

ANNEX 3

Differences between budgets and accounts

As a result of the implementation of the Treasury's Alignment project in 2011-12 most differences between Resource accounts and budgets have now been removed. The majority of transactions should therefore be recorded in budgets at the same value and with the same timing as in accounts. There are however some outstanding misalignments, these are set out in the tables below. Treasury will continue to try and minimise the differences between budgets and accounts consistent with the principles of alignment.

Table 1 below shows the main differences between the SoCNE in resource accounts and the resource budget.

Table 2 shows the main difference between capital budgets and additions to non-current assets and investment in resource accounts

Table 1: The main differences between the Statement of Comprehensive Net Expenditure (SoCNE) and resource budgets

Departments' own spending	The SoCNE includes capital grants; these score in capital budgets
	The SoCNE score the creation of provisions. The release and payment are both movements on the Statement of Financial Position. In budgets, the creation and release score to AME whereas the payment scores to DEL.
Departments' income	Equity withdrawals from public corporations may score in the SoCNE if they are treated as special dividends and would in all cases score in capital budgets.
	Income that is classified as a capital grant, such as a donation that is to be used to finance acquisition of a capital asset, scores in the capital budget.
Support for local authorities	Capital grants to local authorities score in the SoCNE and in capital budgets
Public Corporations	Capital grants to public corporations score in the SoCNE and in capital budgets for public corporations on the external finance basis.
	Equity withdrawals from public corporations may score in the SoCNE as special dividends and will in all cases score in capital budgets for public corporations on the external finance basis.
PFI	PFI contracts recorded as service concessions in accounts will be recorded in budgets on the basis National Accounts (ESA 95) standards, which may lead to a different balance sheet treatment of the asset. Departments should ensure that they appropriate budgetary cover before entering into PFI transactions.

Table 2: The main differences between the capital budget and resource account entries for total net additions to non-current assets and investments

Departments' own spending	Capital budgets include capital grants; these score in the resource account SoCNE
	In a limited range of cases, purchase and disposal of stocks scores in capital budget, but are not transactions in non-current assets in the resource account, which treats the transaction as dealing in current assets.
Departments' income	Income that counts as capital transfers in the national accounts, such as a donation to finance construction of an asset, passes through capital budgets.
	There are limits on the quantum of income from the sale of assets that departments may keep in their budgets.
Support for Local Authorities	Capital grants to local authorities score in the SoCNE and in capital budgets
	Capital budgets include supported capital expenditure (revenue) which does not feature in resource accounts
Public Corporations	Capital grants to public corporations score in the SoCNE and in capital budgets
	Budgets for public corporations include public corporation market and overseas borrowing which is not included in resource accounts
	If a trading fund that is a department in its own right borrows from the National Loans Fund the "parent" department for budgeting purposes will show no accounting entry. However, its budget will show borrowing net of repayments
	Equity withdrawals from public corporations may score in the SoCNE as special dividends and will always score in capital budgets for public corporations on the external finance basis.
Service Concessions	Service concession arrangements which are subject to IFRIC 12 in accounts, are measured according to ESA95 standards set out in the Manual on Government Deficit and Debt