

PUBLIC FINANCE AND ACCOUNTABILITY (SCOTLAND) ACT 2000

EXPLANATORY NOTES

THE ACT

Section 1: Use of Resources

General Purpose

3. This section, together with sections 2 and 3, paves the way for the introduction of resource budgeting and accounting. This is a system whereby expenditure is authorised and accounted for on an accruals basis. Accruals accounting links the accounting for resources to when the resources are actually consumed. For example goods and services are accounted for, and thus count against a resource budget, when they are used, not when they are paid for. Capital assets are accounted for over the life of the asset, and the budget will carry annual charges reflecting the financing and opportunity costs of the asset.
4. Not all resource ‘spending’ has implications for the actual handing over of cash in the same year; and not all cash spending will count against a resource budget in that year. Taken together with section 4, however, this section means that spending can only take place if it is within both the approved resource budget and an overall cash authorisation.
5. The Executive intends to introduce resource budgeting as soon as possible; but initially will present budgets in the traditional ‘cash’ way.