WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES BY SENATOR B.E. SHENTON

ANSWER TO BE TABLED ON TUESDAY 11th SEPTEMBER 2007

Question

In the Draft Annual Business Plan 2007 under Summary Table C the Expenditure Allocation for 2008 in respect of Treasury and Resources was stated as being £54,708,000. In the Draft Annual Business Plan 2008 under Summary Table C the Expenditure Allocation for 2008 in respect of Treasury and Resources was stated as being £61,586,000 – an increase of 12.57%.

Can the Minister please explain, in layman's terms, the reasons for the differential and also set out the exact meaning of 'Repayments and Interest on Capital Debt' (Page 120 of the Annex) and what this figure encapsulates?

Answer

The 2008 figure as published in the 2007 Business Plan does not include inter-departmental transfers and was calculated based on inflation assumptions prevailing at that time.

Detailed comparison of the Department's 2007 and 2008 budgets can be found on pages 123-125 of the Annex to the States Business Plan. These pages detail the various movements in the Treasury and Resources budget from 2007 to 2008 excluding the 'Repayments and Interest on Capital Debt'. The most significant component of the £6.8 million increase to the budget is £4m transfers relating to property maintenance budgets held in other States departments. There is also a 'book transfer' of some £2.5 million in respect of interest and capital debt repayments. When transfers are excluded the overall budget shows a reduction of £80,000, largely as a net result of efficiency savings.

Repayments and Interest on Capital Debt is a legacy term that related to the requirements of the previous Public Finances (Jersey) Law and comprises three elements. The majority of the cost shown against this line represents a proxy for depreciation of the States fixed assets; also included is interest received into the consolidated fund from trading funds in respect of their capital expenditure financed from the consolidated fund; the final element relates to the depreciation of capital grant funding of 'below ground works' at the airport, funded from the consolidated fund, but capitalised in the Airport's Trading Fund. This last item accounts for the majority of the increase between the two estimates.

The planned implementation of GAAP based accounting within the States means that processes and procedures around accounting for capital expenditure and depreciation are currently being reviewed and will change as new accounting standards are implemented.