciliation to Administration income and expenditure included in the Statement of Comprehensive Net Expenditure.

Note 4: Reconciliation of Net Cash Requirement to increase/(decrease) in cash

3.2.8 This note reconciles the net cash requirement to the increase/(decrease) in cash held by the Departmental Group..

Note 5: Analysis of income payable to the Consolidated Fund

3.2.9 This note analyses income payable to the Consolidated Fund and will only be required if non-budget income has arisen during the year. Amounts collected by the department as agent of the Consolidated Fund should not be included, but should be accounted for in a separate Trust Statement if material (see Chapter 13).

Northern Ireland departments

3.2.10 The supporting notes for Northern Ireland departments are based on similar principles excepting that Note 2 is limited to resource expenditure / accruing resources (ie net resource outturn only excluding any analysis of capital expenditure), Notes 3 and 5 may include more non-Supply items and amounts payable to the Consolidated Fund relating to excess accruing resources, and a Note 6 may be required reconciling income recorded within the Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund.

Other notes relating to Parliamentary accountability

3.2.11 In addition to the requirements for notes supporting the *Statement of Parliamentary Supply*, departments covered by this chapter should also disclose in notes to the accounts (to follow the note on contingent liabilities):

- a) information about contingent liabilities not required to be disclosed under IAS 37 Provisions, *Contingent Liabilities and Contingent Assets* (see chapter 10) because the likelihood of a transfer of economic benefits is considered too remote, but included for parliamentary reporting and accountability purposes. For quantifiable remote contingent liabilities, the note should disclose the opening balance, any increase in the year, any amounts that crystallised in the year (that is, the liabilities have become reportable under IAS 37), any obligations that have expired during the year and the closing balance. The note should also state the amount that has been reported to Parliament by departmental Minute and provide a reconciliation between that and the disclosed amount where different. Reporting entities should list unquantifiable remote contingent liabilities, explaining why they are unquantifiable;
- b) a statement of losses, special and other payments;
- c) notation of gifts made over the limit prescribed in *Managing Public Money or Managing Public Money Northern Ireland*; and
- d) details of loans made over the limit prescribed in *Managing Public Money or Managing Public Money Northern Ireland*.

3.3 Supply

Definitions

3.3.1 Supply is the means by which parliamentary authority is secured for most government expenditure. This authority is required for all expenditure financed from the

Consolidated Fund other than for expenditure covered by standing statutory authority (known as 'standing services') such as the UK contributions to the European Union, servicing of government debt and certain salaries (for example, judges' salaries).

- 3.3.2 Supply is granted on an annual basis, voted in Estimates and in the Appropriation Acts (Budget Act in Northern Ireland). This Act authorises departments to draw down sums of money from the Consolidated Fund for the service of a specified year. The amount of cash issued from the Consolidated Fund and the amount of cash spent by a department in any year is likely to differ, giving rise to the 'Consolidated Fund Supply Balance' – which might be a balance due to or from the Consolidated Fund.
- 3.3.3 The Consolidated Fund Supply Balance is the difference between the Net Cash Requirement and the sum of Supply Drawn Down and Deemed Supply to the extent that the Net Cash Requirement outturn is within the limit set in the Supply Estimate.
- 3.3.4 'Supply Drawn Down' is the amount of Supply that a department receives from the Consolidated Fund in respect of the financial year. It does not include any Supply drawn down in respect of a prior financial year (see paragraph 3.3.6). Any Supply Drawn Down not spent is due to the Consolidated Fund at the end of the financial year. In practice, this creditor balance is usually offset against issues in the following year and not surrendered in cash.
- 3.3.5 'Deemed Supply' refers to the settlement of a prior year creditor to the Consolidated Fund for Supply. The creditor is settled when it is offset against Supply in the current year. (That is, there may be a difference between the cash received from the Consolidated Fund and the amount of Supply issued in any one year.)
- 3.3.6 Supply might also be drawn down to recompense a department where in the prior year it has spent amounts within its Net Cash Requirement for that year but not drawn down Supply to do so (that is, in settlement of a Consolidated Fund Supply debtor in the prior year – see paragraph 3.3.7(d)). Such Supply drawn down does not represent Supply for the current year and will not be taken into account in the Consolidated Fund Supply balance for the current year.

Accounting for Supply

- 3.3.7 Departments should account for Supply as follows.
- a) Supply Drawn Down and Deemed Supply should not be accounted for as income. Supply should be credited to the General Fund as financing, with amounts in respect of different financial years shown separately.
 - b) Supply should be shown in the Statement of Cash Flows as 'financing from the Consolidated Fund (Supply)' and analysed between amounts relating to the current year and the prior year.
 - c) Amounts issued from the Consolidated Fund but not spent at the year end should be disclosed as year end creditors (debit General Fund, credit Consolidated Fund Supply creditors). This accounting entry should be reversed in the following year where the creditor is settled by means of Deemed Supply.
 - d) Cash expended in excess of the amounts issued from the Consolidated Fund but within the net cash requirements set by Parliament should be disclosed as a year end debtor (debit Consolidated Fund Supply debtor, credit General Fund). This accounting entry should be reversed in the following year when the cash is issued from the Consolidated Fund.

- e) Where the net cash requirement outturn is in excess of the cash requirement approved by the Parliamentary Estimate, a Consolidated Fund Supply Debtor should only be recognised up to the value of the net cash requirement approved by Parliament. At the year end the Department has not obtained approval to spend this additional cash and no obligation exists on the part of the Consolidated Fund to supply the deficit. As the department has no right to receive this benefit, the recognition of the Supply Debtor within the accounts must be limited to the level set within the Supply Estimate. Should parliamentary approval subsequently be given for the excess cash expenditure (as it generally will be), a Consolidated Fund Supply Debtor should be created, but this will appear in the following year's accounts.

3.3.8 Examples of the entries relating to accounting for Consolidated Fund transactions (both relating to Supply and to Extra Receipts) illustrate the requirements contained in the above paragraph. Those elements of the examples that are not reproduced in the accounts should be retained as part of the audit trail and should, where requested, be passed to the Exchequer Funds and Accounts team in the Treasury for the purposes of confirming the amount of Supply issued and deemed to have been issued and the surrender of Consolidated Fund Extra Receipts.