

ANNEX A – DIFFERENCES BETWEEN ACCOUNTS AND BUDGETS

Table 1 below shows the main differences between the Operating Cost Statement (OCS) in Departmental Resource Accounts and the Resource Budget. Table 2 shows the main difference between Capital Budgets and additions to fixed assets and investment in DRAs.

TABLE 1: The main differences between the Operating Cost Statement and Resource Budgets	
General	Resource Budget is divided into DEL and AME; OCS includes some but not all DEL and AME spending, and also some non-budget income and expenditure
	Resource Budget DEL is divided into non-cash and near-cash; the OCS is not.
Departments' own spending	Cost of capital charges on non-budget items may be excluded from budgets.
	No asset funded by the Lottery or a local authority attracts a cost of capital charge in budgets; they do in accounts.
	OCS includes capital grants and the take-up and revaluation of provisions in respect of capital grants; these score in Capital Budgets.
	Both the OCS and budgets score the creation of, increases in, and revaluations of provisions. In DRAs, the spending when the risk that a provision had been taken against crystallises and the use of the provision to meet that spending are purely balance sheet transactions. However, Budgets include entries for the release of provisions and the expenditure that the release of provisions finances (<i>Note: where both sides of this pair of transactions are in Resource DEL, they will have different non-cash/ near-cash treatment; in a few cases these two transactions may not have the same DEL/AME treatment</i>).
	Budgets include spending on the payable element of tax credits. These are excluded from DRAs and taken through trust statements.
Departments' income	OCS includes all income that passes through a department, except for income taken through a trust statement. Resource budgets include only income that is negative DEL, and which does not score to the capital budget. In particular taxes and fines will go through the OCS, and will only exceptionally pass through budgets.

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Annex A – Differences between Accounts and Budgets

TABLE 1: The main differences between the Operating Cost Statement and Resource Budgets	
	Equity withdrawals from PCs may score in the OCS 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.
	For income that is a tax or rent in the national accounts, the timing of recording of the income may differ for budgets and for OCS.
Administration Budgets	No difference from administration costs in the OCS, other than the differences that apply generally between OCS and RB
NDPBs	The department's operating cost statement shows the cash grant in aid paid to the NDPB and any cash received from the NDPB; budgets show the expenditure less negative DEL income of the NDPB.
Support for Local authorities	Capital grants to LAs score in the OCS and in Capital Budgets
NHS Trusts (England)	Budgets include the profits/ losses of NHS Trusts and exclude interest and dividends received from Trusts
Public Corporations	Capital grants to PCs score in the OCS and in Capital Budgets for PCs on the external finance basis
	Equity withdrawals from PCs may score in the OCS as special dividends and will in all cases score in Capital Budgets for PCs on the external finance basis
	Departments bear a cost of capital charge in budgets in respect of nearly all their PCs, in accounts only on those PCs where they have an investment (loans or equity).
	Budgets include the profit or loss of PC budgeted for on the consolidation basis
On balance sheet PFI	Termination payments under off balance sheet PFI deals score in the resource budget (assuming the department does not take economic ownership of the asset). However termination payments under on-balance sheet deals are treated differently in the national accounts. Any amount paid in excess of the liability (PFI creditor) being extinguished is considered a capital grant (assuming that no other assets are being acquired), and so score in the capital budget.

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Annex A – Differences between Accounts and Budgets

TABLE 1: The main differences between the Operating Cost Statement and Resource Budgets

Departmental Specific items (example)	Cost of interest forgone by DfID when debts written off under Retrospective Terms Agreements
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TABLE 2: The main differences between the Capital Budget and the departmental resource account entries for total net additions to fixed assets and investments

General	Capital Budget is divided into DEL and AME; DRAs include some but not all DEL and AME spending, and also some non-budget income and expenditure
Departments' own spending	Capital Budgets include capital grants and the take-up and revaluation of provisions in respect of capital grants; these score in the DRA OCS
	Certain large pre-payments are taken through the Capital Budget, while scoring as movements in current assets on the balance sheet
	In a limited range of cases, purchase and disposal of stocks scores in Capital Budget, but are not transactions in fixed assets in the DRA, 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
	Income from capital transfers (other than from the EC) scores when the cash is due to be paid, which may be different from the timing in DRAs
	There are limits on the quantum of income from the sale of assets that departments may keep in their budgets
NDPBs	Capital budgets show the expenditure less negative DEL income of the NDPB on the same basis as the department. DRAs do not include NDPB capex, but the department's operating cost statement shows the cash grant in aid paid to the NDPB
NHS Trusts (England)	Budgets include the Capital expenditure of NHS trusts, which are not in DRAs
Support for Local authorities	Capital grants to LAs score in the OCS and in Capital Budgets
	Capital Budgets include Supported Capital Expenditure (Revenue) which does not feature in DRAs
Public Corporations	Capital grants to PCs scored on the external finance basis score in the OCS and in Capital Budgets

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TABLE 2: The main differences between the Capital Budget and the departmental resource account entries for total net additions to fixed assets and investments

	Budgets for PCs on the external finance basis include PCMOB which is not included in DRAs
	If a department is an intermediary between the National Loans Fund and a sponsored public corporation or trading fund, then the DRA will show both the loan asset and a liability to the NLF. Budgets will show borrowing net of repayments.
	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 PCs may score in the OCS as special dividends and will always score in Capital Budgets for PCs on the external finance basis
	Budgets include the Capital Expenditure of public corporations scored on a consolidation basis, which is not in DRAs and exclude loans to them which are in DRAs
On balance sheet PFI	no difference

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Annex B - Treasury Contacts

ANNEX B - TREASURY AND OTHER CONTACTS

This annex gives details of Treasury and other officials who may be contacted for further advice:

Issue	Contact	Team	Telephone/ E-mail
Initial contact for any aspect of the public spending control system	Your normal Treasury spending team contact		
Resource Budgeting			
Resource Budgeting Policies	Russell Coleman	GEP	020 7270 5337 Russell.Coleman@hm-treasury.gsi.gov.uk
Non-Cash/ near-cash	Mark Torch	GEP	020 7270 5778 Mark.Torch@hm-treasury.X.gsi.gov.uk
Administration Budgets	Mark Torch	GEP	020 7270 5778 Mark.Torch@hm-treasury.X.gsi.gov.uk
End-Year Flexibility	Mark Torch	GEP	020 7270 5778 Mark.Torch@hm-treasury.X.gsi.gov.uk
Classification of Bodies and Transactions			
National Accounts classification of flows; in which sector of the economy is a body?	Russell Coleman	GEP	020 7270 5337 Russell.Coleman@hm-treasury.gsi.gov.uk
	Robert Spinks	GEP	020 7270 5338 Robert.Spinks@hm-treasury.gsi.gov.uk
Treatment of receipts and income in the national accounts and in budgets	Robert Spinks	GEP	020 7270 5338 Robert.Spinks@hm-treasury.gsi.gov.uk
Designation as an NDPB	Ken Ball	Cabinet Office	020-7276-0269 kball@cabinet-office.x.gsi.gov.uk
Spending Review			
Spending Review	Philip Dufty	GEP-SR	020 7270 5485 Philip.Dufty@hm-treasury.gsi.gov.uk
Capital Budgeting	Ceri Gott	GEP	020 7270 4464 Ceri.Gott@hm-treasury.gsi.gov.uk

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Issue	Contact	Team	Telephone/ E-mail
Resource Estimates			
Resource Estimates (for CO, MOD, FCO, COI, Chancellor's departments, DWP, DFT, and Pensions)	Gary Hansman	GEP	020 7270 5533 gary.hansman@hm-treasury.x.gsi.gov.uk
Resource Estimates (for DFES, DCMS, ODPM, DTI, ECGD, DFID, DEFRA, NIO, and DH)	George Martin	GEP	020 7270 5528 george.martin@hm-treasury.x.gsi.gov.uk
Resource Estimates (for HO, Legal departments & parliamentary)	Debbie McNicholas	GEP	020 7270 4483 debbie.mcnicholas@hm-treasury.x.gsi.gov.uk
	Nitu Vadher	GEP	020 7270 5532 nitv.vadher@hm-treasury.x.gsi.gov.uk
Public Corporations and Trading Funds			
Public Corporations policy	Robert Epstein	CPF	020 7270 5497 Robert.Epstein@hm-treasury.gsi.gov.uk
Trading Funds policy	Nick Bailey	CA Team	020 7270 4535 nick.bailey@hm-treasury.gsi.gov.uk
Advice on the management of public corporations and trading funds	Peter Schofield	Shareholder Executive	020 7215 6150 Peter.Schofield@dti.gsi.gov.uk
Local Authorities			
New Burdens Rules	Justin Vetta	ODPM	020 7944 4027 5/D2 Eland House Bressenden Place London SW1 Justin.Vetta@odpm.gsi.gov.uk
	Jonathan Mills	LG	020 7270 4945 Jonathan.Mills@hm-treasury.gsi.gov.uk
	Natasha Cock	LG	020 7270 5973 Natasha.Cock@hm-treasury.gsi.gov.uk
Accounts			
Resource Accounting	Departments' own resource accounting advisors (who may contact		

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Issue	Contact	Team	Telephone/ E-mail
	Treasury CA Team)		
Whole of Government Accounts	Kieran Rix	GFIR	020 7270 5887 kieran.rix@hm-treasury.gsi.gov.uk
Recording			
Recording Resource budgets on COINS	Russell Coleman	GEP	020 7270 5337 Russell.Coleman@hm-treasury.gsi.gov.uk
	Robert Spinks	GEP	020 7270 5338 Robert.Spinks@hm-treasury.gsi.gov.uk
COINS Database: New Program Objects, database maintenance, database operations & data updates.	Jim Williamson	GFIR	020 7270 5639 James.Williamson@hm-treasury.gsi.gov.uk
PES Papers			
PES papers	Karen Johnstone	GEP	020 7270 5967 Karen.Johnstone@hm-treasury.gsi.gov.uk
Broken Links			
If a link in Annex C does not work, please notify	Aneel Beg	GEP	020 7270 5985 Aneel.Beg@hm-treasury.gsi.gov.uk

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Annex C – Useful Links

ANNEX C - USEFUL LINKS

The contact for notifying broken links is listed in Annex B.

Broad overview descriptions of the budgeting framework on the Treasury's public website
http://www.hm-treasury.gov.uk/documents/public_spending_and_services/pss_intro_frame.cfm
The Treasury's gsi page gives access to information for practitioners on budgeting, PES papers (which may include updates to the budgeting system), the SR , performance, pay policy,
http://www.hm-treasury.gsi.gov.uk/psd/index.htm
The Treasury's Public Spending Guidance on the gsi Knowledge Network gives practitioners new to government finance useful introductory guidance
http://www.knowledgenetwork.gsi.gov.uk/psg/psg.nsf
ONS publish MA23 which lists many bodies and sets out what sector of the economy they are in:
http://www.statistics.gov.uk/downloads/theme_economy/MA23.xls .
The Cabinet Office publishes a range of material about Non Departmental Public Bodies
Non Departmental Public Bodies: A Guide for Departments is at http://www.civilservice.gov.uk/the_future_of_the_civil_service/agencies_and_public_bodies/guidance_for_departments/non_departmental_public_body_guidance/index.asp
The Cabinet Office's Public Bodies Database http://www.knowledgenetwork.gov.uk/ndpb/ndpb.nsf
The Treasury publishes a range of classification guidance notes covering national accounts treatments
http://www.knowledgenetwork.gsi.gov.uk/psg/psg.nsf Sectors of the economy: http://www.wga.gov.uk/pages/classification.html Treatment of income: to be published on the Treasury's gsi site later in 2005 Capital Expenditure: to be published on the Treasury's gsi site later in 2005
Guidance on types of adjustments (policy, classification &c) is available at:
New guidance will be issued during 2005 and will be available at http://www.coins.gsi.gov.uk/coins/
Guidance on Supply Estimates is available at the Public Spending Guidance website (view section four, Parliamentary approval and accountability), chapter 11 of Government Accounting 2000 Manual and HM Treasury public website:
http://www.knowledgenetwork.gsi.gov.uk/psg/psg.nsf http://www.government-accounting.gov.uk/current/frames.htm http://www.hm-treasury.gov.uk/documents/public_spending_and_services/parliamentary_supply_estimates/pss_pse_index.cfm

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Annex C – Useful Links

Guidance on COINS and recording transactions can be found at the COINS website:
http://www.coins.gsi.gov.uk/coins/
Public Expenditure Statistical Analyses gives information on public spending analysed by reference to the budgetary control framework, sectors of the economy, government functions (irrespective of which organisation is spending the money), and the country or region of the UK which has benefited from public spending. Appendices describe the control framework. One of the appendices is a glossary of public expenditure terms :
http://www.hm-treasury.gov.uk/economic_data_and_tools/finance_spending_statistics/pes_publications/pespub_index.cfm
The Treasury's Government Financial Management Directorate gsi website links to Government Accounting and information on accounting, audit and risk
http://www.hm-treasury.gsi.gov.uk/GFM/index.htm
With effect from 2005-06 the new Government Financial Reporting Manual (FReM) replaces the Resource Accounting Manual, the Non-Departmental Public Bodies Annual Reports and Accounts Guidance and the Trading Funds Accounts Guidance. It is available now on its dedicated website
www.financial-reporting.gov.uk
Dear Accounting Officer letters give guidance on a range of subjects:
http://www.hm-treasury.gov.uk/documents/public_spending_and_services/audit_and_accounting/pss_aud_dao.cfm
information on Whole of Government Accounts is at:
http://www.wga.gov.uk/
The Treasury publishes certain guidance on public corporations : We intend to set up a public corporations section on the Treasury's gsi website
details of the approach to lending to PCs, particularly ensuring an appropriate lending rate is used, can be found in DAO(GEN)13/04. at http://www.hm-treasury.gov.uk/documents/public_spending_and_services/audit_and_accounting/pss_aud_dao.cfm

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The **PFI/PPP** area of the Treasury's website gives access to the main policy document on PFI/PPP *Meeting the Investment Challenge*, the value for money guidance and guidance on refinancing:

http://www.hm-treasury.gov.uk/documents/public_private_partnerships/ppp_index.cfm
http://www.hm-treasury.gov.uk/documents/enterprise_and_productivity/PFI.cfm
<http://www.hm-treasury.gov.uk/media/95C/76/95C76F05-BCDC-D4B3-15DFDC2502B56ADC.pdf>

Refinancing guidance:

- "Refinancing of Early PFI transactions – Code of Conduct", OGC guidance.
- "Guidance Note on Refinancing" (from "SoPC3" standard PFI contract)
- "Application Note on Value for Money in Refinancings"

All found on HM Treasury website:

http://www.hm-treasury.gov.uk/documents/public_private_partnerships/key_documents/ppp_guidance_index.cfm

The Treasury's guidance on the **wider markets initiative** is at:

<http://www.partnershipsuk.org.uk/Information/commercialisation/Selling%20into%20Wider%20Markets.pdf>

The address of the Treasury website section on the **Green Book** on option appraisal is given below. The **Social Time Preference Rate** is discussed in Annex 6.

http://www.hm-treasury.gov.uk/economic_data_and_tools/greenbook/data_greenbook_index.cfm

the Cabinet Office's website for **pensions** is at:

<http://www.civilservice-pensions.gov.uk/Menu.asp>

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Annex D – List of Abbreviations

ANNEX D – LIST OF ABBREVIATIONS

A glossary of public expenditure terms is published as an appendix in *Public Expenditure Statistical Analyses* – see Annex C for the link

AME	Annually Managed Expenditure
CAT	HM Treasury's Central Accountancy Team
CDEL	Capital Departmental Expenditure Limits
CFER	Consolidated Fund Extra Receipt
COCC	Cost of Capital Charge
COINS	Combined On-Line Information System
DEL	Departmental Expenditure Limits
DfID	Department for International Development
DIS	Departmental Investment Strategy
DOH	Department of Health
DRA	Departmental Resource Accounts
DUP	Departmental Unallocated Provisions
DWP	Department for Work and Pensions
EC	European Communities
EC	Economic Category
ESA95	European System of Accounts (1995 version)
EYF	End Year Flexibility
FReM	Financial Reporting Manual
GAAP	Generally Accepted Accounting Practice
I&E	Income and Expenditure account
MOD	Ministry of Defence
NAO	National Audit Office
NCR	Net Cash Requirement (in Estimates)
NDPB	Non Departmental Public Bodies
NLF	National Loans Fund
OCS	Operating cost statement
OGC	Office of Government Commerce
OMV	Open Market Value
ONS	Office for National Statistics
PCMOB	Public Corporations' Market and Overseas Borrowing
PCs	Public Corporations
PEOWP	Public Expenditure Outturn White Paper
PFI	Private Finance Initiative
PPA	Prior period adjustments
PPP	Public Private Partnerships
PSND	Public Sector Net Debt
RCV	Regulatory Capital Value
RDEL	Resource Departmental Expenditure Limits
RI	Reversionary Interest
SCE(R)	Supported Capital Expenditure (Revenue)
SCOA	Standard Chart of Accounts
SFPC	Self Financing Public Corporations
SR	Spending Review

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Annex D – List of Abbreviations

TME	Total Managed Expenditure
TSB	Transactions that are in Substance Borrowing
WACC	Weighted Average Cost of Capital

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