



HM Treasury

Supply Estimates: a guidance manual

March 2026



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Foreword

This is the third edition of the Estimates Manual, replacing the one dated July 2011.

It is produced to serve as a practical reference guide for anyone with direct responsibility for control of public spending in general, and the Supply Estimates process in particular. It is aimed principally at officials in government departments, but should also be of use to those in arm's length bodies (ALBs), to the National Audit Office (NAO), to Parliament, or indeed anyone with an interest in the process by which Parliament authorises the Government's expenditure plans.

Supply Estimates are at the heart of public spending control. It is through the Supply Estimates that Government seeks Parliament's authority for its spending plans and without such authority comparatively little public expenditure can take place.

Since 1 April 2011, when reforms agreed between the Treasury and Parliament were implemented under the Clear Line of Sight (CLoS) (Alignment) project, the data in Estimates are consistent with Treasury budgetary controls, which improves both clarity and makes Supply Estimates central to in-year spending control.

Parliament has delegated many controls to the Treasury and expects the Treasury to apply those controls effectively. It is nonetheless departments themselves, and Accounting Officers in particular, who are ultimately responsible for the content of their Estimates. Departments and the Treasury must therefore work together, to ensure that Supply Estimates meet the highest standards.

While this is intended to be a stand-alone guidance manual on Supply Estimates, readers may wish to consult other materials which are related, namely:

- Erskine May, for a definitive guide to parliamentary procedure
- Managing Public Money (MPM), for guidance on general principles of propriety and accountability
- the Consolidated Budgeting Guidance (CBG), for guidance on recording of public expenditure.

Contacts

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Chapter 1

Supply Estimates: purposes and responsibilities

The role and purpose of Supply Estimates

The history of Supply

1.1 Until the late 17th century grants of Supply were viewed as “extraordinary” and originated as a response to the need to raise money for war. Parliament asserted its monopoly on fiscal authorisation in Article IV of the Bill of Rights of 1689.

Box 1.A: Article IV of the Bill of Rights 1689

“That the levying Money for or to the use of the Crowne by pretence of the Prerogative without Grant of Parliament for longer time or in other manner then the same is or shall be granted is illegal”

1.2 The statutory basis for parliamentary control of Crown (that is government) expenditure derives from 1689, when the standing army was legalised but its expenses were only granted for a year ahead by an annual vote. Gradually the principle that expenses granted for a year ahead and for clearly defined purposes, was extended to other areas of Crown expenditure until, by 1830, the expenses of all civil expenditure were so provided. The Consolidated Fund (effectively the government’s public bank account at the Bank of England) was created in 1787 as the fund into which all revenue was to be paid and from which all payments for public services were to be made.

1.3 The statutory position of the Treasury in this process is derived first from a Standing Order of the House of Commons of 11 June 1713, which stated ‘*That this House will receive no Petition for any sum of money relating to public services but what is recommended from the Crown*’. This gave the Executive the sole power of financial initiative in Parliament. Together with a series of measures since 1667 giving the Treasury and the Exchequer responsibility for parliamentary supplies, this Order established the primacy of the Treasury in this area.

1.4 A series of subsequent initiatives culminated in the Exchequer and Audit Department Acts of 1866 and 1921 and the National Audit Act of 1983, which made the Treasury the accounting department for the Consolidated Fund, responsible for ensuring there is proper accountability to Parliament for the use of public money. The 1866 Act gave the Treasury the power to judge and approve all public expenditure chargeable to parliamentary votes.

1.5 Parliament cannot though initiate such processes and the House cannot consider a 'charge upon the public revenue' unless it is first sought by the Crown¹. Such charges are divided into two groups, those that are voted by Parliament on an annual basis (the Supply Estimates process on which this guidance concentrates) and those that Parliament has authorised through statute without the need for further, annual, parliamentary authority (e.g., Consolidated Fund Standing Services).

1.6 The Crown is charged with the management of all the revenue of the State, and with all payments for the public service. So, acting with the advice of its ministers, it presents to the House of Commons its requirements for the financing of public services. In return, the Commons authorises expenditure (through granting Supply) and provides the ways and means to meet that expenditure, through taxes and other sources of public revenue. The role of the House of Lords is confined to assenting to those financial provisions of the Commons which require statutory authorisation. Since the withholding of the Lords' assent to a money bill is effective only for a month, and would in any event be treated by the Commons as a serious breach of its privileges, it is, in effect, the lower House which exercises Parliament's financial control.

1.7 Although the processes remain largely the same, the structure and content of the Supply Estimates has nevertheless developed over time, the most significant change being the move from cash to resource-based controls in 2001-02. The move to resource Estimates was provided for in the Government Resources and Accounts Act (GRAA) 2000. The Act enabled the full introduction of resource and accruals accounting into planning, budgeting and expenditure control processes. It replaced and/or amended the Exchequer and Audit Departments Acts of 1866 and of 1921. The alignment of Estimates with Treasury budgetary controls from 2011-12 (see paragraphs 1.44-1.48) is a further important development, making the limits voted by Parliament consistent with Treasury budgetary controls and ensuring Estimates play a key role in in-year spending control.

1.8 Any significant changes to the Supply Estimates (whether process, format or content) must be cleared by the Treasury with the House of Commons in advance. Under alignment, this includes the

¹ In practice, a government Minister of the Crown.

impact of certain changes to budgeting policy on Estimates (see chapter two).

Authority to incur expenditure

1.9 As a general rule, ministers are legally able to do anything that is not specifically precluded by statute. They will, however, only be able to finance planned activities if Parliament votes the necessary financial provision. This is normally done through the Supply Estimates process, which confers formal statutory authority through the Supply and Appropriation Acts that follow. It is only once this legislation has obtained Royal Assent that the provision sought in the Estimates, and approved by the House of Commons, has full legal effect. (See also Chapter 2 of [Managing Public Money](#).)

1.10 Any charge upon public funds must be authorised by legislation. Much expenditure by government departments will be supported by specific enabling legislation, though some categories of expenditure may properly rest on the sole authority of the Supply and Appropriation Act. This Act (see paragraphs 1.24-1.25) gives formal authority for expenditure plans set out in the departmental Supply Estimates.

Relying on the sole authority of the Supply and Appropriation Act

1.11 Resting on the sole authority of the Supply and Appropriation Act requires Treasury approval and is allowed only in certain circumstances, or for certain categories of expenditure. A department's costs of administration will often be authorised by a Supply and Appropriation Act alone. For expenditure on services that have no other legislative authority use of the Supply and Appropriation Act will only be allowed if:

- the expenditure is no more than the amount stipulated in chapter 2 (box 2.6) of [Managing Public Money](#) (MPM) in a year, or
- it is expected to last for no more than two years, and
- any existing explicit statutory limits are respected
- no specific legislation on the matter in question is before Parliament.

1.12 Such expenditure must be identified in Note G in Part III of the Estimate.

Annuality

1.13 Supply voted by Parliament was not always time-limited. The authorisation of expenditure was originally linked to the collection of tax revenues authorised during the same session. Since tax collection was often a slow process, the expenditure Estimates and the vote of Supply remained open after the end of the financial year. The Committee of Public Accounts (PAC), following its establishment in

1861, proposed a move to annuality, and this was accepted by the government and introduced from 1862-63.

1.14 Since that time, Supply (now meaning resources, capital and cash) voted by Parliament and authorised under the Supply and Appropriation Act is only available to be applied to the financial years (running from 1 April to 31 March) specified in the Act. There is no flexibility (as there is in the budgeting regime) to carry forward spending to the next financial year.

1.15 Any resources, capital or cash authorised in the Supply Estimates but not used by the department at the end of a financial year are no longer authorised for use. Where the department has drawn down unspent cash from the Consolidated Fund, this will be immediately surrenderable back to the Fund.

1.16 Similarly, legislative authorisation for expenditure must take place within a timetable set out in House of Commons Standing Orders (i.e., by 5 August following the end of the parliamentary session in which the founding resolutions approving the expenditure were agreed).

The Estimates cycle: an outline timetable

The timetable applying for Supply relating to a financial year

1.17 The table below outlines the Estimates cycle in relation to financial year 20xx-yy. The process begins well ahead of the start of the financial year and, if there are any Excess Votes, can be completed almost a year afterwards. Provisional departmental spending plans can be set out well ahead of the Estimates process, with Spending Review (SR) White papers, Departmental Annual Reports and Accounts (ARAs), and other documents, setting out forward year plans.

Table 1.B: Parliament and the Estimates cycle

Start of Parliamentary session

Date	Event
May	Opening of Parliamentary year
June	Exceptionally, any necessary Revised Estimates are published.
July	First (and sometimes second) Estimates Day debate (debates on selected Estimates) Supply and Appropriation (Main Estimates) Bill passed before summer recess (covering year 2).
November	Fiscal event
January/ February	Presentation of: <ul style="list-style-type: none">- Supplementary Estimates (for year 2);- Vote on Account (for year 3);

- Excess Votes (for year 1);
 - Ministry of Defence Votes A (for years 2 and 3)
- For approval by 18 March.

March	Fiscal event
	Second and/or third Estimates days (debates on selected Estimates).
	Supply and Appropriation (Anticipation and Adjustments) Bill passed before 31 March.
April	Main Estimates (for year 3) presented for approval by 5 August.

End of Parliamentary session

The Role of Parliament

Parliamentary scrutiny and debate

1.18 As mentioned above, Parliament's authority over public expenditure has grown up historically and is taken extremely seriously. Nevertheless, the Standing Orders of the House of Commons place limitations on the timing and extent of debate over the Estimates and provide for the proceedings on the related legislation to be progressed formally and without further debate².

1.19 The Estimates are presented to the House of Commons by the Financial Secretary to the Treasury, except those for the House of Commons Administration, the Parliamentary Works Grant, the National Audit Office (NAO), the Independent Parliamentary Standards Authority, the Local Government Boundary Commission and the Electoral Commission, whose Estimates are presented by the Chairman of the Public Accounts Commission, for the National Audit Office, and the Speaker of the House of Commons, for the others). Under the terms of House of Commons Standing Order No. 55, Supplementary Estimates – and, in practice, Main Estimates – must be presented to Parliament at least 14 days in advance of their consideration by the House (which normally takes place alongside the 'Estimates day' debates³).

1.20 Scrutiny of individual departmental Estimates is mainly undertaken by departmental select committees. Committees are supported in this work by the House of Commons Scrutiny Unit. The committees examine individual Estimates, and the accompanying Estimates Memorandum (see paragraphs 1.41-1.43 and Annex F), and may ask the department for more information; perhaps questioning ministers and officials about particular aspects of the Estimate. A

² Any Estimates and related legislation presented outside of the provisions covered by Standing Orders would be subject to the normal process of scrutiny and debate.

³ House of Commons Standing Order No. 54 provides for 3 days in each parliamentary session to be allotted for the consideration of Estimates. These are known as 'Estimates Days'.

committee's conclusions may take the form of a report, which is printed by the House of Commons.

1.21 The Backbench Business Committee of the House of Commons will then agree the subject, or subjects, for debate. This can be any of the departmental Estimates presented for authorisation. The number selected for debate can vary, but will usually be two at Main Estimates and up to four at Supplementary Estimates.

1.22 A minister from the department(s) being debated, and not from HM Treasury, will respond to issues raised in the debate(s).

1.23 Following this parliamentary scrutiny and debate, the sums set out in the Estimates are approved by resolution of the House of Commons. These are the founding resolutions of the legislation and form the basis of the statutory authority for the use of resources, for the Treasury to issue cash from the Consolidated Fund, and for the appropriation of resources and capital for the services and purposes set out in the ambits. There are separate resolutions for each departmental Estimate that was debated and a 'roll-up' resolution for all other Estimates. The motions for these resolutions are customarily made by the Financial Secretary to the Treasury. Any Member of the House of Commons may table amendments to reduce the amount of resources or cash being sought but they may not propose an increase. Following the decisions of the House on the resolutions, the related legislation is introduced.

Supply and Appropriation Acts

1.24 There are normally two separate pieces of Supply legislation in each financial year:

- a Supply and Appropriation Act that follows the presentation of Main Estimates. This is normally approved in July and is known as the Supply and Appropriation (Main Estimates) Act.
- a Supply and Appropriation Act that follows the presentation of the Supplementary Estimates, Statement of Excesses and the Vote on Account. This is normally approved in February/March and is known as the Supply and Appropriation (Anticipation and Adjustments) Act.

1.25 These Acts provide statutory authority for the total amounts of resources, capital and cash sought in the Estimates, broken down by department. The Supply and Appropriation (Anticipation and Adjustments) Act includes the provision sought in the Supplementary Estimate, the Statement of Excesses (relating to the previous year) and the Vote on Account (relating to the next year). Through these Acts Parliament exercises direct control over expenditure by applying specific limits. The Acts also provide statutory backing for services or functions of departments specified in the Estimates where law or practice does not require there to be separate statutory authority in addition to the authority for the expenditure given by the Supply and Appropriation Act. The Acts set out, by department:

- the voted limits on departmental spending in line with budgetary controls, as relevant: resource DEL, capital DEL, resource AME and capital AME
- the voted limit on any non-budget expenditure
- the amount of cash to be issued from (or required to be surrendered to) the Consolidated Fund in respect of the net cash requirement for the Estimate
- a description (known as an ambit) of the services or purposes to which expenditure and income is to be put in respect of each of the relevant control limits (voted DEL, voted AME, voted non-budget).

General Elections

1.26 There are occasions when the normal cycle for Supply proceedings is interrupted. The most likely cause is a General Election, which will often bring an early end to a parliamentary session. Parliamentary authorisation of Estimates provision sought in that session no longer needs to be made. A judgement will be taken, in consultation with the Whips Office, about the amount of time left before dissolution and if it is possible to go through the entire process in the time available. The most likely outcome is to await the result of the Election. The incoming government will then decide what the subsequent action should be: either progressing the Bill, or relaying the Estimates with new budgetary totals.

1.27 If a General Election were called at the time that an Estimates publication would normally be presented to Parliament a judgement would need to be made as to whether the Estimates could be presented before the election or would need to await the return of Parliament following the election⁴. The Estimates could only be presented before the General Election if there was sufficient time to complete the process, including authorising the related legislation, before the dissolution of Parliament.

The role of HM Treasury

Responsibility for Estimates policy and format

1.28 No resources can be properly committed, or expenditure incurred, by departments without the approval of the Treasury (see also Chapter 2 of [Managing Public Money](#)). Most departmental expenditure needs to be voted through the Supply Estimates. Supply Estimates must be approved by the Treasury before they are presented to Parliament and must be fully consistent with Treasury budgetary controls. All expenditure within departmental budgets should appear within the Estimate, though not all will need to be voted by Parliament.

⁴ This occurred in 2005 when the Main Estimates 2005-06 were presented to Parliament on 25 May 2005, following a General Election on 5 May 2005.

1.29 The requirement for Treasury approval is a long-standing convention, being one aspect of the Treasury's power of control in matters of finance and public expenditure. In addition, many statutes contain a requirement for Treasury approval or consent. Where legislation specifically requires Treasury consent, any expenditure or resource consumption without such consent is illegal. Where there is no statutory requirement for Treasury approval, expenditure or resource consumption without Treasury approval is irregular.

1.30 The Treasury is responsible for the form and content of Estimates. The format is agreed with the House of Commons and reflects the conventions of parliamentary accounting and audit, the provision of additional information and the government's expenditure planning and control arrangements. No alteration in the form of departmental Estimates may be made without Treasury approval. Furthermore, by long-standing parliamentary convention, important changes in the general form of the Estimates are not made or sanctioned by the Treasury without consultation with the House of Commons, normally through the Committee of Public Accounts (PAC), the Treasury Select Committee and the Liaison Committee.

1.31 Since Parliament does not vote on how provision is distributed through sections and subheads⁵ within each voted budgetary limit in an Estimate, this gives the department discretion to vary allocations between sections through virement, subject to certain controls (see also paragraphs 2.60-2.74). Authority to agree virement between sections had previously been exercised by the Treasury but this authority was delegated to departments as part of the alignment reforms and departments can now vire voted provision within or between sections within the same voted limit, subject to the virement rules.

Approval and publication of Estimates

1.32 Most departments' Estimates are presented to Parliament by the Treasury as a single publication. The House of Commons (Administration), the Parliamentary Works Grant, National Audit Office, the Independent Parliamentary Standards Authority, the Local Government Boundary Commission for England and the Electoral Commission each have their Estimates presented by parliamentary committees (see paragraph 1.19), reflecting their independent status. Nevertheless, the format and content of these Estimates will, subject to any differences set out in legislation or otherwise agreed with Parliament, be the same as for those presented by the Treasury.

1.33 Main Estimates are published and presented to Parliament within 25 working days after the spring fiscal event (though the

⁵ Sections and subheads relate to the Part II: Subhead detail table of the Estimate. A section is a functional line within a budgetary control limit (e.g., DEL) that is related to a particular area of expenditure. A subhead is a part of that section, breaking the provision down further into categories of expenditure (administration or programme, resource or capital) within that functional line.

Estimates can only be presented when the House is sitting). The Treasury uses data provided by departments and input on the Treasury's database to generate some of the Estimates tables. The Treasury is responsible for maintaining these processes and for providing departments with the support necessary to generate the Estimates effectively within the necessary timescale.

1.34 Further detail on the responsibilities of HM Treasury is provided in the Estimates Concordat (see Annex E).

The role of departments

Accounting Officer responsibilities

1.35 The permanent head of a department will be separately appointed, by the Treasury, as an Accounting Officer for that department (see Chapter 3 of [Managing Public Money](#) for more detail on Accounting Officer responsibilities). The appointment carries with it responsibility for accounting to Parliament for the amounts voted to meet the department's annual Supply Estimate. Other senior managers within a department, or within the department's agencies or consolidated bodies, may be appointed as Additional Accounting Officers, with responsibility for particular areas of expenditure within the departmental Estimate. In such cases, the permanent head of the department will be appointed as Principal Accounting Officer.

Responsibility for content of the Estimates

1.36 Departments are responsible for ensuring :

- that the content of Estimates is complete, accurate and consistent with parliamentary and Treasury requirements
- that Estimates are consistent with their best forecasts of requirements
- that the ambits (see paragraphs 3.8-3.14) of their Estimate cover all the services which have been approved for inclusion within that Estimate for the year
- that expenditure does not take place on services unless they are covered by the ambit
- planning and controlling the allocation of resources, capital and cash so that these do not exceed the amounts voted by Parliament
- that they notify Parliament, where appropriate, of any Contingencies Fund (see paragraphs 4.5-4.33) advances received and any associated resource or capital consumption in anticipation of parliamentary approval
- that the Analysis of Income note provides a full and detailed assessment of the departments' anticipated income

- that all other necessary notes to the Estimate are provided
- providing an Estimates Memorandum to the departmental select committee to explain the content of the Estimate, its relationship with other spending controls and the objectives the provision will support.

1.37 As mentioned above, some of the information required for the production of the Estimates is taken from HM Treasury's database. Departments must ensure that all spending data are input accurately onto this database.

1.38 Departments must follow the structure and format for Estimates as agreed between HM Treasury and Parliament. In determining the format of their Part II: Subhead detail table (see paragraphs 3.17-3.20) departments should give consideration to the relationship with the presentation of spending data in other publications, focussing on providing a format that reflects the department's main functions and is informative to readers.

1.39 Estimates must accurately reflect budgetary limits set by HM Treasury and it is the responsibility of the department to ensure that it does not seek provision outside of those limits. The relevant Treasury spending team will scrutinise Estimates for compliance with budgets, and any Estimates outside of these limits will not be approved for presentation to Parliament.

Consulting HM Treasury

1.40 Departments should consult HM Treasury (through the relevant Spending Team) before making any significant changes to their Estimate. They may also need to consult their relevant departmental select committee in the House of Commons. Such changes should be made in time for the start of the financial year, and not within year. Examples of issues where consultation is required:

- any significant reorganisation of sections within the Part II: Subhead Detail table
- significant changes to an ambit in Part I of the Estimate
- before including any footnotes to explain parts of the Estimate
- anything that might be considered as novel or contentious.

Estimates memoranda

1.41 Departments must provide an Estimates memorandum alongside each Estimate to the relevant departmental select committee in the House of Commons⁶. The purpose of the memorandum is to provide an overview and analysis of the provision

⁶ Some smaller departments or independent bodies may not have a select committee overseeing its work. In such cases, they should consult the House of Commons Scrutiny Unit to agree whether any form of memorandum is required.

sought (explaining their purpose, the source of the funding, how they relate to departmental objectives, etc). The memorandum should be published alongside the relevant Estimate on the departmental website as soon as the departmental select committee has published it (on its website or with a report) or authorised its publication by the Department.

1.42 The Estimates memorandum is an important element of the explanatory information available to Members of Parliament when scrutinising the Estimate and it is important that this document is complete, accurate and presented to Parliament as early as possible (certainly no later than the date of publication of the Estimate itself). The departmental Accounting Officer, or someone authorised to do on their behalf, should sign off the memorandum.

1.43 The precise content of each Estimates memorandum should reflect the particular nature of the department's spending plans, as well as the interests of the select committee. There is therefore a degree of flexibility as to how each memorandum is constructed. Nevertheless, a consistent and standard approach for the core content is helpful to all parties and some detailed guidance relating to Estimates memoranda, and agreed with the House of Commons Scrutiny Unit, is provided at Annex D.

The relationship between Estimates, budgets and accounts

The Clear Line of Sight (Alignment) Reforms

1.44 Until 2011-12 there were significant differences between the scope and the definitions of expenditure for the purposes of Treasury budgetary controls, parliamentary Supply Estimates and departmental accounts. These differences reflected the various international standards (budgets reflecting the European System of Accounts (ESA) 10 and accounts reflecting Generally Accepted Accounting Practices (GAAP)/International Financial Reporting Standards (IFRS) within which the control mechanisms operate.

1.45 The Clear Line of Sight (Alignment) reforms have reduced such differences in treatment to those absolutely necessary for the proper management of spending and presentation of data. The key changes brought into effect by the alignment reforms are:

- parliamentary controls over government spending are aligned with the Treasury's budgeting controls
- all non-voted expenditure and income within budgets is brought within the coverage of Estimates
- parliamentary controls in Estimates are on a net (rather than both gross and net) basis, to line up with budgetary controls
- the Estimates and accounting boundaries are extended to consolidate Arm's Length Bodies (ALBs) and Non-Departmental Public Bodies (NDPBs), and other bodies classified to the central government sector.

1.46 Treasury budgetary controls, as reflected in Estimates, are:

- Departmental Expenditure Limits (DEL) – firm multi-year plans are set in Spending Reviews. Departments may not exceed the limits that they have been set. All spending should be assumed to be in DEL unless Treasury has stated otherwise. DEL is split by resource and capital
- Annually Managed Expenditure (AME) – spending that is demand led, volatile as to amount and so large as to be unable to be absorbed within normal DEL controls. AME is split by resource and capital
- Total Managed Expenditure (TME) – is the sum of DEL plus AME plus any necessary accounting adjustments

1.47 A protocol for changing definitions of budgetary spending has been agreed between Treasury and Parliament. This is set out at Chapter 2, paragraphs 2.6 – 2.11

1.48 These changes improve the consistency and transparency of public expenditure reporting and mean that Supply Estimates lie at the heart of the spending control process. The changes to Estimates content and policy resulting from the alignment reforms are fully reflected in this manual.

Chapter 2

Estimates: policy

Parliamentary authority

Tautness and realism

2.1 In essence, the Supply Estimates must not be misleading. Parliament expects departments to submit for approval Estimates based upon taut and realistic spending plans. This means that the amount of provision sought in the Estimates must reflect the department's best view as to the amount of expenditure likely to take place in that financial year. The amounts sought in the Estimate should be neither more (perhaps in order to provide a buffer in case of unexpected additions) nor less (perhaps in order to spread out the increase) than is actually expected to be needed

2.2 Since Estimates must reflect the budgetary limits set by the Treasury, any difference between those limits and the amounts allocated to specific functions in the Estimate must be treated as Departmental Unallocated Provision (DUP), which forms part of voted provision but cannot be spent by the department unless and until it is reallocated through a Supplementary Estimate. Note that there is no such concept as negative DUP.

2.3 As well as reflecting the department's best view of the amount of provision needed, the Estimate should provide an accurate and detailed breakdown of how that provision is expected to be spent. This means, in particular, that the Part II: Subhead Detail table must allocate provision to appropriate functions and categories and not assume that provision can be freely reallocated through virement at a later date.

2.4 As outlined above (see paragraphs 1.24-1.25) it is only once the Estimates are formally approved (which includes the related Supply and Appropriation Act having obtained Royal Assent) that the provision they contain can be spent by the department. This also means that departments are not able to incur expenditure above the amounts already authorised, or on new services, on the basis that they will then correct the situation in a later Supplementary Estimate.

2.5 Where the department does have an urgent requirement to incur expenditure in advance of the normal authority it may need to seek a Contingencies Fund advance. Further advice about the issues to be considered in relation to when departments have authority to spend can be found in [Managing Public Money](#).

Protocol for agreeing changes to Estimates and budgets

2.6 It is the responsibility of the Treasury to determine the budgeting regime by which departments' spending plans are set and controlled. The move to alignment of Estimates and budgets does not change this. However, such spending requires the approval of the House of Commons, usually through the annual Supply Estimates process. In accordance with longstanding constitutional practice, important changes in the customary form of the Estimates should not be made without the prior approval of the relevant committees of the House of Commons⁷. If Estimates and budgets are to remain aligned, any significant changes to budgets that would impact on the format and/or content of the Estimates need to be agreed with the Commons in advance of implementation. Therefore, to ensure continuing alignment, a protocol has been established for agreeing such changes between the Treasury and Parliament. This protocol sets out how and when Parliament will be consulted before budgetary changes are reflected in the Estimates, to ensure that, in the normal course of events, significant changes to budget definitions as defined below are subject to prior agreement with Parliament.

2.7 If exceptional circumstances arose in which the government announced significant changes to budgets without prior consultation with Parliament, it would mean that the Estimates could not follow such changes unless and until Parliament had agreed them. It would be for Parliament to take a view on whether the format of Estimates should follow that of budgets. Any such change made in advance of parliamentary approval would therefore once again lead to a misalignment between budgets and Estimates, and should be avoided if at all possible.

2.8 This guidance does not seek to define what constitutes a 'significant' or 'important' change – this will remain a matter of judgement in individual cases and may be subject to discussion between the Treasury and parliamentary authorities. The purpose of this guidance is to set out a formal protocol that clearly identifies the circumstances in which the Treasury will either inform, or seek agreement from, Parliament in advance of changes to policy, content or structure affecting the Estimates.

2.9 Changes to the budgetary treatment of bodies that result from revised classification decisions by the Office for National Statistics are not Treasury instigated changes to the budgeting boundary and are not covered by this protocol. This applies both to the transactions of that body and to transactions affecting other bodies (e.g. funding from

⁷ Erskine May, *Parliamentary Practice*. As indicated in the government response to the second report of the Liaison Committee of session 2008-09 (see HC, 2008-09, 1074), in some cases the direct approval of the House, as a whole, will be required (including where the relevant committees so propose).

a department might move into budgets if the body being funded moved out of budgets).

2.10 The conditions that must be followed before changes to budget definitions can be reflected in Estimates are as follows:

- Changes involving significant movements into or out of the budgeting boundary or other major changes to the budgeting framework – e.g., where a whole category of cross-government expenditure, such as depreciation or provisions, is removed from budgets entirely (changes applying to a single or small number of departments, or having little or no net impact on the amount being voted, or reflecting only a temporary change in treatment, would not be captured by this section of the protocol). Incorporating such major changes into the Estimates would be subject to parliamentary approval, as they would involve significant changes to the overall level of spending that Parliament was being asked to approve. Other than in exceptional circumstances, the Treasury would only seek to make such changes from the start of a financial year, and would write to Parliament at least five months in advance (i.e., no later than the end of October in the preceding calendar year). Although the Treasury would give as much time as possible for Parliament to consider and approve the request, a response would be needed no later than three months before the start of the financial year (i.e., by the end of December)
- Changes to the treatment of spending within the budgeting boundary – e.g., significant changes involving the movement of a whole category of cross government expenditure from DEL to AME, or from the resource budget to the capital budget. Other than in exceptional circumstances, the Treasury would only seek to make such significant changes from the start of a financial year, and would formally notify Parliament at least three months in advance (i.e., no later than the end of the preceding calendar year). Such changes would not require formal parliamentary approval, as they would not alter the overall content of the Estimates, but would instead present the information differently. The Treasury would therefore notify Parliament in advance of the planned change but would not seek formal agreement before proceeding. It would, nevertheless, always be possible for Parliament to reject the proposed change to the Estimates and create a misalignment between Estimates and budgets (unless the Treasury then delayed or abandoned the changes)
- Changes to the content, structure or format of the Estimates – e.g., merging or splitting columns of data. Decisions on whether such changes are sufficiently important to require parliamentary agreement will remain a matter of judgement, and subject to discussion between the Treasury and parliamentary authorities (primarily the National Audit Office, the Public Bill Office and the

House of Commons Scrutiny Unit, as appropriate). Questions to be considered in reaching such a judgement might include:

- i. would the change involve the provision of less information than at present?
- ii. is the information available elsewhere?
- iii. has the information previously been, or is it likely to be, of particular political/parliamentary interest

2.11 Other than where exceptional circumstances require otherwise, an Alignment Review Committee (ARC) will consider any proposed changes before any recommendations are put to Ministers and Parliament. This committee is managed by the Treasury and consists of representatives from the Treasury, other departments, National Audit Office, House of Commons Scrutiny Unit, Financial Reporting Advisory Board and Office for National Statistics. The committee is responsible for making recommendations on how to treat proposed changes in budgets, Estimates and accounts to maintain alignment or, if that is not possible, to minimise the impact of any additional misalignment.

Control limits voted by Parliament

2.12 As set out above, Parliament votes limits as subsequently set out in Supply and Appropriation Acts. Where applicable to the department, there are voted limits on:

- the net resource DEL requirement
- the net capital DEL requirement
- the net resource AME requirement
- the net capital AME requirement
- the net non-budget requirement⁸
- the net cash requirement (NCR) for the Estimate as a whole

2.13 A breach of any of these voted limits (not all DEL or AME spending is voted) would result in an Excess Vote. In addition, and although not a separate voted limit, any breach of the administration budget would also result in an Excess Vote. A full list of items that would generate an Excess Vote can be found at paragraph 2.82.

Token Votes

2.14 Parliament must be asked to vote an actual amount, whether positive or negative, for any control limit where the departmental Estimate includes spending and /or income. If the control limit would otherwise be zero, perhaps because spending is fully offset by income or the department is simply switching provision around within the Estimate, the Estimate must show a token £1,000 to be voted.

⁸ Normally only applicable to grants to the devolved governments and prior period adjustments that need to be voted. Check with the Treasury before recording any other data here.

Voted and non-voted data in the Estimate

2.15 As mentioned previously, most departmental net spending, and that of the department's agencies and arm's length bodies (ALBs), needs to be voted annually by Parliament but some spending has separate standing legislative authority and does not need to be voted (see Chapter 4 for more detail).

2.16 In order for Estimates to present data that are, so far as possible, consistent with budgetary control limits, they will include both voted and non-voted budgetary spending data. The two sets of data are clearly separated and the non-voted data are essentially there for information purposes only. The various controls (Excess Votes, virement, etc) on spending that require approval in the Estimates apply to voted data only (though a DEL breach resulting from an overspend on non-voted DEL would be no different than a breach on voted DEL in pure budgetary control terms). The voted/non-voted split is clearly identified in Part I and the Part II: Subhead detail table in the Estimate.

Movements between voted and non-voted spending

2.17 If a department had both voted and non-voted resource DEL and wanted to increase voted DEL spending by making savings on non-voted DEL spending, it would need to reflect this movement in a Supplementary Estimate and seek parliamentary authority for the increase in the voted control limit. In the opposite scenario, where the department was planning to increase non-voted DEL spending by reducing voted DEL spending it would not specifically need a Supplementary Estimate to do this; though if the department was having a Supplementary Estimate for any other purpose it should reflect this change in the Estimate. Depending on the significance of the movement from voted to non-voted spending the department might also need to advise its select committee in writing. It would also need to explain any large variation between Estimate provision and outturn as shown in the Statement of Parliamentary Supply in the departmental accounts.

Negative control limits/cash

Main Estimates

2.18 A department will only begin a financial year with a negative budgetary limit if it expects to generate more budgetary income than expenditure it incurs. This is relatively rare. On the resource side it is most likely to occur where the department covers all its costs from fees (since fees will usually include a capital charge element, but this does not form part of the department's costs in its budget or Estimate). Income above the level of related costs is usually treated as non-budget.

2.19 On the capital side, any year in which the department is selling off significant assets or is expecting large repayments of loan principal could result in the capital budget being negative. Again, this is in practice a rare occurrence.

2.20 More commonly, departments that meet costs through income may well have more cash than they require (because some costs are likely to be non-cash, but all of the income will be backed by cash receipts). In such cases, the Estimate will show a negative net cash requirement.

Supplementary Estimates

2.21 Although a department having a negative budgetary limit is a relatively rare occurrence, reductions in budgets (perhaps because of reclassifications between DEL and AME, reallocation of spending priorities or even because of cuts in budgets overall) are more likely. The ability to reflect reductions in spending plans by reducing previously voted limits ensures that Estimates will accurately present movements in plans during the year.

Managing negative limits

2.22 There is no real difference in control terms between a department having a voted budgetary limit of £1,000,000 or minus £1,000,000. The first implies that the department will need Supply of one million pounds and the second implies that the department will have surplus income over spending of one million pounds. In either case, the department must stay within this voted limit in order to avoid an Excess Vote. Where the voted limit is negative this entails generating income over expenditure of at least the negative amount.

2.23 Where the net cash requirement is negative the department will expect to end the year with a cash surplus. Even though Parliament has voted the negative limit, departments should not, of course, hold on to more cash than they actually need. Such a surplus would therefore have to be surrendered to the Consolidated Fund, even though not shown as a CFER in the Estimate. Depending on the amounts involved, the expectation of the cash requirement in the following year, etc, the department might either utilise this surplus against Supply in the following year or simply surrender it to the Consolidated Fund soon after the year-end. In the case of any doubt the Exchequer Funds and Accounts (EFA) Team in the Treasury will advise on the action to take.

Consolidation of other bodies into the Estimate

2.24 Following the alignment reforms, departmental Estimates include not only the spending plans of the relevant government department but also those of any other central government bodies (mainly, but not necessarily exclusively, ALBs) for which the department has policy responsibility. The consolidation boundary is defined so as to include all bodies classified to central government by the Office for National Statistics (ONS).

2.25 The Constitutional Reform and Governance Act 2010 gives the Treasury the power to designate by laying an Order before Parliament, those bodies that must be consolidated. Such Orders list not only the designated body but also the relevant responsible department. Orders will be laid before the start of the financial year to which they relate, in

good time for the production and presentation of the Main Estimates. An Order will list all bodies to be designated⁹ and therefore removing a body that was included in an earlier list effectively removes the requirement for its consolidation in that financial year.

2.26 It is important that the Orders presented by the Treasury are complete and accurate. Departments will be consulted about their content and should carefully scrutinise their entry.

Co-funded bodies and funding from devolved governments

2.27 Central government bodies can only be designated to be consolidated within the Estimate, and accounts, of one government department. Any co-funded central government bodies (those who obtain financing from more than one department) must have a single sponsor department into which they are consolidated (see the [Consolidated Budgeting Guidance](#) for more information on co-funded ALBs/NDPBs).

2.28 Similarly, where a body is funded wholly from a devolved Consolidated Fund it will not be designated to be consolidated with a UK government department's Estimate and accounts. In any cases where a body is financed from both a devolved and the UK Consolidated Fund the Treasury and the devolved administration will need to agree whether designation to a UK government department is appropriate, or whether that department should instead make any financing payments through the devolved administration (if it is designated the devolved administration should make payments to the body through the responsible department). Where, exceptionally, a UK government department makes a payment to a body operating in a devolved area and largely funded by a devolved administration, the Treasury will ensure such a body is not designated.

Changes to designated status during the financial year

2.29 The designation of a body may change during the year, for example if:

- a new body is created part way through the year
- the ONS reclassify a body into or out of the central government sector, or
- a machinery of government change moves a designated body from one department to another.

2.30 In such cases the Order presented towards the end of the calendar year may incorporate the necessary changes.

⁹ In some cases the bodies are included by category rather than named individually.

Consolidation of intra-group transactions

2.31 The Estimate, along with the accounts, will be produced at the group level and will therefore normally (but see paragraph 2.32 below) need to remove any intra-group transactions. The financing of ALBs (and other entities) through grant-in-aid is automatically excluded from Estimates and budgets but any other intra-group transactions, such as the purchase of shared services by an ALB from the parent department, will need to be removed by the department and not recorded on the database. In such an example, the pre- and post-consolidation¹⁰ differences would be:

Table 2.A Differences between pre- and post consolidation data in Supply

	Pre-consolidation	Post consolidation
<i>ALB buys payroll services from department</i>	<i>£ 250k RDEL cost appears in ALB section in Estimate</i>	
<i>Department receives income from ALB</i>	<i>(£ 250k) RDEL income appears in relevant departmental section of Estimate</i>	
<i>Department incurs costs in providing payroll service</i>	<i>£ 250k cost appears in same departmental section as income</i>	<i>£ 250k appears in relevant departmental section in Estimate</i>
<i>Total in Estimate</i>	<i>£ 250k RDEL</i>	<i>£ 250k RDEL</i>

2.32 In the example above the department would record on the database only the spending of £250,000 by the department in providing the payroll service. The payment by the ALB and receipts of income by the department would be excluded from the recording. Nevertheless, the department would still need to hold this information for internal monitoring and control purposes and the Treasury may request information on such internal budgetary movements.

2.33 The Estimates must include all movements between various budgetary control limits. Therefore, if an intra-group transaction were to involve any such movement (for example, an ALB whose spending appeared in AME, purchased a service from its parent department, whose spending appeared in DEL) those transactions would need to be included in the Estimate (i.e., they would need to appear on a pre-consolidation basis). This would only apply to such budgetary movements; all other transactions should be in the Estimate on a post-Consolidation basis.

¹⁰ In this regard, pre-consolidation means including all transactions between bodies within the Estimates boundary (except for financing through grant-in-aid) and post-consolidation means eliminating all such intra-group transactions.

2.34 Presenting the Estimates on a post-consolidation basis (subject to movements between budgetary limits all being included) provides the greatest consistency with the accounts and also ensures that Parliament is only asked to approve the actual expenditure outside the Estimates boundary and not any offsetting movements of provision within the boundary.

Treatment of income

2.35 The alignment reforms have also resulted in significant changes to the treatment of income in Estimates. Previously, unless there was specific parliamentary authority to do otherwise a department would either have to seek specific authority for income to be appropriated-in-aid of spending within the Estimate, or would have to surrender it to the Consolidated Fund. Such appropriations-in-aid were voted by Parliament as specific limits and any income above those limits would have to be surrendered. In order to better align the treatment of income in both budgets and Estimates, the specific control over the amount of income that can be retained through appropriations-in-aid has been removed. However, controls over income remain, as set out below.

Defining departmental income

2.36 It is usually obvious when a department is receiving income (perhaps from the sale of goods or services) but some types of receipt (such as recoveries of over-payments, compensation payments or statutory fines) may be less clear as to their treatment. Estimates will normally follow the budgeting treatment but in any cases of doubt the department should contact the Treasury for advice. From the Estimates viewpoint, departmental income (including, in this context, the proceeds of asset sales and other capital related income) and its associated receipts usually has the following characteristics:

- falling within the departmental budget (non-budget income usually falls within a separate Trust Statement, though non-budget departmental income remains possible).
- relating to activities performed by the department, where the department is not acting simply as agent for another party.

2.37 The following forms of income are usually treated as a benefit to the budget:

Resource

- sales of goods and services (charges should be set using the principles in Managing Public Money)
- royalties and associated payments to use intellectual property rights
- sales of licences where there is a significant degree of service to the individual applicant

- licences and levies, treated as tax in the national accounts, where the Chief Secretary to the Treasury has agreed that they may be netted off¹¹ budgets
- fines and penalties where the Chief Secretary to the Treasury has agreed that they may be netted off¹¹ budgets
- insurance claims
- compensation (where the Office for National Statistics treats the income as impacting on the current budget)
- interest and dividends
- income from rent of buildings and land
- those donations that are treated as current in the national accounts (donations can be capital as well)
- income obtained from National Lottery distributing bodies that finances current expenditure
- income from the European Union that finances current expenditure.

Capital

- income from capital asset sales – the book value on disposal scores as income in the capital budget.
- income from sale of stocks that score in the capital budget
- capital grants from the private sector, including developer contributions and capital donations.
- income obtained from National Lottery distributing bodies that finances capital expenditure.
- capital Grants from the European Union.
- capital royalties.
- privatisation proceeds (always in AME not DEL).
- income received from exercising an overage (claw-back) agreement.
- disposal of financial assets.

2.38 Departments are allowed to treat income as retained DEL up to the limit set out in Consolidated Budgeting Guidance above the level envisaged for that year as part of the Spending Review settlement. Any income in excess of this will normally be treated as non-budget and will need to be surrendered to the Consolidated Fund. Further guidance on the budgeting treatment of income is provided in the [Consolidated Budgeting Guidance](#).

2.39 The following categories of benefit would not normally be treated as departmental income in the Estimate:

- proceeds from taxation and regulatory controls (including certain statutory licences, duties, fines, penalties, etc), which are normally outside of the departmental budget – unless the Treasury has agreed it may be treated as retained DEL or AME

¹¹ 'Netting-off' is the usual term for this treatment in budgets, but it does not imply net treatment in Estimates. The income appears in the Estimate in the normal way.

- where the department is simply acting as agent for another party (such as the European Union), having no direct policy involvement and carrying no risk or reward
- where the benefit is properly treated as a reduction in expenditure (such as a repayment of a grant - credited back to a gross expenditure subhead in the Estimate) rather than as income.

Tax type revenues and Trust Statements

2.40 Where a department collects non-budget tax revenues (first bullet of paragraph 2.36 above) it will not normally include these as income in either its Estimates or its accounts. The department will instead produce a Trust Statement to report all such revenues. Where the amounts collected are not material the department may instead produce a note to the Estimate (as a separate note, behind those normally provided) and to the accounts. See the annex for Note M. Further guidance on the use of Trust Statements is provided in the [Financial Reporting Manual](#) (FReM).

Authority to retain and use income

2.41 The general constitutional principle is that all income of government departments and other bodies for whom Estimates are provided has to be paid into the Consolidated Fund unless there is express authority to treat it differently. Such income is often known as hereditary revenue of the Crown. The Treasury has powers¹² to direct that income included in a departmental Estimate and approved by Parliament may be retained and used by the department. This Treasury direction is included within the introductory text to the Main Supply Estimates publication. The direction provides that the income described in the relevant income ambit within the departmental Estimate may be applied against gross expenditure within that Estimate. Without such authority, the income cannot be retained and any associated cash must be surrendered to the Consolidated Fund, known as Consolidated Fund Extra Receipts (CFERs). In order for a department to retain income to offset against spending within the Estimate it must:

- be classed by the Treasury as suitable as retained DEL or departmental AME. (It might, exceptionally, be possible for a department to receive non-budget income that is offset against non-budget expenditure in the Estimate, but this would be unusual and would need to be specifically agreed with the Treasury.)
- be included within the relevant income ambit(s) in Part I of the Estimate. Any categories of income not properly described in the

¹² Originally under section 2 of Public Account and Charges Act 1891, then section of the Government Resources and Accounts Act 2000, and currently under section 5 of the Supply and Appropriation Acts.

ambit cannot be retained by the department. This gives a formal parliamentary and legislative control over categories of income.

2.42 Additionally, other controls and information requirements also help ensure proper control and parliamentary oversight of departmental retention and use of income:

- what is defined as retained DEL or AME by the Treasury is subject to the protocol with Parliament (see paragraphs 2.6-2.10 above)
- an 'Analysis of Income' note (Note B of the Estimate, also see paragraphs 3.27-3.31) provides a breakdown of all categories, as well as amounts, of expected income. This note expands on the income ambit and also relates the categories of income back to specific sections in the Part II: Subhead detail table. The department can only retain income of a type included in this note to the Estimate. So, although a department can retain additional income (i.e., above the level included in the Estimate) from an activity of which Parliament had been made aware, it could not retain income from a completely new activity not included in the Estimate
- for income from fees and charges, public bodies must ensure compliance with the guidance in Managing Public Money. The norm is to charge at full cost and public bodies are not in a position simply to increase charges in order to raise additional revenues. Departments, executive agencies, consolidated ALBs and trading funds must include a report for fees and charges purposes in the notes to their accounts which is in compliance with the requirements of the Financial Reporting Manual
- departmental accounts will provide details of actual levels of income as against the level expected in the Estimate. Any differences of more than 10%, or £500,000, whichever is the higher, between the two would need to be explained by the department in the accounts
- although Parliament votes net spending at a high level (e.g. total Resource DEL), the Estimate breaks this into (functional) sections in the Part II: Subhead detail table. Departments have delegated authority to vire expenditure provision between sections but the Treasury retains control over any virement of income between sections. Departments therefore need to seek specific Treasury authority if they wish to use income generated on one section to finance spending on another section (see also paragraphs 2.65-2.76).

2.43 The requirement for Estimates to provide 'taut and realistic' information applies equally to income, even though it is not specifically voted as a control limit. Where income is greater than related spending, either within the particular section or for the whole voted budgetary limit (e.g. capital DEL), the Estimate will reflect a negative

amount. In such cases where a negative voted limit results the department will need to ensure that sufficient income is generated to meet this limit or an Excess Vote could result if the department doesn't reduce spending accordingly.

Netting income off gross spending in Estimates

2.44 A net subhead or section within the Part II: Subhead detail table is one where a benefit is directly netted off against gross spending (usually resource but this could potentially apply to capital also) and is not shown or treated as income in the Estimate. It is not necessarily the case that all expenditure within the subhead or section will be offset by income; it may be that only some expenditure is offset in this way.

2.45 In addition, the spending of ALBs (excluding advisory ALBs) is shown net of budgetary income in Estimates. Rather than ALB income being shown in the various income columns it is directly netted off against gross spending, reducing the figures in the relevant gross columns in the Part II: Subhead detail table.

2.46 The circumstances where net subheads or sections might be used are:

- in relation to ALB spending data in the Estimate. This does not normally apply to Advisory ALBs who do not generate income and whose spending is often funded directly by the core department
- where the income comes from elsewhere within the same department
- where the department is acting as an agent in handling money belonging to another party (A), where party A wishes to pay to party B via the department (this is sometimes the case with income from the European Union – see paragraphs 2.48-2.49 below)
- where the use of net accounting has been specifically authorised by Parliament in legislation (e.g., short-term voted loans to trading funds can, under Section 2B(5) of the Government Trading Funds Act 1973, be issued, repaid, reissued and repaid several times during a financial year)
- certain amounts, such as recoveries of amounts paid in error and the reversal of unrequired provisions (including bad debt), may be netted against gross expenditure as long as this accords with the accounting policies set out in the Government Financial Reporting Manual (FRoM). This does not apply to recoveries from the Consolidated Fund.

2.47 Net subheads or sections should not be used in any other circumstances unless agreed with the Treasury (who will in turn consult the NAO) in advance.

Income from the European Union (EU)

2.48 Certain payments by the European Union (EU) to private sector bodies, to local authorities or to public corporations are made via government departments acting as agents for an EU body. In such cases the income is not income of the department and can be treated as a net section/subhead (see immediately above) in the departmental Estimate. In such cases, departments should have a clear understanding with the EU body concerned about the extent of their responsibilities as agents. Where the department is involved in policy decisions relating to the payments or makes payments to other parties before the EU monies are received, it is not simply acting as an agent and net treatment is not appropriate (the department would treat such income as its own, in the normal way).

2.49 EU income should normally have the same budgeting treatment as the expenditure it finances (e.g. retained DEL where the expenditure to which it relates is part of a DEL spending programme).

Income from asset sales

2.50 When an asset is sold the value of that asset is removed from the balance sheet. In both budgets and Estimates the proceeds from the sale are treated as capital-related up to the level of the net book value (NBV). Similarly, both budgets and Estimates treat profit and loss as impacting on resources. If the proceeds from the asset sale are more than the NBV the department makes a profit and this profit element is netted-off against resource spending. If the proceeds from the asset sale are less than the NBV the department makes a loss and this loss element is treated as a resource cost.

2.51 Below are two simple examples:

A department sells an office building for £1,050,000. The net book value is only £1,000,000 resulting in a profit of £50,000. The department would:

- i. Treat £1,000,000 (net book value) as capital income in the Estimate
- ii. Treat the £50,000 (profit) as a benefit to (netting-off against) gross resource expenditure in the Estimate

A department sells an office building for £1,050,000. The net book value is £1,200,000 resulting in a loss of £150,000. The department would:

- i. Treat the £1,200,000 (net book value) as capital income in the Estimate
- ii. Treat the £150,000 (loss) as gross resource expenditure in the Estimate.

Arm's length body (ALB) income

2.52 As mentioned above, ALB spending plans normally appear in the Estimate net of allowable (i.e., budgetary) income. This means that the spending that appears in the gross columns of the Part II: Subhead

detail table has already been reduced by the ALB's income. This is done in order to ensure that the controls and restrictions over the use by ALBs of income they generate are no different under alignment than it was previously. The restrictions therefore primarily relate to the budgetary classification of the income (ALBs can generally retain and use income that is retained DEL or AME) by the Treasury and to any restrictions set out in legislation. The income of ALBs is not therefore included within, or restricted by, the income ambit(s) in Part I of the Estimate or the Analysis of Income note.

2.53 Grant-in-aid from the parent department to the ALB is a source of funding, not income.

Treatment of cash related to income

2.54 As with expenditure, income in the Estimate is recognised on an accruals basis. This means that income may offset gross spending in the Estimate well before the related cash is received (e.g. because the department performs a service in one year, and so accrues the income, but isn't paid for the service until the following year). Similarly, a department might receive cash in advance of income being accrued (e.g. a department lets an office on 1 January and the tenant pays six months' rental in advance; at the year-end the department has 3 months rental pre-payment (so has cash and a creditor); the department won't accrue the income for the 1 April-30 June rental until the following year).

2.55 Notwithstanding these timing differences, a department may retain and use cash receipts provided it relates to income that is of a type that is authorised to be used by the department.

2.56 In order to be able to know what cash may be retained and what needs to be surrendered to the Consolidated Fund, departments must analyse and differentiate their debtors between budgetary income of a type included in the Estimate and any other budgetary or non-budget income.

Table 2.B Income and treatment of related cash

The table below provides an example of how cash related to income retained by the department may offset the net cash requirement (NCR) either in earlier or later years to that which income accrues

	<i>Income</i>	<i>Related cash</i>	<i>Comment</i>
<i>Year 1</i>	<i>£ 500</i>	<i>-</i>	<i>No cash received</i>
<i>Year 2</i>	<i>£ 500</i>	<i>£ 700</i>	<i>Receives all of year 1 cash PLUS 200 related to year 2</i>
<i>Year 3</i>	<i>£ 500</i>	<i>£ 1,300</i>	<i>Remainder of year 2 cash, year 3 PLUS a pre-payment of year 4</i>
<i>Year 4</i>	<i>£ 500</i>	<i>-</i>	<i>No cash received</i>
<i>Total</i>	<i>£ 2,000</i>	<i>£ 2,000</i>	

Cash receipts greater than the cash requirement

2.57 Some departments may generate more cash than they anticipate they will need. This will usually be because the department covers most, or all, of its costs from income and some of the costs covered have no cash consequences (e.g. depreciation). This situation may well affect a wider range of departments in Supplementary Estimates, where the specific increases in spending in that Estimate are being offset by additional income.

2.58 In such cases the net cash requirement in the Estimate will be negative. This means that Parliament will vote a negative cash limit and therefore require that the department generate sufficient excess cash receipts to surrender an amount to the Consolidated Fund that is at least equal to this negative limit. If the department received less cash than expected, and it was too late to reflect this in a Supplementary Estimate, it would need to reduce spending to remain within the overall negative limit. If this were not possible the department would incur an Excess Vote.

Consolidated Fund Extra Receipts (CFERs)

2.59 The Clear Line of Sight (CLOs) reforms significantly reduced the amount of departmental income that is surrendered to the Consolidated Fund. This is because under the CLOs reforms:

- departments should normally be able to retain all budgetary income (that classed as retained DEL or AME) provided it is no more than 10% above the amount anticipated in the Spending

Review, it is of a type anticipated by the department and is included within the Estimate

- any tax-type non-budget revenues (e.g. from duties, fines, etc) are no longer treated as departmental income and should instead appear in a separate Trust Statement. Revenue that passes through a Trust Statement will be surrendered to the Consolidated Fund by the department, but not as departmental income
- the ability to have negative voted limits means that, where a department generates more income or cash than it plans to spend, it will not directly result in the excess being surrendered to the Consolidated Fund.

2.60 Departmental income and receipts might be expected to be treated as a CFER in the following circumstances:

- where income is in the departmental budget but is not of a type anticipated by the department and included in the income ambit and Analysis of Income note
- where departmental income is classed as non-budget by the Treasury
- where there is a legal obligation to surrender the income.

2.61 The Estimate provides details of expected CFERs in an Analysis of CFERs note (see paragraphs 3.32-3.34).

2.62 Where any income or cash is CFERed, it is the responsibility of the department to pay over the correct amount of receipts promptly to the Consolidated Fund. The Treasury has no responsibility for such receipts until they have been credited to the Consolidated Fund. Where a department has CFER receipts it should normally authorise the Government Banking Service (GBS) at monthly intervals to transfer the balance of extra receipts held from their Estimates to the CFERs Payover Account. The Treasury's Exchequer Funds and Accounts (EFA) team is responsible for the administration of the Government Banking System (GBS), CFERs Payover Account and the transfer of CFERs to the Consolidated Fund.

2.63 If an overpayment or other payment in error has been made to the Consolidated Fund the Treasury may, with the further approval of the Comptroller & Auditor General, agree to repay the money from the Fund. But it will not be able to do so if the account for which the year in which the overpayment was made has been indelible¹³. The authority for this is provided in section 4 of the Government Resources and Accounts Act 2000.

¹³ That is, it cannot be further amended. Accounts are normally considered indelible once they have been signed off by the Comptroller and Auditor General, the head of the National Audit Office (NAO).

2.64 If repayment is not considered appropriate a department can seek provision for repayment through the Supply Estimate process. Where a repayment has to be made urgently, an advance from the Contingencies Fund may be sought in order to allow payment before the Estimate provision is available.

Virement

2.65 Virement relates to the reallocation of provision in the Estimates without the need for a Supplementary Estimate to obtain parliamentary authority. Virement reallocates underspends on one part of the Estimate to cover overspends on another part of the Estimate.

2.66 Virement between sections and subheads is possible because Parliament does not vote limits at this level of detail and has delegated authority to the Treasury, and through the Treasury to departments, to allow virement. This flexibility is particularly useful given the fact that departments should not try to build provision for contingencies into their Estimate.

Virement rules

2.67 The use of virement is subject to the specific rules set out below. Unless stated otherwise (see sections 2.74-2.76), departments have the delegated authority to make virement decisions themselves.

2.68 Virement applies to voted provision only. Estimates, where relevant, will include non-voted budgetary spending by the department. A department cannot seek to vire provision from a non-voted section into a voted section, as this would increase voted expenditure above the limit set by Parliament; such a transfer could only be achieved through a Supplementary Estimate. However, if a department wanted to increase spending on a non-voted section by making savings in another section in the same part of the budget (whether voted or non-voted), it could do so without the need for changes to the Estimate (though this should be included if a Supplementary Estimate were being presented for other reasons).

2.69 Virement cannot take place between voted budgetary limits. Virement can only take place within the budgetary limits voted by Parliament (Resource DEL; Capital DEL; Resource AME; Capital AME; Non-budget). An increase in provision in one such limit, even if offset by a reduction in another, would require both the budgetary cover in the limit being increased and a Supplementary Estimate to obtain the necessary parliamentary approval.

2.70 There can be no virement between resource and capital provision. This is in line with Treasury budgeting rules and reflects the fact that Parliament votes separate limits for resource and capital.

2.71 Virement can only cover activities clearly authorised in the Estimate. Provision can only be vired into expenditure covered by the relevant ambit. The virement would also normally be to an existing section within the voted limit. The opening of a new section can be agreed where appropriate but is subject to prior Treasury approval.

2.72 Virement between sections and subheads. Departments are allowed to vire freely between programme subheads/sections, between administration subheads/sections, and from administration to programme subheads (both within and between sections), provided these are within the same voted limit. This gives departments flexibility to manage within their voted budgets to reflect changing priorities, and subsequently report their performance to Parliament. Virement from programme to administration subheads requires Treasury approval (see first bullet in paragraph 2.76 below).

2.73 Virement involving negative sections/subheads. Where a department has a negative section or subhead (meaning that related income is expected to be greater than related spending), virement into this section from a section with a positive voted limit is allowed provided none of the other virement rules are breached. Virement out of a negative section would imply reallocating income from that section to another section and would require Treasury authority (see fourth bullet in paragraph 2.76 below).

2.74 Virement is not allowed where:

- the amount involved is significant in relation to the Estimate as a whole
- the spending supported by the virement might be viewed by Parliament as either novel or contentious
- it would imply significant liabilities for further spending in future years
- the provision is from a Departmental Unallocated Provision (DUP) section. Where the department has included a section for DUP, this section will be voted but the department is not able to vire this provision into any other section and will need a Supplementary Estimate to make it available. This reflects the fact that a DUP section is not asking for provision for specific spending and the provision sought in this section is removed in the reconciliation to the net cash requirement
- there would still be a breach of the Net Cash Requirement

2.75 Whether any of these restrictions apply will depend on the circumstances of each case. If in any doubt, the department should contact the Treasury for guidance.

2.76 Virement requires specific Treasury approval where:

- provision is being moved from programme to administration subheads and therefore implies an increase in the administration budget within Resource DEL. Such virement will only be agreed if the departmental administration budget has sufficient cover (perhaps through use of administration Departmental

Unallocated Provision, any approved carry-forward of unused administration budget provision or a claim on the DEL Reserve).

- the virement is into a new section not included within the last Estimate approved by Parliament.
- Treasury has ring-fenced particular budgetary provision (e.g. a policy budgetary boundary) and virement would impact on that provision
- the department wishes to vire income from one section to another. Such virement will only be approved where the income has an appropriate relationship to expenditure in the section into which it is being vired. The presumption is that as the income is already on another line there is no such connection.

Refusal of virement

2.77 If the Treasury refuses a request for virement approval the implications will depend on the timing:

- If the virement request is made before the end of the financial year the department must either postpone or forego the expenditure or, if time allows, seek a Supplementary Estimate.
- If it is either too late to present a Supplementary Estimate (yet the expenditure is unavoidable) or it is after the year-end, the department will incur an Excess Vote, even if provision on the Estimate as a whole, or relevant control limit, is underspent. Where the Treasury refuses virement they will provide details to the Comptroller and Auditor General. Treasury ministers have a high bar for refusing virement and therefore bringing specific breaches (such as ringfence breaches) to the attention of Parliament and the Public Accounts Committee should be exceptional. The NAO will consider any breaches of this nature as material and an Excess Vote and accounts qualification will arise automatically.

Role of the National Audit Office

2.78 The Comptroller and Auditor General will not give his opinion on the departmental accounts before any virement issues have been agreed. Parliament is not specifically informed of the exercise of virement, but the Comptroller and Auditor General may report any use of virement to which Parliament's attention should be drawn, including any virement refused by the Treasury.

Applications for virement approval

2.79 Where Treasury approval of virement is required the department should send a formal application to the Treasury spending team. The request should be made as soon as the department is reasonably

confident that the outturn figures will not change. The request should provide the following information:

- the precise (quoting the relevant budgetary limit, section and subhead in the Estimate) overspend(s) that the department wishes to be met from savings
- the precise (quoting the relevant budgetary limit, section and subhead in the Estimate) underspend(s) that the department wishes to use to meet the overspend(s)
- the reason the overspend(s) occurred
- if relevant, what action has been, or will be, taken to avoid a recurrence in the future
- a copy of the draft Statement of Parliamentary Supply to the accounts
- a copy of any relevant drafts of notes to the accounts (e.g. relating to staff numbers, other administration costs, income, etc).
- any other information as requested by the Treasury to support a virement application.

Excess Votes

2.80 Parliament regards taut estimating as essential to proper parliamentary control of Supply. This inevitably involves a risk that the sums voted may be exceeded but Parliament regards this risk as less objectionable than the inclusion in Estimates of margins for contingencies or the artificial manipulation of Supply provision at the end of the financial year.

2.81 Departments must make every effort to ensure that expenditure does not exceed the limits and restrictions as set by Parliament. Any expenditure outside of these controls will result in an 'Excess Vote'. Such expenditure potentially undermines parliamentary control over public spending and must be subsequently accounted for to Parliament. If an Excess Vote due to an overspend appears probable the department must make every effort to avoid the excess by reducing or postponing expenditure on that service, or other services within the budgetary limit. It must not, however, postpone payments that are due and fully matured.

2.82 An Excess Vote will arise because of:

- a breach of the voted Resource Departmental Expenditure Limit (RDEL)

- a breach of the voted Capital Departmental Expenditure Limit (CDEL)
- a breach of the voted Resource Annually Managed Expenditure (RAME)
- a breach of the voted Capital Annually Managed Expenditure (CAME)
- a breach of the voted non-budget limit (VNB)
- a breach of the net cash requirement (NCR) for the Estimate
- a breach of the administration budget limit within Resource DEL (Admin RDEL)
- incurring expenditure on an activity that is not covered by the relevant ambit
- use of income to fund spending where the income is of a type not covered by the relevant ambit
- a departmental decision on virement being rejected by the Treasury
- refusal of virement where explicit Treasury approval is required (e.g. a ringfence, programme to administration; see paragraph 2.76)
- the Treasury declining to relax a breached spending ringfence

In addition to the above, an Excess Vote may also occur due to the absence of any other relevant Treasury authority.

Excess Votes and negative voted limits

2.83 It is possible for a department to seek approval for a negative budgetary limit or net cash requirement. This is most likely to occur where the department meets all expenditure from income or expects to sell a valuable asset.

2.84 Where Parliament has voted a negative limit this implies a net surplus of income over expenditure and the department will incur an Excess Vote if the activities within that budgetary limit fail to generate sufficient surplus income. This might occur for a number of reasons; perhaps because the expected level of income fails to materialise or because the department increases expenditure elsewhere. The implications of breaching a negative voted limit are the same as for breaching a positive limit and the process for correcting this through the Excess Vote procedure are also the same.

2.85 In such cases the department will have failed to generate the expected level of income/cash and/or to reduce spending accordingly. Such additional spending may well be incurred through:

- financing the spending by managing working capital
- non-cash costs (such as depreciation)
- using cash the department is not authorised to retain and use (such as receipts related to income that was due to be surrendered to the Consolidated Fund).

Applying excess cash against overspends elsewhere

2.86 The Net Cash Requirement relates to spending within the Estimate as a whole and is not ring-fenced between any of the other voted limits. If one part of the Estimate (e.g. Resource DEL) generates additional income but doesn't increase spending the department will (all other things being equal) end up with lower outturn than the limits voted for Resource DEL and the Net Cash Requirement. This would automatically offset, in part or whole, any overspend impacting on cash elsewhere in the Estimate.

Procedure for dealing with an Excess Vote

2.87 An Excess Vote may become apparent just before the end of the financial year (when it is too late to submit a Supplementary Estimate, or to reduce expenditure to avoid the excess), or some time afterwards, most commonly when the accounts are being prepared. Once the relevant accounts are completed and the exact amount of the excess is disclosed, the Comptroller and Auditor General reports to the Public Accounts Committee (PAC) and the PAC reports to the House of Commons. The PAC may examine the department concerned on the causes of the excess and report the results of its examination.

2.88 The reason for the excess occurring will be fully reflected in these reports. Parliament is likely to regard expenditure outside of the ambit as particularly unsatisfactory since the department has incurred expenditure on activities for which parliamentary authority wasn't sought, even if the amount was within voted limits. Where a voted limit is breached consideration will be given to the reason for the breach and the extent, if any, to which the department was at fault.

2.89 The NAO and PAC reports are usually produced in the winter after the end of the financial year to which the excess relates. Following the PAC's report to Parliament the Treasury presents a Statement of Excesses, usually alongside the Supplementary Estimate, that seeks parliamentary authority for the excess spending.

2.90 Under House of Commons Standing Orders, if the Public Accounts Committee has reported that it sees no objection to the necessary sums being provided by an Excess Vote, the question on the motion to approve them is put without debate. This is usually done in

February alongside the motions relating to the Supplementary Estimates, and given authority in the subsequent Supply and Appropriation Act.

Payments or transfers of provision between departments

2.91 There are a number of instances where a department might transfer provision, or make a payment using Estimates provision, to another department. Where this happens it is important both that the correct recording for the particular transaction is made and that all the departments involved record the transaction consistently.

2.92 The main types of transactions that might take place between departments are:

- payments for services: one department buys goods or services from another
- Budget cover transfers: one department transfers some budgetary (e.g. resource DEL) provision to another department simply to help meet the second department's costs
- machinery of government (MoG) changes: responsibility for a continuing function is transferred from one government department to another.

Payments for services and budget cover transfers

2.93 Where departments provide services for one another the provider department should 'hard charge' the recipient department so that the full costs of meeting that department's objectives can be clearly seen. Hard charging means that departments issue invoices for goods and services, which the receiving department will then settle with a cash payment.

2.94 The distinction between a budgetary transfer and a payment for a service is not necessarily always obvious. It is important to get the treatment right because otherwise the Estimates could be misleading and fail to properly identify who is making the decisions and who is properly accountable for the expenditure. In making the judgement departments should consider the reasoning behind the transaction and which department's objectives are being supported by the final expenditure. To give some examples:

Payment for a service

- department A has responsibility for health issues and chooses to meet part of its responsibility for child vaccinations by making a contribution to department B (with responsibility for schools), so that department B can instigate a vaccination awareness programme in schools. This meets the objectives of department A and should be treated as a payment for a service provided by department B. Department A's Estimate should show a payment relating to child vaccinations and department B's Estimate should show income (from department A), offsetting expenditure on the vaccination awareness programme. The net cost would fall within department A's Estimate

Transfer of budgetary cover

- department C is within the same departmental grouping as department D and reports to the same Secretary of State. Department D has to meet some unexpected additional expenditure and department C, which has some spare capacity within its budget, is asked to transfer some budgetary cover to department D. This does not directly meet the objectives of department C and should be regarded as a budgetary transfer. This would not appear as a payment from one department to another in their Estimates. Department D would need to seek the necessary voted Estimates authority to incur additional expenditure supported by the additional budgetary provision. Department C would reduce its budgetary provision accordingly and would present a Supplementary Estimate if this were voted provision.

2.95 If departments are in any doubt as to the correct treatment of any transaction, they should contact their HM Treasury spending team in the first instance.

Payments related to co-funded NDPBs/ALBs

2.96 Some NDPBs/ALBs are funded from two or more departments, or may be funded both by Westminster departments and devolved governments. In such cases there must be one sponsor department responsible for the NDPB/ALB and through which all funding is channelled.

2.97 All other bodies will make funding contributions to the spending of the ALB/NDPB to the sponsor department. Such contributions will be treated as grant payments (there are accounts on the database specifically for such payments and receipts) within the department's budget (split between resource/capital and DEL/AME as appropriate). The sponsor department will treat such receipts as negative budgetary income. The contributing departments are therefore making a cash payment that equates to their budgetary contribution to the NDPB/ALB's spending.

2.98 The spending of the co-funded NDPB/ALB then impacts on the sponsor department (it forms part of its budget, Estimate and accounts) in the normal way.

Machinery of government (MoG) changes (and other transfer of functions)

2.99 This section relates to those circumstances where responsibility for a continuing function is transferred from one government department to another, or where a department is broken up. Where such a transfer takes effect from the start of a financial year and can be anticipated in the Main Estimates for that year, no transfer of provision needs to take place through the Estimates; the receiving department will simply take on the new activity as it would for any other new service.

2.100 Where the transfer takes place in-year, following approval of the Main Estimates, Supplementary Estimates will be required for the affected departments in order to reallocate the relevant budgetary provision and other spending authority. Where appropriate, a Transfer of Functions Order must have been made before the machinery of government change can be reflected in Supplementary Estimates.

2.101 Departments should observe the following key points when reflecting machinery of government changes in their Estimates:

- machinery of government changes in isolation do not affect overall levels of public expenditure and should not affect the spending power of either the transferring or the receiving department (i.e. neither department should be left better or worse off as a result of the reallocation of budgetary cover or Estimates provision)
- the transfer must completely net out (at all control levels) between the two departments. To the extent that the transferred function now requires provision in excess of that being transferred from the

previous department, this is not part of the machinery of government change

- the reallocation must be completely offsetting and both the transferring and the receiving department must ensure that the information each provides is checked and agreed with the other department to ensure that the information is complete, consistent and correct
- departments should start the process of agreeing functions and levels of provision to be transferred as soon as the machinery of government change is announced
- the receiving department takes on full responsibility for the transferred function, including accountability for the history, and will be accountable for any overspend against the Estimate provision being transferred to it
- the Treasury will update Accounting Officers' appointments after the relevant Supplementary Estimates have been approved by Parliament
- Accounting Officers in both the transferring and receiving departments must have due regard for their responsibilities in the transitional period (i.e., the period after the machinery of government change has been announced and before the Supplementary Estimate is passed), and remember that whilst the transfer may take place in-year the Accounting Officer of the receiving department is accountable for the function for the full financial year. Accounting Officers in receiving departments should ensure that they seek appropriate assurances about values of transferred items and receive all documentation relevant to the function from the transferring department. Conversely, the transferring department must provide the necessary information.

2.102 To give effect to a machinery of government change the transferring department will:

- explain the changes in the Introduction to the Estimate
- add a footnote against Part I to explain the changes to the various limits resulting from this transfer (see also paragraph 3.14)
- remove from the Estimate any provision (voted or non-voted, resources, capital and cash) related to the transferred function
- remove from the Estimate any income related to the transferred function
- amend working balances (stocks, debtors, creditors) by removing those related to the transferred function.

2.103 The receiving department will:

- explain the changes in the Introduction to the Estimate
- add a footnote against Part I to explain the changes to the various limits resulting from this transfer (see also paragraph 3.14)
- add to the ambits in the Estimate any necessary references related to the transferred function (note that the transferring department will also retain detail of the transferred function in its ambit for that financial year)
- increase its provision by the full year requirement related to the transferred function (setting up new sections within the Part II: Subhead detail table where necessary)
- add any income related to the transferred function
- amend working balances (stocks, debtors, creditors) by adding those related to the transferred function.

2.104 The Accounting Officer in the transferring department will continue to have formal responsibility for the transferred function up until the point at which the Supplementary Estimate and related legislation is approved. From this point onwards the Accounting Officer in the receiving department will take on full responsibility for the transferred function, not only for future actions but for the history also.

2.105 Following the transfer of provision through the Estimates, the receiving department (which will now have the full year's provision – resources, capital and cash – relating to spending on the transferred function) will need to repay the transferring department for any net cash expenditure it has already incurred on the transferred function in the year to date. This should be done as soon as possible, and certainly well before the end of the financial year.

2.106 When amending the net cash requirement within the Supplementary Estimate, departments should ensure that the assumptions made as to when any interdepartmental debtors/creditors will be settled are consistent between departments. In particular departments should agree when they expect such balances to be settled in relation to the financial year. If one department assumed that a departmental debtor/creditor would be settled after the year-end, the estimated net cash requirements of the two departments would not increase/decrease by the same amount.

Prior Period Adjustments (PPAs)

2.107 Prior period adjustments (PPAs) are adjustments applicable to past years and are required in Estimates where data for an earlier year needs to be restated. As such, PPAs are primarily an accounting concept. They negate the need to re-open accounts where an error or omission is found from previous years, or where a department makes a

change in its accounting policies. All PPAs should be discussed with the line auditor at the earliest opportunity.

Types of PPAs

2.108 From a Supply perspective PPAs fall into two categories:

- a restatement of data following a change in accounting standards, or other changes to accounting policy, or
- the correction of an error or omission in the previous recording of data, or the department changes accounting policy on its own initiative.

2.109 In terms of Supply (the provision of money from Parliament) and budgets the government is primarily interested in the *second kind* of PPA, where an error or omission has been discovered, or the department changes accounting policy on its own initiative (ie not an externally driven change in accounting standards), or other departmental action. This is because changes initiated by the department, or an error in previous recording, have the potential to change net budgets and thus the reported outturn for previous years. In such cases it is proper that Parliamentary authority is sought for the budgetary cover that should have been sought previously had the expenditure been identified correctly.

2.110 PPAs obviates any need to re-open accounts that have been signed off by the Comptroller and Auditor General (C & AG) of the National Audit Office (NAO), but also provides – retrospective - parliamentary authority for the expenditure. PPAs must therefore be included in voted Supply in an Estimate.

Externally driven changes

2.111 Where a PPA results from a change in accounting standards, this is treated as a classification adjustment for budgets. There is no net impact on budgets, and the Supply sought at the time is correct. There is therefore no need to seek voted Parliamentary authority for the PPA, but rather the accounting policy change and its impact on prior year data should be identified in “Note F Accounting Policy changes” in the next available Supply Estimate (see paragraphs 3.40-3.41).

PPAs caused by a change in accounting policy

2.112 PPAs are most likely to occur where a department initiates a change in accounting policy, as it is under the control of the department as to when it happens. The department should seek non-budget cover for the PPA, where the PPA accounts for all previous years’ expenditure, stopping at the resource accounting implementation year of 2001-02. This is required even when the Department is in a position to fund the expenditure from budget cover if it had been recognised in the correct year initially, i.e. there were underspends in the years affected.

PPAs discovered whilst accounts are being compiled

2.113 If the need for a PPA is discovered whilst resource accounts are being compiled, it will be allocated to the non-budget section of the Statement of Parliamentary Supply (SoPS). The PPA should reflect the prior year data only, but capped by the start of resource accounting in government, i.e. departments should not seek cover for events prior to 2001-02, the first full year of resource accounting.

Excess Votes caused by lack of non-budget cover

2.114 Normally departments do not have any non-budget budget provision, unless a PPA is recognised when compiling an Estimate. PPAs discovered during the compilation of accounts could not have been foreseen: the lack of any or sufficient non-budget provision in the Estimate will lead to an Excess Vote. The normal process for regulating Excesses will then be followed. Only genuine PPAs should score in non-budget controls. Departments should not include a contingency in the control simply to avoid an Excess Vote.

2.115 Occasionally, when auditing the accounts the NAO may allow PPAs that are not material to be absorbed within the current year budget instead of passing through the non-budget control. Whilst there is no such concept of materiality in budgets (the database goes down to the nearest £ 1,000), if the NAO has accepted a PPA as not material, to be absorbed in that year's budgets, then HMT will follow suit.

Negative PPAs in an Estimate

2.116 Whilst it is possible to have negative PPAs in accountancy terms, Supply does not require Parliament to approve a smaller number. Parliament approves a ceiling for expenditure against which departments are judged: it has no need to vote something which is already within an approved limit. This is in contrast to increases, where Parliament expects to see a Voted PPA.

Recording PPAs in an Estimate

2.117 Where it is agreed that a PPA should be voted, it should appear in the non-budget control section within the Estimate. This reflects the fact that the PPA has no impact on the current year's budget figures (though it might impact on prior year figures). The PPA should reflect prior-year data only. Where the change impacts on the current year also, this should be voted as part of the normal budgetary requirement within the Estimate.

2.118 Once the year in which the PPA features has ended, the PPA should be removed from the non-budget provision for that year and departments should re-state budgets to reflect the true budgetary hit (DEL or AME, resource or capital) in the years affected on the database. This will ensure that the budget reflects the true outturn. Note that the database will only hold outturn for five previous years: any impact

beyond that cannot be captured electronically but should be reported in the accounts and voted in the Estimate.

2.119 For example:

- A PPA is included in a main Estimate in year 3
- The PPA seeks authority for spending which occurred in years 1 and 2 resulting from a change in departmental accounting policy.
- The Main Estimate for year 4 will remove the PPA when showing provisional outturn for year 3, but will add the relevant spending from the PPA to the outturn data for year 2 (and year 1 if it showed that year).

Chapter 3

Estimates: content and format of publications

Content of Supply Estimates

Summary

3.1 Most departmental Supply Estimates are presented to Parliament by HM Treasury as part of a single publication. The format and content of the Estimates is set by the Treasury to ensure consistency of approach. The Treasury consults Parliament before any significant changes are introduced. As set out in paragraphs 1.28-1.31, departments must follow the format as set by the Treasury and must obtain Treasury approval for the presentation of any Estimates.

3.2 The database is used to generate much of the data (outputting into Excel spreadsheets) for Main and Supplementary Estimates. It is vitally important therefore that the Treasury database holds complete and accurate information.

3.3 Estimates are broken down into three main parts:

- Part I: this provides the key information that the House of Commons will subsequently be asked to vote, and which will appear in the Supply and Appropriation Act
- Part II: provides a more detailed breakdown of the data generating the key voted limits set out in Part I
- Part III: provides supplementary information, both to help understand the data in Parts I and II and to add further information about elements of departmental, and its consolidated bodies, spending.

3.4 Tables and notes in Main Estimates generally provide not only current year plans but also comparative data for the previous two years; the final provision for the previous year and the final outturn for the year before that. Unlike Main Estimates, the Supplementary Estimate tables and notes generally contain no prior year data (though any prior period adjustments identified in the Accounting Policy note will provide prior year data), focussing only on the current year. However, many Supplementary Estimates tables and notes provide a split of current year data by existing provision, changes sought and revised provision.

Introduction

3.5 The aim of the Introduction to the Estimate is essentially to explain the main purpose of the Estimate. Brief guidance is provided at Annex A. For Main Estimates, the Introduction will usually be fairly short, though it will still want to say in general terms what the provision sought in the Estimate is to be used for and to explain any significant differences compared with provision sought in the previous financial year.

3.6 For Supplementary Estimates, the Introduction will need to provide a clear picture of why the Supplementary is needed and explain significant changes compared with the Main Estimate. Each of the budgetary limits (whether voted or non-voted) amended by the Supplementary Estimate should be clearly identified and explanations provided as to how planned increases in spending are being financed (e.g. whether through any reallocation of prior year underspends, a transfer from Departmental Unallocated Provision, or a DEL Reserve claim).

3.7 It is not necessary for the Introduction to identify every individual change taking place in a Supplementary Estimate. Departments might sensibly want to group related, or smaller, changes.

Part I

3.8 Part I of an Estimate provides the key information that will be voted by Parliament and subsequently obtain legal authority in a Supply and Appropriation Act:

- voted resource and capital budgetary limits for both DEL and AME (as relevant). (Any non-voted budgetary spending is also identified in Part I, but does not appear in the Supply legislation)
- any voted spending outside the budget
- the Net Cash Requirement for the Estimate
- the expenditure and income ambits for each budgetary limit and for any voted spending outside the budget

Ambits

3.9 It is vitally important that the ambits set out, in concise terms but providing the necessary level of detail, the full list of activities upon which income will be generated, or expenditure incurred, within the relevant budgetary control. Unless it is covered by the ambit description expenditure cannot take place and income cannot be retained.

3.10 An ambit is essentially function based (i.e., it will describe the activities relating to the expenditure or income) and the list of activities it contains should read-across, in broad terms, to the sections contained in the Part II: Subhead Detail table. Departments can only incur

expenditure if it is within the relevant budgetary and cash limits and is properly reflected in the relevant ambit. Any expenditure outside of that described in the ambits would result in an Excess Vote.

3.11 Separate ambits are required where the Estimate contains any of the following:

- voted DEL expenditure
- voted DEL income
- voted AME expenditure
- voted AME income
- voted non-budget expenditure
- voted non-budget income.

3.12 Departments should follow these guidelines when considering what their ambits need to contain:

- the purpose of the ambit is to provide an informative and appropriately detailed description of the department's **functional activities** on which expenditure authorised through the Estimate is to be incurred, or on which income set out in the Estimate is expected to be generated
- the description of the particular activities incurring expenditure or generating income must be sufficiently detailed to satisfy the NAO auditor that expenditure has taken place, and income has been retained, only in accordance with the ambit. Notwithstanding this requirement, ambits should also be clear and concise, avoiding over-long and wordy descriptions
- once an ambit has been approved by Parliament and included in the Supply legislation it cannot have data removed in subsequent Estimates during that year. Where there is a machinery of government change, the transferring department will retain the relevant descriptions from the ambit in order to provide the continuing authority for any spending that took place prior to the transfer and the receiving department will add the ambit details relating to the transferred function to provide the authority for expenditure through to the end of the financial year
- The ambit can only have descriptions of functional activities added to it. Such additions should be made at the end of the existing ambit after an asterisk. In the Main Estimate for the next financial year the ambit should then be amended as necessary, removing functional activities no longer required and grouping the descriptions of included activities into a logical order
- the ambit does not need to be constructed as a single long list of activities, broken up only through semi-colons and potentially running on for several pages. The text should be grouped into a logical and helpful order of activities and split into separate sentences and paragraphs where appropriate

- functional activities included within the ambit must relate to one or more sections in the Part II: Subhead detail table. Departments cannot include activities that are not related to provision included in the Estimate
- the ambit does not need to list the types of expenditure (or income) related to each activity (e.g., teachers' salaries, purchase of school books, refurbishment of schools), only the activity itself (e.g. primary schools, secondary schools)
- acronyms should only be used where the term has previously been reproduced in full within the ambit and the acronym shown in brackets afterwards
- it is not normally helpful to refer to expenditures (or incomes) as authorised by particular legislation and to simply refer to that legislation. Much departmental spending is authorised through legislation, but this is rarely quoted. Where possible, instead describe the functional activities to which the spending (income) relates
- where departments are required to include the spending of designated ALBs within their Estimate, they do not need to refer to the list of functional activities related to that body, as they would for the department. Instead, the department should either refer to the individual body (where it is large and/or high-profile – e.g. 'expenditure by the Environment Agency', 'expenditure by the Medical Research Council') or to a generic group of such bodies (where there are a number of bodies performing the same general activities - e.g. 'expenditure by museums and galleries', 'expenditure by NHS Trusts'). ALB spending normally appears net of budgetary income in the Estimate and so these bodies are not referred to in income ambits. The treatment of these bodies in ambits reflects their closely defined responsibilities and the arm's length control that is generally applied
- where relevant, departments should include a phrase covering non-cash items at the end of each ambit. This may need something other than 'and associated non-cash items', since non-cash items in AME may well be associated with spending in DEL rather than in AME. For AME, the ambit might include something like 'and provisions and other non-cash costs falling in AME'.

3.13 Additionally, in Main Estimates, a table provides details of the amounts already allocated in the Vote on Account and the subsequent balance to complete (or surrender).

Footnotes

3.14 Part I will also contain footnotes, where appropriate, to provide other relevant information. Footnotes must be provided in the following circumstances:

- when the Department name has changed since the Vote on Account (in the case of the Main Estimate) or since the Main Estimate or any Revised or out-of-turn Supplementary Estimate (in the case of the Supplementary Estimate), the department name at the top of Part I should be footnoted. The footnote must state: the previous name; the publication in which this last appeared; the effective date of the change
- when provision has been sought within the Estimate for spending on services that are subject to the approval of legislation. The Estimate can include such provision only if the legislation has passed Second Reading in the Commons prior to the Estimate being published. The footnote must appear against the relevant control limit(s) and state:
 - the amount(s) sought
 - the title of the Bill
 - confirmation that no expenditure will take place unless and until the legislation comes into force
- where the department has obtained, or is obtaining, an advance from the Contingencies Fund it should include a footnote (against the relevant control limits) stating:
 - how much has been advanced from the Contingencies Fund;
 - the purpose of the advance;
 - when the advance will be repaid.

Since Parliament must, wherever practicable, be informed of Contingencies Fund advances before they are made, such footnotes will not usually represent the first formal notification to Parliament, as notification would usually be made initially through a written Ministerial Statement

- where the Estimate reflects a transfer of functions (machinery of government change) between departments. All departments affected by the transfer, both those transferring and receiving functions, must provide a footnote. The footnote must appear against the relevant control limits and must state:
 - the function or functions that are being transferred
 - the effective date of the change
 - the other department(s) involved in the transfer
 - the proposed changes to control limits, voted non-budget limits and the net cash requirement that result

from the transfer of functions (which would be a reduction in the case of the transferring department and a matching increase in the case of the receiving department).

Part II: changes proposed (Supplementary Estimates only)

3.15 This table, which only appears in Supplementary Estimates, identifies the sections (the Estimate lines, from the Part II: Subhead detail table) for which a change in provision is sought, together with the amount of the change and any consequential changes to the net cash requirement.

3.16 Only those sections where provision is changing (including those where offsetting changes to gross spending and income mean no net change, or have a token vote) are included in this table. Any new sections, not in the Main Estimate, should appear at the end of the relevant control limit (e.g. if voted DEL had sections A-D in a Main Estimate and the department added a fifth section in the Supplementary Estimate, this would become section E; if section E in the Main Estimate had been the first section in non-voted DEL, this would become section F in the Supplementary Estimate; and so on for subsequent sections).

Part II: Subhead detail table

3.17 This table provides a useful breakdown of the resource and capital requirements and consists of a matrix that divides the total provision sought into various categories:

- the table is divided vertically into three sections – resources, capital and (in Main Estimates) figures for the prior-year
- columns 1–6 provide details of resource provision, split by administration and programme, and within each of these by gross spending, income and net spending. Columns 7-9 provide the same detail for capital (but without the administration/programme split as all capital is programme). Columns 10 and 11 provide comparative net totals for (total) resource and capital for the previous year
- the table is divided horizontally primarily by the relevant budgetary control totals (DEL, AME, non-budget). These budgetary limits are in turn divided into voted and non-voted spending (though all non-budget spending in Estimates will be voted). Within each of these headings the department will create one or more sections (Estimate lines) that provide a breakdown of the spending plans between relevant areas or functions. Estimates must be taut and realistic and departments should, therefore, include in their Main Estimates appropriate sections for all the functions they expect to carry out during the course of the year, even if the actual amount of spending is somewhat

uncertain (Sections should reflect the best estimate of the amount involved, not simply a token amount to open the section).

3.18 How many sections departments have in this table is largely down to the department, having regard to any views provided by the departmental select committee and the Treasury. Departments should aim to split their spending within each control limit into appropriate functional blocks (e.g., 'Roads', 'Railways', 'Shipping'). Where the Treasury has designated other bodies (NDPBs and other arm's length bodies) to be consolidated within the Estimate the department should:

- include these bodies in separate sections to departmental spending
- where appropriate, group (some or all of) these bodies together within a single section
- include '(net)' at the end of the description for the section (to reflect the fact that ALB income is directly netted off gross spending in the Estimate).

3.19 In Main Estimates, sections should always have data in them, even if only for the prior year (known as a 'dying line'). Such 'dying lines' should appear at the end of the relevant control limit (i.e. behind all sections under that heading with data in the current year). In Supplementary Estimates a section could have no data if it had been moved (perhaps elsewhere in the Estimate or as part of a machinery of government change).

3.20 In Supplementary Estimates this table is called the 'Part II: Revised subhead detail' and, as the title suggests, it provides a new subhead detail table reflecting changes sought in the Supplementary Estimate. Its structure is exactly the same as the table in the Main Estimate except that it does not include the columns for the prior year comparative data. As with the 'Changes Proposed' table, any new sections not in the Main Estimate, and any sections for which all data has been removed, appear at the end of the relevant control limit (e.g. voted resource DEL). All subsequent sections will be re-lettered accordingly.

Part II: Resource to cash reconciliation table

3.21 This table identifies the adjustments necessary to reconcile from the total net resource and capital requirements to the net cash requirement. The reconciliation works as follows:

- Start with the total net resource and capital requirements (the sum of columns 3, 6 and 9 in the Part II Subhead detail table – this includes voted and non-voted data).
- Remove non-cash items: depreciation, new provisions and movements in existing provisions; Departmental Unallocated Provision (DUP); supported capital expenditure (revenue); prior period adjustments (PPAs); any other non-cash items (these should be agreed with the Treasury before inclusion).

- Adjust for arm's length bodies and non-departmental public bodies by removing all their resource and capital provision and adding the grant-in-aid to be paid to them (Note that this adjustment means that all other adjustments in this table apply to the departments and its agencies only: ALB/NDPB data are excluded.)
- Adjust for movements in working capital (stock, debtors, creditors)
- Add the cash required to fund the sum of any provisions
- Remove any non-voted budgetary provisions (Consolidated Fund Standing Services, National Insurance Fund, etc).

3.22 Note that the adjustments for ALB data are all taken together within the ALB section. The other adjustments, e.g. removing non-cash items, contain departmental data only.

3.23 It is important that the figures in this table are accurate and consistent with those appearing elsewhere in the Estimate. The working capital adjustments should be populated with data as appropriate and, for prior years, should reflect the accounts: they must not be used to make arbitrary changes to the cash requirement to, for example, provide a contingency against unexpected events. Ensure that all consequential impacts are properly reflected in this table (e.g. the purchase or sale of capital assets will normally have a consequential impact on depreciation numbers).

Part III: Note A Statement of Comprehensive Net Expenditure and Reconciliation (SoCNE) table

3.24 The Statement of Comprehensive Net Expenditure (SoCNE) (known as a Forecast Combined Revenue Account in the pension scheme Estimates) shows income and expenditure for both administration and programme costs that fall within the accounting boundary. It therefore includes both voted and any relevant non-voted items (e.g., CFERs that represent operating income, expenditure financed directly from the Consolidated Fund as a standing service or from the National Insurance Fund). The Forecast Combined Revenue Account has a slightly different format: there are no administration costs; details of movements in scheme liabilities, transfers of pensions, pension contributions, etc, are provided.

3.25 The table then provides a summary of how much of the Net Operating Cost falls within each of resource DEL, resource AME or outside of the budget, before showing the adjustments necessary to move from Net Operating Cost to Total Resource Budget:

- adding any **Departmental Unallocated Provision** relating to resource DEL and any **CFERs that are in the budget but outside the SoCNE** (such treatment of income would be highly exceptional)

- removing any **capital grants** (which are in the accounts but treated as capital in budgets), **grants to devolved governments** (which are outside the budget altogether) and any **CFERs that are outside the budget but in the SoCNE** (this should be rare but is a more likely scenario, perhaps because a department generated so much additional income that the excess over a set limit was treated as non-budget)
- finally, including any **other adjustments** not picked up in the rows above.

3.26 The adjustments should provide the Total Resource Budget figure, which is then split between resource DEL and AME. Further adjustments (largely reversing some of the adjustments above) are then made to move from Total Resource Budget to Total Resources (Estimate):

- adding any voted spending outside of the budget: **grants to devolved governments** and any **prior period adjustments** that are voted in the Estimate
- removing any **CFERs that are in the budget** (as mentioned above, such adjustments should be extremely rare)
- finally, including any **other adjustments** not picked up in the rows above.

Part III: Note B Analysis of Income table

3.27 Where a department expects to receive income that is within DEL or AME it must provide in this note details of the source of the income and the amount expected. Although Parliament does not vote a limit on the amount of income that a department can retain, this note helps to safeguard Parliament's interests both by providing information on the level of income the department expects to receive and also by providing details of the types of income expected and the sections within the Part II: Subhead detail table against which such income will offset spending. Only types of income set out in this note may be retained by the department. Any other income would have to be surrendered as a Consolidated Fund Extra Receipt.

3.28 The vast majority of NDPBs and other arm's length bodies (ALBs) appear net of income in the Estimate. In such cases, the income of these bodies is not included within this note.

3.29 The note first provides details of resource income, and then capital. Each of these categories is split by DEL and AME. Resource DEL is further split by administration and programme income.

3.30 Within each of these headings the income is split between various categories (which pick up particular accounts groupings on the Treasury database), such as 'sales of goods and services' or 'Interest and dividends'. Under each of these groupings the income is further split by

identifying the sections (Estimate Lines) within the Part II: Subhead detail table where the income appears.

3.31 The breakdown of income in this note should be consistent with the income ambit(s) in Part I of the Estimate.

Part III: Note C Analysis of Consolidated Fund Extra Receipts (CFERs)

3.32 This note begins with a table that provides details of income, and related receipts, that the department is required to surrender to the Consolidated Fund. There are three different categories of CFER set out in this table:

- resource income in budgets: such income would normally be expected to be included in the Estimate and retained by the department. It would normally only be CFERed if it was of a type not authorised in the Estimate (perhaps because it was unplanned and unexpected)
- capital income in budgets: again, such income would normally be expected to be included in the Estimate and retained by the department
- non-budget amounts collectable on behalf of the Consolidated Fund and in the Statement of Comprehensive net Expenditure (SoCNE): most non-budget income relates to the department collecting tax-type revenues on behalf of government and being included in a separate Trust Statement rather than the department's accounts. Departmental income which is outside the budget should be rare and the department should check the treatment with the Treasury first. This row would also be used to record CFERs of income above the limit allowed to be treated as within the budget.

3.33 Exceptionally departments may have non-budget amounts collectable on behalf of the Consolidated Fund, but which does not feature in the SoCNE table. If departments believe they have such income they should contact HM Treasury.

3.34 Below this is a second table, which provides a more detailed description of the various sources of income or receipts that are CFERed. The breakdown of CFER data should be helpful to readers and should aim to provide a brief description of the functional activity from which the department expects to accrue income (and/or obtain receipts). The table also specifies the budgetary treatment of each category of CFER (although CFERs will usually be outside of the budget a department may occasionally have to CFER unexpected DEL or AME income). The Treasury database generates only the totals for this table: the breakdown of data within the table needs to be completed by the department.

3.35 In Supplementary Estimates these tables appear only where there are changes as compared with the Main Estimate, or any previous

Supplementary Estimate, for that year. If there is no change to the data the Supplementary Estimate will simply say “As in existing provision”.

Part III: Note D Explanation of Accounting Officer responsibilities

3.36 A note setting out the details of whom in the department is accountable to Parliament for the Estimate. In many cases a single, principal, Accounting Officer is responsible for all spending set out in the Estimate. It is possible though for separate, additional, Accounting Officers to be appointed for specific sections (Estimate Lines) of spending within the Estimate, though the Principal Accounting Officer will remain responsible for the Estimate as a whole.

3.37 Where the department has consolidated ALBs within its Estimate the Chief Executive of the ALB will normally be listed as an ALB Accounting Officer responsible for spending within the section(s) in the Part II: Subhead detail table where the NDPB spending appears. The section listed may well contain several NDPBs data and so each NDPB Accounting Officer would be responsible only for their body's element of spending within that section.

3.38 Note that it is the Accounting Officer in place at the time of publication whose name should appear. The note should not anticipate future changes that are expected to occur after publication a department would not publish a Supplementary Estimate simply to note a change in Accounting Officer details.

Part III: Note E Arm's length bodies (ALBs)

3.39 This note lists each arm's length body, including non-departmental public bodies (NDPBs), that is consolidated within the Estimate. For each ALB information is provided on: where it appears in the Part II: Subhead detail table; the amount of resources and capital allocated to that body; the grant-in-aid paid to the body. If a department had several ALBs and aggregated them within the same section in the Part II: Subhead detail table this note would be the only place where details of the provision allocated to individual ALBs was available in the Estimate.

Part III: Note F Accounting policy changes

3.40 This note should set out details of any changes to accounting policies since the previous year's Main Estimate. This includes both changes required by international accounting standards and changes resulting from departmental decisions. Consistency is important to ensure similar treatment of like items within each accounting period and from one period to the next to enable comparison of successive years' accounts, for example to identify trends in income and expenditure. Therefore, changes in accounting policies and practices should generally only be made when those changes will result in fairer presentations.

3.41 The note also provides details of any prior period adjustments (PPAs) impacting on the Estimate. The note identifies whether the PPA is voted in the Estimate (because it relates to an error or omission in a prior year for which voted authority was not provided) or is non-voted and simply reported in this note (because it results from a change in accounting standards). Details of the adjusted figures for the current and previous two years should be provided.

Part III: Note G Expenditure resting on the sole authority of the Supply and Appropriation Act

3.42 The new services rules generally provide that public spending take place only where Parliament has specifically authorised the activity in legislation. However, under certain circumstances (set out in paragraphs 1.10-1.11) the Supply and Appropriation Acts can be used as the sole authority for public expenditure. Where the department does rest expenditure on the sole authority of the Supply legislation it must list the expenditure in this note to the Estimate. Note though that the administrative activities of a government department will often be authorised by a Supply and Appropriation Act alone, but they are not required to be listed in this note.

3.43 This note should identify: the budgetary control limit; the section within the Part II: Subhead detail table where the expenditure is located; the service that is resting on the sole authority of the Act; and the amount involved.

Part III: Note H Expenditure in the form of adjustable advances

3.44 The term 'adjustable advances' is used to cover large advances to local authorities or other bodies, for example to cover the agreed proportion of the cost of a particular service, where subsequent assurances are sought by departments that monies advanced have been spent for the purposes intended. This represents a weakening of departmental, and hence parliamentary, control over the monies. Any necessary adjustment due to differences in the sums charged to the Estimate and the amounts spent should be made on subsequent advances, possibly in a later financial year. Parliament has long expressed the desire to be notified of such expenditure items.

3.45 To the extent that figures include estimates of amounts due to be paid in respect of any year, rather than final sums, Parliament's attention will need to be drawn to the nature of the payments in this note.

Part III: Note I Gifts

3.46 Where departments or their consolidated bodies wish to make a gift worth more than £300,000 and have time to notify Parliament in their Estimate (Main or Supplementary depending on timing) they should use this note to provide details of the gift and the amount involved. There are two main categories of 'gifts': those where government is giving away something it already has; and those gifts,

whether asset or cash, which it plans to obtain in order to give to a third party (i.e., gifting subject to the Supply process). See [Managing Public Money](#), Annex 4.12, for further guidance.

Part III: Note J Staff benefits

3.47 Increased pay delegation has allowed greater flexibility in the way in which staff are rewarded. As a means of ensuring that Parliament does not vote provision for schemes that raise questions of propriety, departments are required to notify Parliament of any unusual (whether because of the amount or the type of benefit involved) expenditure on staff benefits. This may include non-pay benefits also.

Part III: Note K Contingent liabilities

3.48 Parliament is not bound in advance to authorise funds needed to honour any liabilities, unless the liability has been charged by statute directly on the Consolidated Fund. Appropriate reporting arrangements have therefore been agreed between the government and the Committee of Public Accounts to ensure that Parliament is not asked to vote money to meet liabilities of which it has not had reasonable notice or which it could not reasonably have anticipated given the nature of the department's business.

3.49 This note should include details of any contingent liabilities in force which, if they matured, would involve the voting of additional expenditure through the Estimate. This note does not replace the requirement that departments separately report to Parliament contingent liabilities that are outside the department's normal course of business and more than the value in Annex 5.4 of [Managing Public Money](#).

Part III: Note L International subscriptions

3.50 Parliamentary approval for payment (in principle) of international subscriptions has already been given by virtue of the need to seek parliamentary approval to join the organisation to which subscriptions are due. However, international organisations are not open to NAO scrutiny and hence parliamentary control is weakened. Parliament therefore requires that significant subscriptions are brought to its attention. International subscriptions of more than £1 million should be listed in this note. Similarly, international subscriptions of £1 million or more, and those that are large in relation to the rest of the provision in the budgetary limit, should be shown separately in their own sections in the Part II: Subhead detail table, or at least identified in a section containing related expenditure.

3.51 This note should include the following details: budgetary limit and section/subhead (within the Part II: Subhead detail table) where the expenditure is located; the body receiving the subscription; and the amount involved.

Part III: Note M Replacement for Trust statement

3.52 Sometimes departments collect taxes but not in large enough amounts to justify a full-blown Trust Statement. In such circumstances the department can request instead to show the income as an additional Note to the Estimate. The note should detail the tax, fine or charge or the body collecting it and the amounts involved.

Estimates publications

Main Estimates

3.53 The Main Estimates set out, at departmental level (consolidating NDPBs/ALBs and other central government bodies for whom the department has responsibility), the government's spending plans and seek Parliament's authority for provision for the new financial year. The Main Estimates are normally presented around the start of the financial year. As the Estimates booklets are House of Commons papers they can be presented only when Parliament is sitting. Main Estimates should be presented at least two weeks before the related Estimates Day debates in the House of Commons; though in practice the presentation is usually in April or May and the parliamentary consideration is in early July.

3.54 The Main Estimates booklet is presented to Parliament by the Financial Secretary to the Treasury. This includes Estimates for all departments seeking voted authority except those for: the House of Commons: Administration; the Parliamentary Works project, the National Audit Office; Electoral Commission; the Independent Parliamentary Standards Authority; and the Local Government Boundary Commission for England. Estimates for these bodies are presented by the Chairman of the Public Accounts Commission, for the National Audit Office, and the Speaker of the House of Commons, for the others).

3.55 Much of the content of Main Estimates is produced directly from the Treasury database. Departments normally have only to complete the Introduction and some of the later notes to the Estimate. It is therefore vital that departments ensure that the database holds complete and accurate information.

Revised Estimates

3.56 Sometimes the department's requirements may change between the presentation of a Main Estimate and approval of the summer Supply and Appropriation Bill (which, in effect, means during May/June). It would clearly be wrong to ask Parliament to vote provision known to be substantially incorrect and so in such circumstances a Revised Estimate can be presented to replace the Main Estimate. This can only be done if the Main Estimate has not already been approved by Parliament and if the change is significant enough to justify a Revised Estimate rather than awaiting the later Supplementary Estimate process.

3.57 A Revised Estimate cannot be used to seek an increase or decrease in the overall voted budgetary or cash limits. Increases or decreases should be sought through presentation of a Supplementary Estimate. If a department considers a Revised Estimate to be necessary, it should contact the Treasury for advice.

3.58 A Revised Estimate will look much like the Main Estimate that it replaces. Any new sections should be incorporated into the Part II: Subhead detail table of the Estimate under the appropriate budgetary limit. Changes reflected in the Revised Estimate compared with the earlier Main Estimate should be explained in the Introduction.

Supplementary Estimate

3.59 Supplementary Estimates are normally presented in January/February, around two months before the end of the financial year. This means that there is a gap of approximately nine months between the finalisation of figures going into Main Estimates and the finalisation of revisions to those figures for Supplementary Estimates. There is then a further period of three months between the finalisation of figures for Supplementary Estimates and the end of the financial year. This means that departments must have appropriate mechanisms in place to ensure the effective forecasting, monitoring and controls of spending; since the opportunity to amend spending plans will be towards the end of the year and will normally be available only once.

3.60 Supplementary Estimates may substantively increase, reduce or reallocate provision. As with the Main Estimates, they must reflect the department's best view regarding its spending and income for that financial year.

3.61 A department will need to present a Supplementary Estimate in order to:

- seek additional voted spending provision (DEL/AME/Non-budget, resources/capital, and/or cash)
- reallocate voted spending provision between budgetary limits (e.g. from resource DEL to capital DEL) or within a budgetary limit where virement is not appropriate
- reduce voted spending provision
- amend an ambit to add new areas of expenditure or income.

3.62 Although a department would not present a Supplementary Estimate simply in order to amend non-voted budgetary provision or the estimated level of income for a particular activity, all such information should be updated as appropriate when a Supplementary Estimate is presented.

3.63 Changes to provision set out in Supplementary Estimates must be consistent with agreed budgetary limits. The Treasury will not

present Estimates that imply spending outside of budgetary limits or that are inconsistent with the department's agreed policy objectives.

'Out-of-turn' Supplementary Estimates

3.64 Exceptionally, an out-of-turn Supplementary Estimate may be presented at any time during the year when Parliament is sitting. If sought between the normal Main and Supplementary Estimate rounds it would be because urgent additional provision is needed at short notice and this cannot await a normal Estimates round, or be met through a cash advance from the Contingencies Fund.

3.65 The window of opportunity to present an out-of-turn Estimate after the normal Supplementary Estimate round is very small: it still needs to be presented at least 14 days before the Supply Resolution is due to be voted in the House (usually late February/early March) or it will not fall within House of Commons Standing Orders and will be subject to separate debate (probably a debate to suspend the normal conditions within Standing Orders). When taken separately, such out-of-turn Supplementary Estimates will require their own House of Commons Resolutions and Supply and Appropriation Bills and will therefore take up valuable parliamentary time. House of Commons business managers will therefore agree to such an Estimate only when the most pressing circumstances apply, not simply to avoid an Excess Vote.

New Estimates

3.66 A New Estimate is required where a new department is established after the Main Estimates for the year have been presented to Parliament. This might occur where a department is split into two as part of a machinery of government change during the financial year. In this particular circumstance, one department might take on the old Estimate and revise it as part of the next Supplementary round, whilst the second department submits a New Estimate within the Supplementary Estimates booklet. The New Estimate will take the form of a Main Estimate and will provide prior year comparative data for any functions that have been transferred from another department.

Ministry of Defence Votes A

3.67 'Defence Votes A' seek authority for the maximum numbers of uniformed personnel in each of the armed services for the forthcoming year. They are normally presented to coincide with the presentation of the Supplementary Estimate, are approved by resolution of the House of Commons at the same time as the Supplementary Estimate, and are given legislative approval in the Supply and Appropriation Act. This work, and any other issues related to Defence Votes, is undertaken by the Ministry of Defence and HM Treasury is not normally involved other than to add text to the supply legislation.

Vote on Account

3.68 Since formal authority to spend provision included in Main Estimates is not normally granted until July (when Royal Assent is given to the summer Supply and Appropriation Act), provision for the early months of the financial year is provided through what is known as a 'Vote on Account'. The Vote on Account in respect of a financial year is normally presented to Parliament in January/February, prior to the start of the financial year in question and alongside the Supplementary Estimates for the previous financial year. The Vote on Account is a House of Commons paper. The Vote on Account is not appropriated until the summer Supply and Appropriation Act (i.e. alongside Main Estimates) but is given authority until this point through the spring Supply and Appropriation Act.

3.69 The amount of Vote on Account provision allocated to a department is normally a standard of 45 per cent of the budgetary and cash limits already voted for the corresponding services in the current financial year (i.e. taking account of Main Estimates and any Revised or out-of-turn Supplementary Estimates). This is usually sufficient to cover departmental expenditure on continuing services until the summer Supply and Appropriation Act is passed but is also not so high as to prejudice Parliament's consideration of the Main Estimate.

3.70 The Vote on Account is circulated to departments in draft to provide an opportunity for changes to the amounts (or perhaps to department names or to add footnotes) to be sought. Departments should consider whether the standard 45 per cent allocation is appropriate to their spending profile and seek either a higher or a lower amount. Where departments do want to seek additional provision in the Vote on Account they should provide suitable justification. The Vote on Account should be more or less than the standard provision where:

- a change in the content of continuing services within an Estimate is anticipated (e.g. because of a transfer of responsibility between departments)
- the budgetary treatment of a continuing service changes (e.g. moving from DEL to AME), requiring an associated adjustment to the Vote on Account for those budgetary limits
- the profile for the use of budgetary provision and/or cash in an Estimate is expected to be significantly different during the early months of the coming financial year (e.g. if proportionately more contractual obligations arise in the first few months).
- provision is required in relation to a new service for which there is no provision in the current year but for which parliamentary authority through enabling legislation already exists, or has at least completed Second Reading in the House of Commons before the Vote on Account is presented to Parliament.

3.71 If provision is made for a new service, the Vote on Account must be footnoted to identify the Act or Bill involved. Any provision made available by way of a Vote on Account for a new service must not be used, either to finance that service or any other expenditure on the Estimate, until the enabling legislation has become law. Once the enabling legislation comes into force, the expenditure can be incurred without reference to the Treasury. Departments should consult the Treasury if they wish to use Vote on Account provision for urgent expenditure on a service for which it did not provide.

3.72 If enabling legislation has not completed Second Reading in the House of Commons, or parliamentary authority for the new service is to rest on the sole authority of the Estimate and the confirming Supply and Appropriation Act, no provision for related expenditure should be sought in the Vote on Account.

3.73 Where the department covers all expenditure through income no provision should be sought in the Vote on Account. The continuation of the service into the new financial year should be made clear by listing the Estimate in the Vote on Account, albeit with zero provision. Vote on Account provision should never be less than zero.

Statement of Excesses

3.74 The Statement of Excesses sets out the amounts of budgetary provision, cash and/or adjustments to amounts that the government requests Parliament to grant through Excess Votes. Excess Votes are requested if voted Estimate expenditure has exceeded, or otherwise breached, the provision in any of the Estimates approved by Parliament and authorised in Supply and Appropriation Acts. Any excesses are rounded up to the next full £'000.

3.75 The Statement of Excesses is normally presented to Parliament in January/February, alongside Supplementary Estimates and the Vote on Account, some ten months after the end of the financial year to which it relates. Under House of Commons Standing Orders, if the Public Accounts Committee (PAC) has reported that it sees no objection to the sums necessary being provided by Excess Vote, the question on the motion to approve them is put without debate. Authorisation of additional voted budgetary provision and issues from the Consolidated Fund in respect of Excess Votes are given legislative authority in the spring Supply and Appropriation Act.

3.76 The information on Excess Votes is obtained from a National Audit Office report to the PAC. The Statement of Excesses can only be presented to Parliament once the PAC has considered the NAO report and has presented its own report to the House of Commons. The timing of this can vary and the Statement of Excesses may well be presented after the Supplementary Estimates if the processes aren't completed by mid-February. The Statement of Excesses must be presented sufficiently ahead of the Estimates Day debates to enable the related Resolutions to be tabled.

3.77 The Statement of Excesses is a House of Commons paper. It is produced by HM Treasury and is circulated to those departments with Excess Votes in draft for checking and comment. Much of the commentary on the reason for the Excess Vote will be taken from the NAO report and there will be limited opportunity for amendment.

Chapter 4

Alternative Spending Authorities

Consolidated Fund Standing Services

4.1 As was made clear at the start of this Manual, all public spending must have parliamentary authority. Although most such spending by government departments is authorised through the annual Estimates process some charges are instead authorised by Parliament in statute as payable directly from the Consolidated Fund without the need for further annual authorisation. These are known as Consolidated Fund Standing Services (CFSS).

4.2 Examples include: some salaries and pensions of judges and certain other individuals (e.g. the Comptroller and Auditor General); payments to the European Union (EU).

4.3 Since they do not need further authority from Parliament such expenditures appear in the departmental Estimate as non-voted budgetary provision. Similarly, they are removed in the *Part II: Resource to cash reconciliation table* as the department obtains the necessary cash directly from the Consolidated Fund without the need for further authority.

Other Funds

4.4 Parliament may also establish other Funds and allow expenditure to take place out of them without the need for Estimate authority. The National Insurance Fund and the National Loans Fund are examples.

Contingencies Fund

How and when the Fund is used

4.5 The Contingencies Fund enables the Treasury to make repayable cash advances to departments for urgent services, in anticipation of provision for those services by Parliament. This is consistent with the principle that no provision may be utilised by a department on a service until Parliament has provided the necessary authorisation. Parliament has recognised that there will sometimes be circumstances where the requirement for expenditure on some services – existing or new – is so urgent that it cannot await the voting of provision under the normal Supply procedure. Contingencies Fund advances apply to supply funded – that is voted- activities only.

4.6 The Treasury may authorise issues out of the Fund subject to the limit set on the capital of the Fund by the Contingencies Fund Act 1974. The limit is fixed at 2 per cent of the total of authorised Supply expenditure (i.e. the total of all authorised departmental net cash requirements) in the preceding financial year.

4.7 The use of the Contingencies Fund to finance expenditure which, either as a matter of law or of constitutional propriety, requires specific legislation is an exceptional course. The fact that the Fund exists ought never to weigh in favour of the postponement of legislation or other parliamentary authority: this course would constitute a serious abuse of the Fund and of the purposes for which it exists. Use of the Fund must be regarded as particularly exceptional for a new service, since Parliament has not previously been asked to approve spending on this activity. It is always preferable to wait for Parliament to vote the necessary provision, if at all possible.

4.8 Use of the Fund can only be considered where it would clearly be contrary to the public interest to delay expenditure until parliamentary approval has been obtained and where there are no reasonable grounds to doubt that Parliament is willing to approve any necessary enabling legislation, the increased net cash requirement and any associated resource or capital provision.

4.9 The Contingencies Fund may not be used to finance Consolidated Fund Standing Services in advance of parliamentary approval or new works programmes (as distinct from existing programmes)¹⁴. Also, a Contingencies Fund advance cannot retrospectively regularise spending that was undertaken prior to the advance being sought.

4.10 Before deciding whether to seek a Contingencies Fund advance departments should consider the proposal against the following tests:

- **genuine urgency in the public interest:** where it would be inappropriate to postpone the expenditure until the necessary funds have been voted. The criterion is not administrative convenience but urgency in the public interest. (This public interest test cannot be met by reference to ministerial or official commitments having been made or to administrative convenience. Issues such as cost benefits, other efficiencies, health and safety, etc, are what count in this respect.)
- **near certainty that any related Bill will become law:** thereby providing proper parliamentary authority for the service, without which the Contingencies Fund advance could not be repaid. Successful passage of the Bill through Second Reading in the House of Commons is essential (see Box 4.A below) but may not

¹⁴ The Treasury accepted a PAC recommendation in 1968–69 (Third Report, session 1968-69, appendix 7) against advances in respect of new capital-works programmes. Advances for additional cash, in advance of Supply, which related to capital and fell within categories 4.14a and 4.14d, would not be restricted.

be sufficient (e.g. if there is doubt about the assent of the Lords or risk of an early general election).

Box 4.A Use of the Contingencies Fund after Second Reading in the Commons of enabling legislation

The issue is whether the government of the day is prepared to take the responsibility of assuming that legislation being considered by Parliament will pass into law and, on that assumption, to incur expenditure by the use of the Fund. In any event, an advance from the Fund should never be made until the legislation has had a Second Reading in the House of Commons (i.e., there is a parliamentary expression of support for the principle of the Bill). The question of how soon an advance should be made was considered during the passage of the Contingencies Fund Bill in 1974. The then Financial Secretary said (Hansard, column 1250, 14 May 1974):

"The Contingencies Fund cannot be drawn upon for any purpose for which the statutory authority of Parliament is required until legislation seeking authority has been given a Second Reading."

Out-of-turn Estimate for large or contentious proposals

4.11 If the amounts of cash and associated budgetary provision involved are very large, or the proposal is potentially contentious (i.e., there is some doubt as to whether Parliament will be willing to approve the provision), the Treasury might need to consider the case for the presentation of an out-of-turn Supplementary Estimate, to be followed by its own Supply and Appropriation Bill. Given the impact on parliamentary time this process would have it could only be followed in the most exceptional circumstances.

Written Ministerial Statements (WMS) for commitments in advance of Supply

4.12 Whether or not recourse is made to the Contingencies Fund for cash, departments must notify Parliament, by way of a Ministerial Statement agreed with the Treasury, where a commitment will be, or has been, entered into in advance of Supply. The Contingencies Fund is not relevant to resource only commitments since it is a cash fund and there is no resource equivalent. Nevertheless, departments should normally notify Parliament by way of a written Ministerial Statement where a commitment is made in advance of Supply. Written statements relating to such commitments are not required where:

- the resource requirement arises from a sudden write-down of an asset (e.g. as a result of fire or flood damage)
- the resource requirement is associated with an Excess Vote that is being referred to the Public Accounts Committee.

4.13 Announcements relating to proposed increases in control limits with no implications for the net cash requirement must be arranged with the relevant Treasury spending team.

Categories of advance

4.14 Subject to certain conditions, the Treasury may authorise advances from the Contingencies Fund under the following categories:

- a. **during the Vote on Account period, to meet urgent cash requirements (other than supporting a new services) in excess of the net cash requirement granted in the Vote on Account:** the Vote on Account provision is normally sufficient and there is little call on the Fund for advances under this category. Should the advance also support additional resource/capital for existing services during the Vote on Account period, Parliament should be given advance notice of the intention to use the Fund as for categories (b) to (d) below
- b. **to meet the cash requirement supporting an urgent service which Parliament has already approved through specific enabling legislation but for which existing provision is not available:** if provision for the service is not already provided for in an Estimate before Parliament, the necessary provision must be sought at the next opportunity. This will involve an amendment to the ambit of the relevant budgetary limit, whether or not additional resource, capital and/or cash are also required. The Fund is repaid as soon as Parliament has approved the relevant Estimate. The approval of the Contingencies Fund Accounting Officer is required for this category of advance
- c. **to meet the cash requirement supporting a new service which is urgent and cannot await parliamentary approval of both the specific enabling legislation and the necessary Estimate:** repayment to the Fund from voted provision is made from the Estimate as soon as the legislation and subsequent Estimate has been approved by Parliament. Approval must be sought at the earliest opportunity and, wherever practicable, within the same financial year. This category also includes new services which will rest on the sole authority of the Supply and Appropriation Act. The approval of the Contingencies Fund Accounting Officer is required for this category of advance
- d. **to meet a further urgent cash requirement for existing services when provision for the total net cash requirement on the Estimate is exhausted:** normally, the advance is made pending parliamentary approval of the Supplementary Estimate. Advances for existing services entail the greatest call on the Fund. Parliament should be given advance notice of use of the Fund when the cash advance supports additional proposed resource or capital spending on existing services
- e. **in the case of an Estimate where expenditure is largely financed from income, advances may be made in**

anticipation of the receipt of cash associated with such income: such advances should be repaid as soon as receipts have caught up with expenditure. If it becomes apparent, or most likely, that receipts will fail to materialise within the financial year, the department must submit a Supplementary Estimate to increase its net cash requirement and repay the advance

- f. **in anticipation of revenue, as distinct from income, receipts:** from time to time, the receipts of revenue of HM Revenue and Customs (HMRC) department on a particular day are insufficient to meet repayments and other expenditure that falls to be met from the revenue account. In such an event, and where the shortfall has not been met by an advance from the Consolidated Fund, the Contingencies Fund makes an advance to the revenue account concerned, pending receipt of sufficient revenue to enable repayment. Such advances should normally be repaid by HMRC on the next working day and should not remain outstanding for more than a week at most.

Applying for an advance

4.15 In seeking an advance from the Contingencies Fund, and approval to commit resources supported by the Fund, departments must be satisfied that the functions giving rise to the expenditure are not subject to any restrictions imposed by statute or by propriety, including any relevant undertakings given to Parliament.

4.16 If a department requires an advance under categories 4.14a–e above, it should submit its application through its Treasury spending team to the Estimates Clerk. Departments should allow at least a week for a claim to be processed, and more than a week if it is a complex case, i.e. for a new service. The application should:

- clearly indicate the category into which the advance falls
- clearly state the amount sought (in both numbers and words)
- indicate the date by which the advance is required
- provide a full justification for the cash advance, and any associated resource/capital
- explain the urgency of the expenditure (i.e., why it cannot await the normal parliamentary process)
- where relevant, explain why there is no reasonable doubt that Parliament would be willing to approve the expenditure. As part of this, say when Second Reading in the House of Commons took place and refer to any relevant comments made in either House
- say when the advance is expected to be repaid
- applications falling under 4.14.b and 4.14.c **must** be accompanied by a draft parliamentary announcement (see below), as should

those for 4.14.a and 4.14.d when the cash advance supports additional proposed resource/capital for existing services. Advances under 4.14.e and 4.14.f are not subject to parliamentary announcement.

4.17 Where advances are made under categories 4.14.b or 4.14.c the relevant Treasury Spending Team must prepare a submission, which contains the detail required above, to the Contingencies Fund Accounting Officer. It should be cleared with the Estimates branch and the Treasury Officer of Accounts team in advance and should indicate whether they support or object to the application (providing details of any objections). The Accounting Officer may be consulted over any other category of advance where it is considered to be novel or possibly contentious.

Notifying Parliament

4.18 Parliament must, whenever practicable, be given advance notice of the intention to use the Fund and, where appropriate, to consume additional resource/capital. This is usually done by way of a written Ministerial Statement unless by the time of the advance the Estimate repaying the advance has already been footnoted.

4.19 The Treasury will normally only authorise an advance after the notification to Parliament has been made, or at least arranged. The circumstances in which advances may be agreed before notification to Parliament are limited to cases:

- where the urgency justifies making the advance before a statement has been made
- that arise during a parliamentary recess and so notification cannot be made until Parliament returns.

4.20 In such cases the department and Treasury spending team must provide to the Estimates Clerk:

- the date when the statement is due to be made
- subsequent confirmation that it actually has been made; to include the relevant extract from Hansard.

Footnoting Estimates

4.21 A footnote should be added to Part I (regardless of whether a written Ministerial Statement has already been made) of the Main or Supplementary Estimate, usually in one of the following forms, as appropriate:

“[£x] has been advanced from the Contingencies Fund to provide cash in respect of [£x] [resource/capital] [DEL/AME] spending supporting the service provided for under section [x] of this Estimate. A corresponding cash amount is required to enable repayment to be made to the Fund [by xxx].”

or where it is cash only,

“[£x] has been advanced from the Contingencies Fund to provide for a deficient net cash requirement. A corresponding amount is required to enable repayment to be made to the Fund [by xxx]. There are no implications for resources/capital supporting the services provided for in the Estimate.”

4.22 Where it is known that an advance will be made after Main or Supplementary Estimates have been presented to Parliament, the following form of words may be used in a footnote to Part I of the Estimate as an alternative to an announcement through a written Ministerial Statement:

“Pending passage of the Supply and Appropriation Act, urgent cash expenditure of [£x] in respect of [£x] [resource/capital] [DEL/AME] spending supporting the service provided for under section [x] will be met by repayable advances from the Contingencies Fund. A corresponding amount is required to enable repayment to be made to the Fund [by xxx].”

or,

“Pending passage of the Supply and Appropriation Act, urgent cash expenditure of [£x] will be met by repayable advances from the Contingencies Fund. A corresponding amount is required to enable repayment to be made to the Fund [by xxx]. There are no implications for resources/capital supporting the services provided for in the Estimate.”

4.23 Where appropriate, the word “service” is replaced by “new service”. The footnotes are for information only, and do not preclude further advances from the Fund.

Written Ministerial Statements (WMS)

4.24 Where noting an Estimate in advance is not possible the intention to use the Fund, and use any associated resource/capital, is announced through a written Ministerial Statement. The following form of words (which should be preceded by a fuller explanation of the circumstances leading to the advance, or of the new arrangements in the case of new services) should be used:

“Parliamentary approval for additional [resource/capital] of [£x] for this new service will be sought in a Supplementary Estimate for [department]. Pending that approval, urgent expenditure estimated at [£x] will be met by repayable cash advances from the Contingencies Fund.”

4.25 If Parliament has already approved the new service through enabling legislation (relevant to category 4.14.b advances) the announcement of the advance will not refer to seeking authority for the service, but should instead say:

“Parliamentary approval for additional [resources/capital] of [£x] for this new expenditure will be sought in a Supplementary Estimate for [department]. Pending that approval, urgent expenditure estimated at [£x] will be met by repayable cash advances from the Contingencies Fund.”

4.26 Where an advance is made under category 4.14.a or 4.14.d that supports additional resource/capital, the statement should say:

“Parliamentary approval for additional [resources/capital] of [£x] on this continuing service will be sought in a Supplementary Estimate for [department]. Pending that approval, urgent expenditure estimated at [£x] will be met by repayable cash advances from the Contingencies Fund.”

4.27 The amount in the first sentence should be the best estimate of the amount of the service, split between resource and capital, against which the advance is being sought. The number in the last sentence is the cash advance required.

Repayment of advances

4.28 No final charge is permitted to rest on the Fund. Parliamentary authority is therefore needed to enable sums advanced to departmental Estimates to be repaid to the Fund. In such cases, the necessary provision should normally be sought in the Supplementary Estimates round. Repayment of advances for voted services must normally be provided for in Supplementary or out-of-turn Estimates in the same year as the advance. Only in cases where the enabling legislation has not been passed during that year can, and must, the necessary Estimates authority to repay the advance also wait until the following year.

4.29 Where an advance remains outstanding at the end of the financial year it will normally impact on the department's net cash requirement for outturn purposes and could result in an Excess Vote. This applies to all categories of advance except for:

- category 4.14.c (which is made in anticipation of both the specific enabling legislation and the necessary Supply Estimate), where the enabling legislation does not have Royal Assent by the end of the financial year (in which case it is not possible for the department to repay the Contingencies Fund advance).
- category 4.14.f (which is made to HM Customs and Revenue department in anticipation of revenue).

4.30 Other than for advances under categories 4.14.c or 4.14.f where the department has not repaid the advance by the financial year-end, the departmental accounts should show the cash spend financed by the Contingencies Fund as part of the department's net cash requirement. Failure to repay the advance could therefore lead to an Excess Vote through a breach of the net cash requirement. (In the case of an advance under category 4.14.c, where the enabling legislation

remains to be authorised by Parliament, it would not be appropriate to include the expenditure within the department's net cash requirement since the department would have no authority to include such expenditure within its Estimate. In this case the accounts would need to record the amount of the Contingencies Fund advance as an increase in creditors.).

4.31 For advances other than those under categories 4.14.c and 4.14.f, the department must ensure that any Contingencies Fund advance is repaid by the financial year-end. Where the advance is made in anticipation of cash receipts related to income (category 4.14.e) the department must monitor the progress in obtaining the receipts and if it looks as though they will not arrive by the year-end the department must seek a Supplementary Estimate to reflect an increase in debtors and obtain the cash to repay the Contingencies Fund advance.

Budget cover

4.32 A Contingencies Fund advance provides cash for urgent expenditure; it does not provide any budgetary cover. If a department seeks a Contingencies Fund advance it will separately need to ensure that it has the necessary budget cover (DEL or AME) to support the expenditure. This is particularly relevant where the advance is made in a year different from the one in which Royal Assent is achieved (category c). Where this occurs, the advance will score in the SoCNE and as non-voted expenditure: the following year the non-voted spending is reversed out and the full authorised spending scored against the appropriate voted budget boundary, e.g. DEL or AME.

Accounts of the Fund

4.33 The accounts of the Fund record all advances and repayments in the year, and show any issues outstanding at 31 March. They are audited by the Comptroller and Auditor General and, with his report (if any), are presented to Parliament. Because most advances from the Fund represent an anticipation of parliamentary authority, there is likely to be close parliamentary interest in the use of the Contingencies Fund.

Accounting for advances from the Fund in departmental accounts

4.34 Advances from the Contingencies Fund for services of the type described in 4.14.a–e above should be treated as expenditure and score on the face of departments' statement of comprehensive net expenditure (SoCNE) as non-voted budgetary expenditure (either DEL or AME). Departments will have to transfer some voted DEL or AME to cover the non-voted spend in that year. If the advance covers two financial years in the subsequent year, when Royal Assent is achieved, the full amount of the charge should appear against the voted part of the budget and a credit against the non-voted budgetary boundary.

Votes of Credit

4.35 A Vote of Credit (VoC) is a procedure that could be used to obtain exceptional Supply in times of national emergency when it may be impossible, or not in the national interest, for a government to present detailed Supply Estimates to the House of Commons.

4.36 A VoC is a demand for a lump sum, with the proposed spending set out in very general terms, available to be expended solely during the financial year in respect of which the grant has been made. As with the Contingencies Fund the VoC is a purely cash financing mechanism and is not, therefore, expressed in resource terms. However, departments receiving financing from a VoC would be expected to account for their spending on both resources and cash in their accounts.

4.37 VoCs were previously used during both World War I and World War II, though services unconnected with the wars were provided for through Supply Estimates in the normal way. However, there has been no such recourse to VoC during subsequent conflicts, which were all funded through conventional Supply, utilising Supplementary Estimates where necessary.

4.38 The last time a VoC was used (during WWII) departments were operating under cash-based Estimates. The introduction of resource-based Estimates in 2001-02, following the Government Resources and Accounts Act 2000, means that any new use of a VoC would have to be brought into line with the new system.

4.39 If circumstances were to warrant the use of VoC again, the Treasury would issue guidance to departments on its scope and the processes involved.

Annex A

Guidance on the Introduction to an Estimate

A.1 The introduction to an Estimate must conform to a standard format so that there is clarity and consistency across all the Estimates in the booklet. This Annex provides detailed guidance on the information that should be provided in the introduction of both a Main and a Supplementary Estimate.

Main Estimates

A.2 The Introduction to a Main Estimate simply explains the main purpose(s) of the Estimate, in terms of the use to be made of the provision sought. For Main Estimates, the Introduction will usually be fairly short, though it will still want to say in general terms what the provision sought in the Estimate is to be used for and to explain any significant differences compared with provision sought in the previous financial year.

A.3 The first paragraph of the Introduction should read: ' This Estimate provides for expenditure by [department name]' followed by a brief description of the spending covered by the Estimate. There is no need to describe in detail all the activities covered by the Estimate - this information is covered by the ambit(s) in Part I and the Part II: Subhead detail table.

A.4 The Introduction should also include cross-references to any related Estimates (e.g., where the department is involved in a cross-cutting programme) and to where further supporting information can be found (e.g. the department's latest annual report and accounts). Ideally, the Main Estimate introduction should be no longer than one side of A4.

Supplementary Estimate

A.5 It is important that the Introduction provides a clear picture of the reasons why the Supplementary Estimate is being sought: e.g. reallocating provision, seeking additional provision for existing or new services , etc.

A.6 The high-level changes to all voted totals and non-voted budget numbers are generated from the database. Departments should provide an appropriate breakdown of the various movements that lead

to the overall changes. This does not mean having to explain every movement in spending plans individually, but it does require explaining all large or otherwise significant changes and grouping other changes into relevant blocks. The explanations should include details of:

- how any increase in budgetary spending is being financed (e.g. savings from elsewhere, DEL Reserve claim, Budget Cover Transfer)
- the purpose of the change and any impact on service provision
- the relevant section(s) in the Part II: Subhead detail table.

A.7 A Supplementary Estimate Introduction tends to be much longer than a Main Estimate introduction because of the amount of explanatory information required.

Annex B

Guidance on the scrutiny of an Estimate

B.1 Some of the data included in Estimates are generated from the database. Departments and Spending Teams need to check this data and provide additional text and necessary breakdown of data (e.g. CFER data) within the Notes. There is a close relationship and cross-reference between data in different tables and Notes, which should be checked for both consistency and accuracy.

B.2 This annex provides some detail of the more obvious checks that might be undertaken. It is by no means exhaustive and departments and Spending teams will need to ensure themselves that the Estimate is complete and correct by making whatever additional checks are necessary for that Estimate.

Introduction

B.3 The text for the Introduction is not held on the database but provided by the department. The Supplementary Estimate does produce changes for the total budgetary boundaries (e.g. Voted Resource DEL). Departments should complete the Introduction by entering text explaining the changes and the reason for them.

Part I

B.4 This table is generated by the database and is the most important as it forms the basis for the subsequent legislation. Departments must provide ambits for the part I for all the budget boundaries containing expenditure or income.

- consistency: the budgetary limits split between resource and capital, must be consistent with the limits set in the last Settlement letter, which would have been based on the last Spending Review and as adjusted by subsequent fiscal events. The limits should be the same in the Part II: subhead detail, Part II: Resource to cash reconciliation and SoCNE tables; all totals to be voted must have a positive or negative amount – no zeroes; the net cash requirement should match the Part II: Resource to cash reconciliation and Part II: Changes proposed for Supplementary Estimates.

- ambit: the correct financial year should be displayed in the preamble; there should be separate ambits for expenditure and income for each of the DEL, AME and Non-budget boundaries; it should cover all relevant expenditure/income; any changes to ambits must appear at the end of the existing ambit after an asterisk, not inserted in the middle.
- accountable department: Part I should identify the department responsible for accounting for the Estimate.
- Vote on Account: the numbers should be the same as that provided in the Vote on Account before the start of the financial year. Also check the balance to complete/surrender.

Part II Changes proposed (Supplementary Estimates only)

B.5 The Changes Proposed table (Supplementary only) is table is generated by the database. It picks up the changes from the previous published Estimate for that year.

- Estimate lines: The table should pick up every Estimate Line (section) that are either new, or revised from the previous Estimate (usually the Main Estimate). Any new section must appear below existing ones within the same budget boundary (e.g. Voted DEL).
- consistency: All total should be consistent with the equivalent totals in Part I.

Part II Subhead detail table

B.6 The Part II: Subhead detail table is generated by the database. Changes to the figures are made by submitting data the database. Changes to Estimate Lines (sections) and their content should be discussed with HM Treasury before being actioned. In Supplementary Estimates it is called the Part II: Revised Subhead Detail table.

- mapping: the structure here should map across to the core tables in the departmental Annual Report and Accounts
- Estimate Line content: Arm's length bodies should have their own section/line and be described as 'net'. It is also permitted to group similar ALBs, e.g. Museums and Galleries, Research Councils, etc; any section with data in prior years (a dead and dying line) only should be shown in italics and not have a letter; check the Estimate Line descriptions for mis-spellings or spacing issues
- income: data in income columns must be negative
- no income should appear in ALB line as their income should be netted off their gross expenditure

- consistency: All totals should match Part I, Part II Resource to cash reconciliation and Part III Note A SoCNE.

Part II Resource to cash reconciliation table

B.7 The Resource to Cash Reconciliation table is generated from the database. The rows pick up specific accounts to generate the adjustment to get to the net cash requirement.

- Net Resource Requirement (NRR): this should match the Part II: Subhead detail, adding columns 3 and 6 together
- adjustment rows: the top section picks up and removes ALB data and adds grant-in-aid. After that every adjustment is to departmental Voted data only. Movements in working capital must reflect expected real movements and should not be used to manipulate the net cash requirement
- Net Cash Requirement (NCR): should match Part I and – in the Supplementary Estimate – the Changes proposed table.

Note A Part III Statement of Comprehensive Net Expenditure (SoCNE) and Reconciliation table

B.8 The SoCNE Note is generated by the database.

- net Operating Costs: the top section mimics the operating costs likely to show up in the annual report and accounts. Note that ALB income is netted off the gross expenditure rows; grant-in-aid does not feature in operating costs; the OCS includes capital grants which are resource in accounts terms but capital in budgets
- income: departmental only, not ALBs. If any ALB shows income there is a recording error
- of which: these sum to the Total Net Operating Cost number
- CFERs: this should be consistent with the Note C CFER table
- consistency: the DEL/AME resource split at the bottom of the table should match Part I and part II: Subhead detail; Total Resource Budget should match Total Resource (Estimate). Again, it should map to Part I and Part II: Subhead detail.

Note B Part III Analysis of Departmental Income

B.9 This Note is generated by the database. Changes are made by submitting updates to the database.

- The note includes VOTED data only: non-voted data and any ALB income is excluded
- Income tagged as 'Net Subhead' is also excluded

- The income is split into categories and the section in the Part II subhead detail table in which it appears. The total for all voted income should match that in the Part II subhead detail table, split by administration and programme income.

Note C Part III Analysis of Consolidated Fund Extra receipts (CFERs)

B.10 The top table is generated by the database: the bottom table is completed by departments.

- the total CFER amount generated by the database should match the totals in the manually completed section below it
- CFERS which are in budgets should appear as income in the appropriate non-voted section in the Part II Subhead detail table.

Note D Part III Explanation of Accounting Officer Responsibilities

B.11 The note is partially generated by the database. Accounting Officer (AO) details are input manually by the department.

- the note should identify the current Principal Accounting Officer, and any additional Accounting Officers at the time the Estimate is being presented
- any additional AO(s) must be accountable for one or more specific sections/Estimate lines in the Part II Subhead detail table
- ALB AO details should include the name of the ALB and the section in the Part II Subhead detail table in which the ALBs expenditure appears.

Note E Part III Arm's Length Bodies (ALBs)

B.12 This note is partly generated by the database but needs completion by the department.

- totals for resources, capital and cash come from the database but the department needs to provide further breakdown
- the total resources and capital should be consistent with the appearance on Part II subhead detail table and the resource to cash table.

Part III All other Notes

B.13 The following Notes are provided by departments:

- Note F: accounting policy changes

- Note G: expenditure resting on the sole authority of the Appropriation Act
- Note H: expenditure in the form of adjustable advances
- Note I: gifts
- Note J: staff benefits
- Note K: contingent liabilities
- Note L: international subscriptions
- Note M: replacement for a trust statement.

Annex C

DEL Written Statements

C.1 Where there is an agreed change to a department's DEL, it must be announced to Parliament as soon as possible, and certainly before the end of the relevant financial year. This can usually be done through the presentation of the Estimate, which clearly identifies both voted and non-voted DEL totals.

C.2 Where the department has a change to DEL, or to the administration budget limit, but does not require a Supplementary Estimate (perhaps because all movements are non-voted), Parliament can be notified through a Written Statement. Any such Written Statement must be made at the earliest opportunity and must be before the end of the relevant financial year.

C.3 The content of any Written Statement would depend on the precise circumstances of the department and the department must ensure that all relevant information is made available to Parliament. This should include:

- the reason for the change, specifically and separately identifying areas of increase and reductions in expenditure
- the source of any increase in DEL provision
- a breakdown of the changes in the various DEL limits, along the following lines (voted data is shown here but any change involving voted data would normally require a Supplementary Estimate.

Table C.1 DEL Written Statement

	Change		New total	
	<i>Voted</i>	<i>Non-Voted</i>	<i>Voted</i>	<i>Non-Voted</i>
<i>Resource DEL</i>				
<i>Of which:</i>				
<i>Administration budget</i>				
<i>CDEL</i>				

Annex D

Guidance on producing an Estimates Memorandum

D.1 Most public spending requires annual authorisation of Parliament through a process known as Supply. The Supply process requires government departments, other public bodies and pension funds, to present their plans for spending in documents known as Supply Estimates. Main Estimates set out initial plans at the start of the year; Supplementary Estimates set out any proposed changes to those plans, later in the year.

D.2 Each Supply Estimate must be accompanied by an explanatory Estimates Memorandum.

D.3 In preparing Estimates Memoranda, Departments are responsible for ensuring they undertake the relevant assurance processes, including contact with Treasury spending teams and sign off approval of the Estimates Memorandum by the departmental Principal Accounting Officer (PAO).

D.4 Estimates Memoranda should be submitted to committees and the Scrutiny Unit ***no later*** than the day of publication of Estimates.

Memoranda types

D.5 Separate guidance on meeting the requirements for Estimates Memoranda and mock-up examples of Estimates memoranda have been produced for four different types of department/body presenting an Estimate:

- Larger departments* (excluding Scotland, Wales and Northern Ireland Offices)
- Scotland, Wales and Northern Ireland Offices
- Smaller departments
- Pension funds

* Major departments, includes HMRC.

“Smaller” departments includes any department or body presenting an Estimate, which is not included in the other categories.

D.6 The mock-ups and accompanying guidance notes for these different groups are provided below.

Main Estimates

Larger departments	Scotland, Wales and N. Ireland Offices	Smaller departments and regulators	Pension funds
Mock-up	Mock-up	Mock-up	Mock-up
Guidance	Guidance	Guidance	Guidance
Excel tables	Excel tables		

Supplementary Estimates

Larger departments	Scotland, Wales and N. Ireland Offices	Smaller departments and regulators	Pension funds
Mock-up	Mock-up	Mock-up	Mock-up
Guidance	Guidance	Guidance	Guidance
Excel tables	Excel tables		

Uses of the Memoranda

D.7 The Estimates memoranda are used to inform Parliamentary scrutiny of the department, mainly through select committee enquiries or Estimates Day Debates in the House. See the following:

[flow chart on the use of estimates memoranda \(PNG 114 KB\)](#).

D.8 The Scrutiny Unit provides various analytical resources for Members' use, based on the memoranda and other data sources. Examples of these can be found on [Scrutiny Unit webpage for the Main Estimates 2019-20](#), as well as links to all the relevant Estimates memoranda for that year.

Annex E

Estimates Concordat: roles and responsibilities

E.1 This concordat sets out the respective roles and responsibilities of departments and Treasury teams to ensure that the Estimates are presented to Parliament accurately and in accordance with the requirements of the House of Commons Standing Orders for passage of the related legislation.

E.2 The aim of this concordat is to assist all parties in understanding both what is expected of them and what they should be able to expect of others. The concordat cannot anticipate every eventuality and should be regarded as providing a general indication of the various roles and responsibilities.

Roles and responsibilities of departments

E.3 Departments must have ownership of their Estimate. The provision sought and the information they contain is ultimately for the department to ensure is accurate and fully justified. Departments need to work effectively with the Treasury to provide information using agreed processes and meeting the timetable set for each Estimates round. Failure to achieve this may result in the Estimate being unable to be presented to Parliament in accordance with the timing requirements, as set out in House of Commons Standing Orders (in such a case the Estimate will either be withdrawn or require separate parliamentary debate).

E.4 Each department is responsible for ensuring, in liaison with its Treasury Spending Team as necessary, that its Estimates are accurate and contain all the required information. This involves:

- ensuring that suitably trained staff are available to undertake the work
- ensuring that information held on the Treasury database is accurately recorded within the given timetable to enable production of the Estimate reports for publication. Updates to the database must be submitted to enable Treasury Spending teams to check the data and approve or reject as appropriate
- submitting draft Estimates in the correct format (i.e. that agreed between the Treasury and the House of Commons), using the

guidance and templates provided by the Treasury, and in accordance with the timetable

ensuring that the Estimate fully reflects relevant rules and policies. In particular, that budgetary limits set out in the Estimate are fully consistent with agreed budgets and spending priorities.

Roles and responsibilities of Treasury Spending Teams

E.5 Treasury Spending Teams are the first point of contact for departments and are best placed to compare the Estimates with agreed priorities and spending limits. Spending Teams are responsible for checking their departments' Supply Estimates in detail in accordance with the set timetable.

E.6 Spending Teams should:

- check departmental updates to the database and approve or reject them as appropriate within the given timetable. Updates that are not approved are not included in the Estimates reports produced from the database
- consider whether the departmental Estimate is 'taut and realistic'. In particular, ensure that the department has sought provision in line with agreed budgetary control limits
- check drafts of the Estimates for completeness and accuracy, and pass any comments back to the department in time for changes to be effected
- ensure that the Estimates are consistent with any agreed ring-fences or other controls
- take the lead for the Treasury in resolving any issues which might arise in preparation of Supply Estimates
- ensure that they are fully content before recommending Estimates for publication in accordance with the timetable
- obtain approval within the Treasury (at either official or Ministerial level) for Supply Estimates once they have been finalised, in line with the approval deadlines, to ensure that the correct Estimates are presented to Parliament on the agreed date for presentation.

Roles and responsibilities of Treasury Estimates branch

E.7 The role of the Estimates branch is to provide general policy advice on Estimates and all parliamentary Supply issues and to manage the Estimates publication process.

E.8 Estimate branch's responsibilities include:

- providing necessary guidance (whether written material, the provision of training sessions, or responding to individual queries) to departments and Treasury spending teams on the content and format of Supply Estimates and the processes for their construction
- setting a reasonable and realistic timetable - though reflecting the tight time constraints that apply – within which the draft and proof versions of Estimates should be submitted to Treasury. The timetable should allow reasonable time for all parties, taking into account the parliamentary timetable, the printing arrangements, the process of approving the Estimates and the timing of the database updates
- checking draft Estimates, including the tables in the front of the Estimates booklets, to ensure that all the propriety rules are upheld. Estimates branch will concentrate on checking that the voted and non-voted totals (resource and capital DEL, resource and capital AME, non-budget spending and the net cash requirement) are consistent within the Estimate and that each Estimate includes all the obligatory sections. (Estimates branch cannot act as the main checking agent for the Estimates in detail: this is for departments and spending teams, who have detailed knowledge of agreed spending plans, budgetary limits, ring-fenced provision, etc)
- preparing, in liaison with Parliamentary Counsel, Supply legislation for approval by Parliament
- ensuring the publication of the Estimates and their presentation to Parliament once they have been approved within the Treasury.

Responsibility for data quality

E.9 The data in an Estimate is primarily the responsibility of each department and the Treasury will not amend a department's data unless absolutely necessary, and even then will not do so without first consulting the department wherever possible. If a Treasury spending team, or the Estimates branch, discovers a problem with data they will first seek to have the department make the necessary changes (whether on the database or by manual amendment).

E.10 The Treasury does, however, also have a responsibility to ensure that Estimates presented to Parliament are consistent with agreed rules. If the Estimates branch discover a problem with data late in the process and are unable to have changes made by the department, they may make the following changes:

- Where data implies spending above the level of agreed budgetary limits, that data may be reduced accordingly

- Where data is clearly incorrect (e.g. it appears in the Estimate as negative when it should be positive, or vice versa) it will either be corrected (if the correction is obvious) or the data will be removed from the Estimate
- Where data makes changes to the Estimate which is not allowed (e.g. incorrectly switching between voted and non-voted limits) they will be removed.

E.11 In such circumstances the department would be informed as soon as possible and given the reasoning for the action taken.

Annex F

Glossary

Accounting Officer	A person appointed or designated by a department, to be accountable for the operation of the organisation and the preparation of its accounts. The appointee is, by convention, usually the head of the department or organization, or the chief executive of an arm's length body (ALB) or non-departmental public body (NDPB).
Administration budget	A Treasury control on resources, consumed directly by departments, agencies, ALBs that form part of the Departmental Expenditure Limit (DEL). It includes items such as staff costs, accommodation, etc, where they are not directly associated with frontline service delivery.
Ambit	Ambits set out in Part I of the departmental Estimate and describe the functions which expenditure and income cover. Separate ambits are required for both expenditure and income in each budgetary category included in the Estimate (DEL, AME, and non-budget). The ambit describes the activities and functions for which provision sought in the Estimate will be used.
Annuality	The concept that provision and spending authority applies to the year to which it relates and cannot be carried forward to the next financial year (but see Budget Exchange).
Annually Managed Expenditure (AME)	AME is spending included within Total Managed Expenditure (TME) which does not fall within the Departmental Expenditure Limit (DELs). Expenditure in AME is generally less predictable and controllable than expenditure in DEL.
Annual Report and Accounts (ARA)	A report of income and expenditure outturn for a particular year. Produced on an accruals basis, in line with the Financial Reporting Manual (FRoM).
Arm's length body (ALB)	Any entity whose expenditure needs to be consolidated into the Estimate and accounts, but is distinct from the core department. Note this does NOT extend to

	executive agencies which form part of the department.
Budget, the	The Chancellor's formal statement to Parliament on the economy and state of the public finances.
Budgetary controls	The means by which the Treasury plans and controls expenditure to meet its objectives, e.g. DEL, AME etc.
Capital grant	In accounts, a capital grant scores as resource spending, but in budgetary terms it scores as capital because an asset is created within the economy. See also "Grants".
Capital income or expenditure	Related to the purchase of assets. The value must usually be above a certain capitalisation threshold and the asset must be expected to be used for a period of at least a year. It includes the purchase of buildings, equipment, and land. The threshold is set for each body: items valued below it are not counted as capital assets, even if they have a productive life of more than one year.
Central government body	Departments and their executive agencies, arm's length bodies (including non-departmental public bodies and NHS bodies). The Office for National Statistics (ONS) determine which bodies are classified to central government, although the Treasury may give a preliminary view.
Comptroller and Auditor General (C & AG)	The head of the National Audit Office (NAO), appointed by the Crown and an officer of the House of Commons. As Comptroller, the C&AG's duties are to authorise the issue, by the Treasury, of public funds from the Consolidated Fund and National Loans Fund (NLF) to government departments and others; as Auditor General, the C&AG certifies the accounts of all government departments and some other public bodies, and carries out value-for-money examinations.
Consolidated Fund	The government's current account, operated by the Treasury, through which pass most government payments and receipts.
Consolidated Fund Extra Receipts (CFERs)	Income, or related cash, that passes through a department's accounts but may not be retained by the department and is surrendered to the Consolidated Fund.

Consolidated Fund Standing Services (CFSS)	Payments for a service which Parliament has decided, by statute, should be met directly from the Consolidated Fund rather than being voted annually by Parliament. Expenditure such as this shows up in an Estimate as non-voted.
Contingencies Fund	A government fund, established by statute, that enables the Treasury to make repayable cash advances to departments for new or existing urgent services that cannot await the voting of funds under the normal Supply procedure, in anticipation of the necessary parliamentary approval.
Contingent liability	Potential liability that is uncertain, but recognises that future expenditure may arise if certain conditions are met, or certain events happen.
Departmental Expenditure Limit (DEL)	A Treasury budgetary control. DEL spending forms part of Total Managed Expenditure (TME) and includes expenditure which is generally within the department's control and can be managed with fixed, multi-year limits. Some elements may be largely demand-led. There is a small DEL Reserve from which the Treasury may support unavoidable costs that cannot be absorbed within the existing limit.
Departmental Unallocated Provision (DUP)	An element of a department's DEL that is not allocated to particular spending, but held back to meet any future unforeseen pressures. It is not possible to have negative DUP: this would represent over-programming and a commitment to spend more money than parliament had authorised.
Depreciation	A measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset whether arising from use, passage of time or obsolescence through technological or market changes
Estimate	A request to parliament for money needed in the coming financial year, setting out the purpose(s), by which parliamentary authority is sought for the planned level of expenditure by a government department.
Estimates Memorandum	An explanation of how provision sought in the Estimate is intended to be used and the

	relationship with other spending controls. Primarily provided for the departmental select committee but made freely available online.
Excess Vote	The means by which excess expenditure, or otherwise unauthorised expenditure, of cash, capital or resources, is regularised through an additional vote by Parliament
Executive Agency	A body established to undertake executive functions of government, as distinct from policy advice. They are central government entities and although they produce their own accounts, do not have a separate legal status: they remain part of their parent department.
Financial Reporting Manual (FReM)	A technical guide for producing the annual accounts of public bodies.
Government Resource and Accounts Act (GRAA) 2000	Legislation that includes statutory powers required for the implementation of resource-based accounts and Supply Estimates.
Grant	Payments made by a department, or other public body, to outside bodies to reimburse expenditure on agreed items or functions, and often paid on statutory conditions being met. Grants may be for resource or capital purposes.
Grant-in-Aid	Financing payment made by a department to an arm's length body (ALB) or non-departmental public body (NDPB).
International Financial Reporting Standards (IFRS)	International accounting standards, adopted by government.
Main Supply Estimate	The means by which a departments seeks parliamentary approval for their spending plans for the year ahead. Usually presented within five weeks of the spring fiscal event (i.e. Budget or spring statement).
Managing Public Money (MPM)	A Treasury publication which is concerned with regularity and propriety and sets out the main principles for dealing with resources used by public sector bodies. Includes principles to be adopted on fees and charges.

National Accounts	Accounts produced by the Office for National Statistics (ONS) in accordance with the European System of Accounts 2010 (ESA 10), which promotes standardisation in the way which public sector income and expenditure is measured.
National Audit Office (NAO)	Office of the Comptroller and Auditor General (C&AG), which audits accounts of government bodies and carries out value-for-money inspections within the bodies its audits.
National Insurance Fund (NIF)	A government fund used to meet the cost of contribution-based benefits, financed mainly by national insurance contributions paid by employers and individuals.
National Loans Fund (NLF)	The fund through which passes most of the government's borrowing transactions and some domestic lending transactions.
Negative public expenditure	The term for income which offsets public expenditure in national accounts.
Net cash requirement (NCR)	The limit voted by parliament reflecting the maximum amount of cash that can be released from the Consolidated Fund to a department in support of expenditure its Estimate. In the case of a negative NCR, the department must generate a surplus of at least that amount.
Non-cash	Expenditure where there is no directly related cash transaction but which reflects resources used. Examples include depreciation and provisions.
Non-departmental public body (NDPB)	A subset of arm's length bodies, an NDPB is a entity that is not part of a department but is inside the budgetary, Estimates and accountancy boundary. NDPBs are generally operate at arm's length from Ministers.
Propriety	The principle that patterns of consumption should reflect Parliament's intentions, conventions and control procedures, including any laid down by the Public Accounts Committee (PAC).
Public Accounts Committee (PAC)	A committee of the House of Commons, which examines the accounting for, and the regularity and propriety of, government expenditure. It also examines the economy, efficiency and effectiveness of expenditure. Also commonly known as the Committee of Public Accounts.

Public Corporation (PC)	Publicly controlled trading bodies with substantive financial day-to-day operating independence.
Provision	A liability that has arisen but where the timing and/or amount of the payment is uncertain. (Note that terms such as 'budgetary provision' or 'Estimate provision' are usually referring to the amount for which there is authority to spend within those controls.)
Regularity	The principle that all consumption of resources should be made in accordance with the legislation authorising them, any applicable delegated authority and <i>Managing Public Money</i> (MPM).
Resource income or expenditure	Reflecting the consumption of resources (and the income so generated) in that year. Examples include, pay, current grants, sales of goods and services, and depreciation.
Revised Estimate	Presented to reduce the resources, capital and/or cash requested in the Main Estimate, or to vary the way in which they are allocated. They are voted with Main Estimates <i>before</i> Parliament rises for the summer recess.
Second Reading	The second formal time that a House of Parliament may debate a bill, although in practice the first substantive debate on its content. If successful, it is deemed to denote parliamentary approval in principle of the proposed legislation.
Section	An 'Estimate line' within the Part II: Subhead detail table in an Estimate.
Select Committee	Both Houses of Parliament have select committees that scrutinise the work and expenditure of government. Responsibilities include oversight of particular government departments.
Spending Review	A cross-governmental review of departmental aims and objectives and analysis of spending programmes. Results in the allocation of multi-year budgetary DEL limits.
Statement of Excesses	A formal statement detailing any departmental overspends (Excess Votes) as reported by the NAO as a result of undertaking annual audits. Presented by the

	Treasury, usually alongside the Supplementary Estimates each January.
Subhead	A single cell within a section (or Estimate line) within the Part II: Subhead detail table in an Estimate.
Supplementary Estimate	The means by which departments seek to amend parliamentary authority provided through Main Estimates by altering the limits on resources, capital and/or cash or varying the way in which provision is allocated. Normally presented in January/February each year.
Supply	The process whereby Parliament gives statutory authority for both the consumption of resources (for resource and capital purposes) and for cash to be drawn from the Consolidated Fund.
Supply and Appropriation Acts	Acts of Parliament which gives formal approval to departmental Supply Estimates. There are usually two such Acts each year: the Supply and Appropriation (Main Estimates) Act which is presented in July and authorises the Main Estimates, and the Supply and Appropriation (Anticipation and Adjustments) Act which is presented in February/March and authorises Supplementary Estimates, Vote on Account for the forthcoming year and any Statement of Excesses relating to prior years.
Token Estimate (or section)	Where a department's expenditure within the Estimate (or the section) is wholly offset by income, so that a token amount of £ 1,000 is voted. Since Estimates may include negative limits (where income is greater than expenditure), a token £ 1,000 would only be required where income and expenditure completely offset.
Total Managed Expenditure (TME)	A measure defined by the Treasury to cover all public expenditure (i.e. not just central government departments).
Trading Fund	Public sector organisation that has a financing framework allowing it to meet outgoings from commercial revenues. In national accounts they are normally classified as public corporations (PCs).
Treasury Minute	A formal administrative document, drawn up by the Treasury, which may serve a wide variety of purposes including seeking parliamentary approval for the use of

	income by departments as set out in Estimates, a remission of some or all of the principal of voted loans, and responding on behalf of the government to reports by the Public Accounts Committee (PAC).
Virement	The use of savings on one or more sections (Estimate lines) or subheads to meet excesses on another section or subhead, within the same voted budgetary limit in an Estimate.
Vote	The process by which Parliament approves funds in response to Supply Estimates.
Voted provision	That which has been authorised by Parliament in response to Supply Estimates.
Vote on Account	Presented to Parliament by the Treasury in January/February to provide necessary provision for voted resources, capital and cash for each departmental Estimate in the early months of the following financial year. For each department it generally seeks up to 45 per cent of the amounts voted in the current year's Main Estimate.

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