

# **PUBLIC FINANCE AND ACCOUNTABILITY (SCOTLAND) ACT 2000**

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## **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.

##### **Subsection (1)**

6. This subsection is intended to limit the “use of resources”. It ensures that the use of resources by the Scottish Administration and other direct funded bodies must be authorised on an annual basis by a Budget Act. The Budget Act may specify the purpose for which the resources may be used and/or the maximum amount of resources that may be used in the particular financial year to which the Budget Act relates.
7. The other direct funded bodies are those whose expenditure is, by virtue of statutory provision, payable out of the Scottish Consolidated Fund i.e.-
  - (a) the Scottish Parliamentary Corporate Body (SPCB), whose expenses are payable out of the Fund under 21(6) of the Scotland Act 1998,
  - (b) Audit Scotland (established by section 10 of the Act), whose expenditure, so far as not met out of charges income, will be payable out of the Fund under section 11(7) of the Act,
  - (c) the Forestry Commissioners, whose expenditure as regards Scotland is payable out of the Fund under section 41(4) of the Forestry Act 1967, as amended by the [Scotland Act 1998 \(Cross-Border Public Authorities\) \(Adaptation of Functions etc\) Order 1999 \(S.I. 1999/1747\)](#), and

*These notes relate to the Public Finance and Accountability (Scotland)  
Act 2000 (asp 1) which received Royal Assent on 17 January 2000*

- (d) any other body or office-holder where statutory provision is made for its expenditure to be “payable out of the Scottish Consolidated Fund” (the [Food Standards Act 1999 \(c.28\)](#) would provide for expenditure of the proposed Food Standards Agency to be payable out of the Fund).

**Subsection (2)**

- 8. This requires separate authorisation for expenditure supported directly from the Scottish Consolidated Fund and for expenditure supported by “accruing resources”.

**Subsection (3)**

- 9. This defines the term “use of resources”. For the purposes of the Act, use of resources means, spending or consuming or reducing the value of resources.