

Public Expenditure Statistical Analyses 2003

May 2003



Cm 5901



This document is part of a series of Departmental Reports (Cm 5901 to 5931) which, along with the Main Estimates, the document Public Expenditure: Statistical Analyses 2003-04, and the Supply Estimates 2003-04: Supplementary Budgetary Information, present the Government's Expenditure Plans for 2003-2006.

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HM TREASURY



Public Expenditure Statistical Analyses 2003

May 2003

Presented to Parliament by
the Chancellor of the Exchequer
by Command of Her Majesty

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INTRODUCTION AND OVERVIEW

Public Expenditure Statistical Analyses (PESA) is a compendium that brings together recent outturn data, estimated outturns for the latest year and budgetary plans over the whole range of UK public expenditure. It is published annually as a Command Paper, alongside the Main Supply Estimates and Supplementary Budgetary Information. Further information on each government department's spending will be available in the individual Departmental Reports, which will be published during the weeks after publication of PESA. PESA includes analyses of public spending by function and by economic category of expenditure, and by country and region, as well as full details of spending by department and grouped by budgetary control aggregates.

RESOURCE ACCOUNTING AND BUDGETING

The government's spending plans are now set on a resource basis. Resource and capital spending are measured when the resources are consumed, rather than when they are paid for. Expenditure up until 2000–01 was controlled and accounted for on a cash basis.

PERIOD COVERED BY PESA TABLES

All data series in PESA are annual, and for financial years. Tables in PESA this year should normally cover a span of nine years – five years outturns, estimated outturn for the latest year and three years spending plans, where detailed plans are available. (In certain areas, eg local authority expenditure, detailed plans for future years are not available.) However, the introduction of resource accounting and budgeting for the planning and control of public spending from 2001–02 onwards means that data spans for many of the tables in PESA 2003 are one year shorter than usual, as resource accounting data is not available for years prior to 1998–99. Analyses of spending plans and outturn on a resource basis in this publication generally cover the eight years 1998–99 to 2005–06. Where possible, some analyses are given on a comparable basis, covering all nine years. This usually involves a break in series, with years up until 1999–2000 using cash data and years from 2000–01 using resource data. (See box in Chapter 3 for a fuller explanation of this.) Some key series are presented over a longer historical period.

CONSISTENCY WITH 2003 FSBR AND 2003–04 SUPPLY ESTIMATES

Information in PESA 2003 is consistent with the fiscal projections and public spending plans set out in Annex C of the 2002 Financial Statement and Budget Report (Budget 2003, April 2003, except in a few areas where later information is available and has been incorporated. Information in PESA is fully consistent with the 2003–04 Supply Estimates, both Main Estimates and Supplementary Budgetary Information.

NATIONAL STATISTICS IN PESA

Most of the outturn data (to 2001–02) in PESA 2003 fall within the scope of National Statistics. National Statistics are those outputs which Ministers have decided should come within the scope of the new arrangements, which have been produced to high professional standards to be set out in a Code of Practice, and have been put together free from political interference.

For more information about National Statistics visit the National Statistics web site at www.statistics.gov.uk.

Estimated outturns for 2002–03 and spending plans for future years are outside the scope of National Statistics. So are certain outturn data relating to administrative spending controls where definitions and/or measurement depend on those controls. The scope of National Statistics in the tables for each Chapter of PESA is indicated in the text for that Chapter.

PUBLICATION DATES FOR NATIONAL STATISTICS OF PUBLIC EXPENDITURE

Outturn data to 2001–02 for certain key series in PESA were released on Budget Day, 9 April. The key series were:

- Total Managed Expenditure by budgetary category (SR2000 basis) (PESA **Table 1.16**);
- Departmental Expenditure Limits, resource and capital, by departmental group (SR2000 basis) (PESA **Table 1.17**);
- Total Managed Expenditure, by broad function (PESA **Table 3.2**).

These key series will be updated again in a release in July, at the time of publication of the Public Expenditure Outturn White Paper. The July release will include the first provisional estimates of 2002–03 outturns.

Most other series in PESA are only published annually, in PESA.

CHANGES FROM PESA 2002–03

The main changes as compared with PESA 2002–03 is that the main presentation of public expenditure by budgeting category (DEL and AME) – in **Tables 1.1** through to **1.8** and **1.13** – now follows the full resource budgeting regime introduced in the 2002 Spending Review. A key feature of the new budgeting regime is that most non-cash items in budgets are now included in DEL. There are two new tables in this section, **Tables 1.9** and **1.10**, which break down departmental DELs into (near-) cash and non-cash items.

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I. PUBLIC EXPENDITURE OVERVIEW

1.1 This chapter brings together information on public expenditure within the current budgeting and control framework. It also includes analyses of spending allocations from the central funds, information on Voted and non-Voted components of total public spending, and a breakdown of public expenditure by spending sector.

1.2 Outturn data on the budgeting and control aggregates in **Tables 1.1 to 1.10 and 1.16 and 1.17** fall within the scope of National Statistics, as do outturn data in **Table 1.15** (spending sectors). Data in **Tables 1.11 to 1.14** are not National Statistics.

THE BUDGETING AND CONTROL FRAMEWORK: DEL, AME AND TME

1.3 **Table 1.1** summarises public expenditure within the DEL/AME budgeting and control framework, which was first set out in the Economic and Fiscal Strategy Report of June 1988.

1.4 Departments are given firm three year spending limits called Departmental Expenditure Limits (DELs) within which they prioritise resources and plan ahead. In accordance with the fiscal rules, a clear distinction is made between current and capital spending, with departments' budgets and DELs separated between resource and capital.

1.5 Spending that cannot reasonably be subject to firm multi-year limits is included in Annually Managed Expenditure (AME). **Table 1.1** sets out the main elements of AME. **Table 1.1** is in resource terms on a RAB stage 2 basis, as are all the other tables in this chapter, except for **1.16** and **1.17**. Departmental AME (which is contained in departments' budgets) includes social security spending, payments under the Common Agricultural Policy, and the various other items of departmental expenditure set out in **Table 1.1**. For the spending plans set in the 2002 Spending Review, most of each department's non-cash items such as depreciation and capital charges (see paragraph 1.11 below) were brought into DEL (RAB stage 2). Outside departments' budgets, other AME consists of net payments to the EC, locally financed expenditure, debt interest, public corporations own-financed capital expenditure, and accounting and other adjustments. All AME projections for future years are estimates which are updated twice yearly in the Budget and Pre-Budget Reports.

1.6 **Table 1.13** presents a breakdown of the accounting and other adjustments line in **Table 1.1**. Appendix B gives further details of these accounting and other adjustments.

1.7 DEL and AME together make up Total Managed Expenditure (TME), an aggregate which is drawn from the national accounts and is defined in national accounts terms as public sector current expenditure plus net investment plus depreciation. (See Chapter 4 and **Table 4.1**).

1.8 **Table 1.2** shows DEL by departmental group. Departmental groups reflect departmental boundaries and names following the Machinery of Government changes announced in May 2002. Full details of departmental groups are set out in Appendix D. **Table 1.2** also shows separately, for the years up to 2000–01, Welfare to Work DEL for spending financed by the windfall tax. From 2001–02 onwards, funding for the equivalent programme is included in the relevant departmental DELs, principally that for Work and Pensions. The rest of the table shows unallocated amounts remaining in the central funds and in the DEL Reserve. Details of allocations from the ISB and CMF are shown in **Tables 1.11 and 1.12**, discussed further below.

1.9 **Table 1.3** and **1.4** present the same information as in **Table 1.1** and **1.2** in real terms.

RESOURCE BUDGETS AND CAPITAL BUDGETS

1.10 Under resource budgeting, departmental spending is separated into Resource Budgets and Capital Budgets, each containing DEL and AME. These are shown in **Tables 1.5** and **1.6**, reconciled (using the accounting adjustments from **Table 1.1**) to the national accounts measures of total current and capital spending.

1.11 Resource Budgets, shown in **Table 1.5**, include the resource costs of the capital assets used to deliver public services. These costs consist of capital consumed in each year (depreciation), and the opportunity cost of tying up resources in these assets (capital charge). **Table 1.7** shows the Resource Budget for each main department.

1.12 Capital Budgets, shown in **Table 1.6**, include the capital spending of the public sector fully inside departmental budgets, including NHS trusts and non-departmental public bodies, and capital expenditure outside of departmental budgets, including public corporations own financed expenditure. **Table 1.8** shows the Capital Budget for each main department.

1.13 **Table 1.9** shows departmental Resource Budgets net of non-cash components. **Table 1.10** shows the non-cash elements of the departmental Resource Budgets in aggregate.

ALLOCATIONS FROM CENTRAL FUNDS: ISB, CMF

1.14 **Tables 1.11** and **1.12** give details of the respective allocations by department of the Invest to Save Budget and the Capital Modernisation Fund. For ISB, outturn spending and allocations to departments for rounds 1 to 4, and some round 5 allocations, are included in individual departmental limits in **Tables 1.2, 1.4, 1.7** and **1.8**. The unallocated amounts remaining in the ISB, together with those round 5 allocations not included in individual departmental limits, are shown in a separate line in **Tables 1.2, 1.4, 1.7** and **1.8**. For the CMF, outturn spending and allocations to departments are included in individual departmental limits in **Tables 1.2, 1.4,** and **1.8**. Full details of individual departments' spending under both programmes are given in departmental reports. As announced in the Budget on 9 April 2003, no further allocations will be made from the CMF, and unallocated funding has been reallocated to AME.

SUPPLY EXPENDITURE

1.15 **Table 1.14** shows the split of DEL and AME between money voted in Estimates, which accounts for about two-thirds, and other expenditure. The relationship between the budgetary aggregates (DEL and AME) and Supply Expenditure is explained in more detail in the introductory sections of the Supply Estimates 2003–04: Supplementary Budgeting Information (Cm 5797).

PUBLIC EXPENDITURE BY EACH SPENDING SECTOR

1.16 **Table 1.15** shows a breakdown of TME, and within it DEL and AME, as between the national accounts spending sectors which are used in many of the analyses in this publication. Central government own expenditure excludes central government spending in support of the spending of other parts of the public sector – local authorities and public corporations – but includes non-departmental public bodies classified to central government, as well as central government departments' own spending. It includes the spending of the devolved administrations in Scotland, Wales and Northern Ireland, which are

classified to central government. Central government own expenditure is split into DEL, departmental AME, and the other AME elements, including locally financed expenditure. This latter category is in respect of spending of the devolved administrations which is financed locally rather than from Westminster; at present it only includes expenditure of the Northern Ireland departments financed from regional rates. Further analyses of central government own expenditure are presented in **Chapter 4**.

I.17 Local authority expenditure is split into central government support (which can be in either DEL or AME), locally financed support in Scotland (the proceeds of non-domestic rates in Scotland which are collected and distributed to local authorities by the devolved administration) and self-financed expenditure. Total local authority expenditure excludes payments of debt interest within the public sector. Further analyses of local authority expenditure are presented in **Chapter 6**.

I.18 Public corporations expenditure is also split into DEL and AME, and all these DEL and AME components are included in departments' budgets. Departments' DELs include the subsidies and capital grants paid to, interest and dividends received from, loans and public dividend capital invested in and a capital charge on the department's investments in public corporations, except for self-financing public corporations, where they are contained in departmental AME. For the purposes of this publication, total public corporations expenditure includes central government payments of subsidies to public corporations. Further analyses for public corporations are presented in **Chapter 7**.

TME OUTTURN UNDER RAB STAGE I BUDGETING

I.19 **Table 1.16** is the RAB Stage 1 equivalent of **Table 1.1** and shows outturns from 1998–99 to 2002–03 for Total DEL, AME and its main components, and TME in resource terms, under the budgeting rules that operated for 2001–02 and 2002–03. **Table 1.17** shows outturns for Current and Capital DEL by department over the same period on the same basis.

I. PUBLIC EXPENDITURE OVERVIEW

Table I.1 Total Managed Expenditure 1998–99 to 2005–06

	£ million							
	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06
	outturn	outturn	outturn	outturn	estimated outturn	plans	plans	plans
Departmental Expenditure Limits								
Resource Budget	173,459	183,964	199,305	215,763	241,601	249,100	263,800	283,400
Capital Budget	12,905	11,943	15,075	18,001	20,607	25,100	26,800	29,100
Less depreciation	7,388	7,420	9,288	9,639	18,279	10,349	11,093	11,816
Total Departmental Expenditure Limits	178,976	188,487	205,092	224,124	243,930	263,800	279,500	300,700
Annually Managed Expenditure								
<i>Departmental AME</i>								
Social security benefits	91,967	96,982	99,127	104,893	109,589	114,659	117,650	122,059
Tax Credits ⁽¹⁾	140	1,268	3,903	5,189	5,801	8,205	11,230	12,520
Housing Revenue Account subsidies	3,486	3,285	3,096	4,527	4,270	4,279	4,019	4,064
Common Agricultural Policy	3,060	2,814	2,966	3,713	2,598	2,336	2,342	2,318
Net public service pensions ⁽²⁾	3,455	4,750	2,453	11,537	5,823	471	305	195
National Lottery	1,831	1,908	1,855	1,710	1,930	2,200	1,900	1,500
Non-cash items	18,981	19,659	21,044	22,289	27,435	24,561	25,271	26,029
Other departmental expenditure	316	1,911	1,942	1,249	2,652	2,266	1,868	2,019
Total Departmental AME	123,237	132,577	136,386	155,107	160,098	158,978	164,585	170,703
<i>Other AME</i>								
Net payments to EC institutions ⁽³⁾	3,590	2,807	3,697	770	2,288	2,307	3,042	3,367
Locally financed expenditure	17,501	18,585	18,383	19,835	20,714	22,959	24,642	26,148
Central Government gross debt interest	28,760	24,927	25,945	22,051	20,845	21,833	23,214	24,277
Public corporations own-financed capital expenditure	1,437	1,392	971	1,540	2,161	2,579	2,687	2,714
Total Other AME	51,289	47,710	48,996	44,197	46,008	49,678	53,585	56,506
Total AME before Accounting Adjustments	174,526	180,288	185,382	199,304	206,106	208,655	218,170	227,210
AME Margin						1,000	2,000	3,000
Accounting adjustments ⁽⁴⁾	-20,205	-25,143	-23,658	-33,849	-29,011	-17,833	-14,997	-14,400
Total Annually Managed Expenditure	154,321	155,145	161,724	165,455	177,095	191,822	205,173	215,810
Total Managed Expenditure	333,297	343,632	366,816	389,579	421,025	455,700	484,700	516,500
<i>of which:</i>								
Current expenditure	314,667	326,601	348,575	366,584	395,036	422,300	446,500	475,200
Net investment	6,015	4,385	5,197	9,575	12,233	18,900	23,000	25,400
Depreciation	12,615	12,646	13,044	13,420	13,756	14,400	15,200	15,900

(1) Tax credits include working tax credits, stakeholder pension credits, and from 2003–04, Child Tax Credits previously included as child allowances in Income Support and Jobseekers' Allowance.

(2) The main pension schemes are reported under FRS17 accounting requirements. Other schemes have yet to move to an FRS17 basis and are reported on a non-FRS17 basis.

(3) Net payments to EC institutions exclude the UK's contribution to the cost of EC aid to non-Member States (which is attributed to the aid programme). Net payments therefore differ from the UK's net contribution to the EC Budget, latest estimates for which are:

£1.5bn in 2001–02, £3.1bn in 2002–03, £3.2bn in 2003–04, £3.7bn in 2004–05, £4.0bn in 2005–06. The trend forecast for 2002–03 is £3.0bn.

(4) Excludes depreciation.

I. PUBLIC EXPENDITURE OVERVIEW

Table I.2 Departmental Expenditure Limits⁽¹⁾, 1998–99 to 2005–06

	£ million							
	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06
	outturn	outturn	outturn	outturn	estimated outturn	plans	plans	plans
Resource and Net Capital DEL								
Education and Skills	12,812	13,871	16,450	19,005	23,169	25,257	27,369	29,908
Health	40,550	41,946	45,697	53,536	59,078	65,613	71,600	78,680
<i>of which: NHS</i>	39,778	41,254	44,901	52,288	56,727	63,293	69,373	76,389
Transport	4,599	5,105	4,752	6,827	8,677	10,343	10,754	11,265
Office of the Deputy Prime Minister	4,201	4,373	5,298	4,474	5,601	6,635	7,153	7,484
Local Government	32,734	34,194	35,325	37,006	37,620	41,332	44,392	48,338
Home Office	7,632	7,708	9,091	10,671	11,933	12,585	12,474	13,228
Lord Chancellor's departments	2,728	2,413	2,784	3,094	3,352	3,151	3,428	3,516
Attorney General's departments	337	335	375	428	498	482	519	539
Defence	28,472	29,482	31,466	30,709	32,311	29,242	29,817	30,712
Foreign and Commonwealth Office	1,136	1,166	1,347	1,387	1,513	1,571	1,476	1,549
International Development	2,420	2,764	2,979	3,187	3,588	3,629	3,749	4,495
Trade and Industry	3,055	3,826	5,943	5,354	4,886	5,056	5,038	5,442
Environment, Food and Rural Affairs	1,969	2,313	2,745	2,817	2,868	2,888	2,841	2,895
Culture, Media and Sport	1,009	1,041	1,064	1,151	1,322	1,401	1,441	1,525
Work and Pensions ⁽²⁾	5,217	5,766	6,061	6,275	7,562	7,877	8,162	8,133
Scotland ⁽³⁾	13,179	13,992	14,823	17,135	18,954	20,123	21,293	22,715
Wales ⁽³⁾	6,802	7,249	7,773	8,584	9,679	10,419	11,035	11,891
Northern Ireland Executive ⁽³⁾	4,675	4,940	5,520	5,881	6,721	6,799	7,148	7,599
Northern Ireland Office	1,008	1,127	856	962	1,186	1,097	1,131	1,178
Chancellor's departments	3,208	3,421	3,378	4,097	4,602	4,618	4,790	4,971
Cabinet Office	1,233	1,455	1,365	1,547	1,727	2,227	1,870	1,897
Capital Modernisation Fund								
Invest to Save Budget						50	40	30
Reserve						1,400	2,000	2,700
Unallocated Special Reserve ⁽⁴⁾					2,000			
Allowance for Shortfall					–4,916			
Total DEL	178,976	188,487	205,092	224,124	243,930	263,800	279,500	300,700
Total Education Spending⁽⁵⁾	39.0	40.9	44.2	49.4	53.6	58.6	62.9	68.5

(1) Full resource budgeting basis, net of depreciation.

(2) Includes Welfare to Work expenditure financed by the Windfall Tax.

(3) Allocations within DEL totals may be subject to final decisions in allocation by the devolved administrations.

(4) This is the remaining contingency provision for costs of military operations in Iraq after an allocation of a preliminary £1.0bn to the Ministry of Defence from the £3.0bn total.

(5) Includes spending by local authorities and devolved administrations.

I. PUBLIC EXPENDITURE OVERVIEW

Table I.3 Total Managed Expenditure (real terms), 1998–99 to 2005–06⁽¹⁾

	£ million							
	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06
	outturn	outturn	outturn	outturn	estimated outturn	plans	plans	plans
Departmental Expenditure Limits								
Resource Budget	186,228	192,838	204,287	215,763	234,485	235,400	243,100	254,800
Capital Budget	13,855	12,519	15,452	18,001	20,000	23,800	24,700	26,100
Less depreciation	7,932	7,778	9,520	9,639	17,740	9,781	10,220	10,621
Total Departmental Expenditure Limits	192,152	197,580	210,219	224,124	236,745	249,400	257,500	270,300
Annually Managed Expenditure								
<i>Departmental AME</i>								
Social security benefits	98,738	101,661	101,605	104,893	106,361	108,367	108,390	109,709
Tax Credits ⁽²⁾	150	1,329	4,001	5,189	5,630	7,755	10,346	11,253
Housing Revenue Account subsidies	3,742	3,444	3,173	4,527	4,144	4,044	3,703	3,653
Common Agricultural Policy	3,286	2,949	3,040	3,713	2,521	2,208	2,157	2,083
Net public service pensions ⁽³⁾	3,710	4,979	2,515	11,537	5,651	446	281	175
National Lottery	1,966	2,000	1,901	1,710	1,873	2,079	1,750	1,348
Non-cash items	20,379	20,608	21,570	22,289	26,627	23,213	23,282	23,396
Other departmental expenditure	339	2,003	1,990	1,249	2,574	2,142	1,721	1,814
Total departmental AME	132,310	138,973	139,795	155,107	155,382	150,254	151,631	153,432
<i>Other AME</i>								
Net payments to EC institutions ⁽⁴⁾	3,854	2,942	3,789	770	2,221	2,180	2,803	3,026
Locally financed expenditure	18,790	19,481	18,843	19,835	20,103	21,699	22,703	23,503
Central Government gross debt interest	30,877	26,129	26,594	22,051	20,231	20,635	21,387	21,821
Public corporations own-financed capital expenditure	1,543	1,459	995	1,540	2,097	2,437	2,476	2,439
Total Other AME	55,064	50,012	50,221	44,197	44,653	46,952	49,368	50,789
Total AME before Accounting Adjustments	187,374	188,985	190,016	199,304	200,035	197,206	200,999	204,221
AME Margin						945	1,843	2,696
Accounting adjustments ⁽⁵⁾	-21,692	-26,356	-24,249	-33,849	-28,156	-16,855	-13,817	-12,943
Total Annually Managed Expenditure	165,682	162,629	165,767	165,455	171,879	181,296	189,025	193,974
Total Managed Expenditure	357,834	360,209	375,986	389,579	408,623	430,700	446,600	464,300
<i>of which:</i>								
Current expenditure	337,832	342,356	357,289	366,584	383,400	399,100	411,400	427,100
Net investment	6,458	4,597	5,327	9,575	11,873	17,900	21,200	22,800
Depreciation	13,544	13,256	13,370	13,420	13,351	13,657	13,977	14,298

(1) At 2001-02 prices using GDP deflators consistent with the April 2003 Financial Statement and Budget Report.
For other footnotes, please see footnotes for Table I.1.

I. PUBLIC EXPENDITURE OVERVIEW

Table I.4 Departmental Expenditure Limits,⁽¹⁾ (real terms), 1998–99 to 2005–06⁽²⁾

	£ million							
	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06
	outturn	outturn	outturn	outturn	estimated outturn	plans	plans	plans
Resource and Net Capital DEL								
Education and Skills	13,755	14,540	16,862	19,005	22,486	23,871	25,215	26,882
Health	43,535	43,970	46,840	53,536	57,338	62,012	65,964	70,719
of which: NHS	42,706	43,244	46,023	52,288	55,056	59,820	63,913	68,660
Transport	4,937	5,351	4,871	6,827	8,421	9,775	9,907	10,126
Office of the Deputy Prime Minister	4,510	4,584	5,430	4,474	5,436	6,271	6,590	6,727
Local Government	35,144	35,843	36,208	37,006	36,512	39,064	40,898	43,447
Home Office	8,193	8,079	9,318	10,671	11,581	11,895	11,492	11,889
Lord Chancellor's departments	2,928	2,530	2,853	3,094	3,253	2,978	3,158	3,161
Attorney General's departments	362	352	384	428	483	455	478	485
Defence	30,568	30,904	32,252	30,709	31,359	27,637	27,471	27,605
Foreign and Commonwealth Office	1,220	1,223	1,381	1,387	1,468	1,485	1,360	1,392
International Development	2,598	2,897	3,054	3,187	3,482	3,430	3,454	4,040
Trade and Industry	3,280	4,011	6,091	5,354	4,742	4,779	4,641	4,892
Environment, Food and Rural Affairs	2,114	2,425	2,814	2,817	2,784	2,729	2,617	2,602
Culture, Media and Sport	1,083	1,091	1,090	1,151	1,283	1,324	1,328	1,371
Work and Pensions ⁽³⁾	5,601	6,044	6,213	6,275	7,339	7,445	7,519	7,310
Scotland ⁽⁴⁾	14,150	14,667	15,193	17,135	18,396	19,019	19,617	20,417
Wales ⁽⁴⁾	7,303	7,599	7,967	8,584	9,394	9,848	10,167	10,688
Northern Ireland Executive ⁽⁴⁾	5,020	5,178	5,658	5,881	6,523	6,426	6,586	6,830
Northern Ireland Office	1,082	1,181	877	962	1,151	1,036	1,042	1,059
Chancellor's departments	3,444	3,586	3,463	4,097	4,467	4,365	4,413	4,468
Cabinet Office	1,324	1,525	1,399	1,547	1,676	2,105	1,723	1,705
Capital Modernisation Fund								
Invest to Save Budget						47	37	27
Reserve					1,941	1,400	1,900	2,400
Unallocated Special Reserve ⁽⁵⁾								
Allowance for Shortfall					-4,771			
Total DEL	192,152	197,580	210,219	224,124	236,745	249,400	257,500	270,300
Total Education Spending⁽⁶⁾	41.9	42.9	45.3	49.4	52.0	55.9	58.0	61.6

(1) Full resource budgeting basis, net of depreciation.

(2) At 2001–02 prices, using GDP deflators consistent with the April 2003 Financial Statement and Budget Report.

(3) Includes Welfare to Work expenditure financed by the Windfall Tax.

(4) Allocations within DEL totals may be subject to final decisions in allocation by the devolved administrations.

(5) This is the remaining contingency provision for costs of military operations in Iraq after an allocation of a preliminary £1.0bn to the Ministry of Defence from the £3.0bn total.

(6) See footnote 5 to Table 1.2.

Table I.5 Public Sector Current Expenditure, 1998–99 to 2005–06

	£ million							
	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06
	outturn	outturn	outturn	outturn	estimated outturn	plans	plans	plans
<i>Resource Budget:</i>								
in Departmental Expenditure Limits	173,459	183,964	199,305	215,763	241,601	249,100	263,800	283,400
in Departmental AME	122,744	130,862	134,377	154,490	158,423	157,446	163,742	169,838
Total Resource Budget	296,203	314,826	333,681	370,253	400,025	406,500	427,600	453,300
<i>Other current spending in AME:</i>								
Net payments to EC institutions ⁽¹⁾	3,590	2,807	3,697	770	2,288	2,307	3,042	3,367
Locally financed current expenditure	16,441	17,988	18,966	18,644	19,388	21,488	22,875	24,483
Central Government gross debt interest	28,760	24,927	25,945	22,051	20,845	21,833	23,214	24,277
AME Margin (current)						870	1,248	1,928
Accounting and other adjustments	-24,892	-26,288	-26,731	-37,024	-39,230	-20,349	-20,708	-20,586
Classification changes to national accounts	-5,435	-7,658	-6,983	-8,110	-8,279	-10,360	-10,723	-11,553
Public Sector Current Expenditure	314,667	326,601	348,575	366,584	395,036	422,300	446,500	475,200

(1) See footnote 3 to Table 1.1.

I. PUBLIC EXPENDITURE OVERVIEW

Table I.6 Public Sector Net Investment, 1998–99 to 2005–06

	£ million							
	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06
	outturn	outturn	outturn	outturn	estimated outturn	plans	plans	plans
<i>Capital Budget:</i>								
in Departmental Expenditure Limits	12,905	11,943	15,075	18,001	20,607	25,100	26,800	29,100
in Departmental AME	493	1,716	2,009	617	1,674	1,531	844	866
Total Capital Budget	13,398	13,659	17,084	18,617	22,282	26,700	27,600	29,900
<i>Other capital spending in AME:</i>								
Public corporations and own-financed capital expenditure	1,437	1,392	971	1,540	2,161	2,579	2,687	2,714
Locally financed capital expenditure	1,060	597	–583	1,191	1,326	1,471	1,767	1,665
Accounting and other adjustments	–2,701	–6,275	–6,214	–6,463	–8,059	–7,703	–4,630	–4,558
Classification changes to national accounts	5,435	7,658	6,983	8,110	8,279	10,360	10,723	11,553
Public Sector gross investment	18,630	17,031	18,241	22,995	25,989	33,400	38,200	41,300
Less Depreciation (national accounts)	12,615	12,646	13,044	13,420	13,756	14,450	15,171	15,907
Public Sector net investment	6,015	4,385	5,197	9,575	12,233	18,900	23,000	25,400

Table I.7 Resource Budgets, 1998–99 to 2005–06

	£ million							
	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06
	outturn	outturn	outturn	outturn	estimated outturn	plans	plans	plans
Within DEL								
Education and Skills	11,878	12,783	14,531	16,981	20,647	22,005	23,662	25,648
Health	39,944	41,400	44,752	52,062	57,361	63,008	68,666	74,859
<i>of which: NHS</i>	39,233	40,769	44,019	50,906	55,097	60,787	66,536	72,673
Transport	3,431	4,021	3,379	4,444	5,984	7,343	7,459	8,357
Office of the Deputy Prime Minister	2,401	2,790	2,972	2,734	4,116	4,802	5,157	5,404
Local Government	32,375	33,922	35,270	36,922	37,402	41,007	44,068	47,990
Home Office	7,428	7,449	8,834	10,284	11,280	11,712	11,630	12,403
Lord Chancellor's departments	2,686	2,305	2,796	3,051	3,307	3,124	3,409	3,492
Attorney General's departments	337	336	367	436	490	472	520	540
Defence	29,358	31,329	33,394	32,333	41,361	30,752	31,462	32,278
Foreign and Commonwealth Office	1,082	1,132	1,498	1,429	1,613	1,652	1,542	1,609
International Development	2,445	2,743	3,000	3,174	3,592	3,639	3,752	4,502
Trade and Industry	3,097	3,919	5,983	5,384	4,622	4,673	4,992	5,463
Environment, Food and Rural Affairs	1,829	2,242	2,715	2,690	2,686	2,725	2,708	2,758
Culture, Media and Sport	980	1,056	1,102	1,180	1,320	1,401	1,473	1,545
Work and Pensions ⁽¹⁾	5,592	5,782	6,078	6,199	7,475	7,969	8,050	8,159
Scotland	12,417	13,075	13,942	15,951	17,304	18,394	19,369	20,652
Wales	6,411	6,944	7,362	8,234	9,128	9,778	10,373	11,142
Northern Ireland Executive	4,452	4,708	5,407	5,710	6,247	6,446	6,736	7,148
Northern Ireland Office	1,011	1,129	851	976	1,191	1,071	1,113	1,145
Chancellor's departments	3,283	3,525	3,767	4,073	4,552	4,581	4,705	4,890
Cabinet Office	1,022	1,373	1,304	1,516	1,689	1,824	1,849	1,864
Capital Modernisation Fund								
Invest to Save Budget						40	32	24
Reserve						600	1,100	1,600
Unallocated Special Reserve					2,000			
Allowance for shortfall					–3,765			
Total Resource DEL	173,459	183,964	199,305	215,763	241,601	249,100	263,800	283,400

(1) Includes Welfare to Work expenditure financed from the Windfall Tax.

I. PUBLIC EXPENDITURE OVERVIEW

Table 1.7 Resource Budgets, 1998–99 to 2005–06 (continued)

	£ million							
	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06
	outturn	outturn	outturn	outturn	estimated outturn	plans	plans	plans
Within Departmental AME								
Education and Skills	6,096	6,273	6,458	6,656	6,650	5,962	6,176	6,572
Health	5,403	7,170	4,803	13,769	7,503	6,183	6,559	6,952
<i>of which: NHS</i>						–5		
Transport	2,075	1,771	1,725	2,107	2,131	2,296	2,089	1,579
Office of the Deputy Prime Minister	3,307	3,105	2,913	4,338	4,060	4,620	4,400	4,491
Local Government	109	200	61	498	169	220		
Home Office	–1	312	1	–1	1,691	1	1	1
Lord Chancellor's departments	81	87	92	96	102	47	53	55
Defence	3,949	4,154	4,420	4,482	6,452	4,545	4,485	4,505
Foreign and Commonwealth Office		–1			–1	–1	–1	–1
International Development	132	58	81	59	56	60	57	54
Trade and Industry	172	730	776	1,475	3,489	371	365	378
Environment, Food and Rural Affairs	2,317	2,164	3,606	2,314	1,834	1,266	1,613	1,589
Culture, Media and Sport	1,148	1,169	1,403	1,359	1,634	1,937	1,674	1,322
Work and Pensions	80,289	84,146	85,717	91,198	95,580	99,624	102,405	106,473
Scotland	2,342	1,931	2,080	2,284	2,255	1,962	1,919	1,964
Wales	358	348	346	574	613	626	617	596
Northern Ireland Executive	3,416	3,506	4,085	4,379	4,994	4,947	5,082	5,283
Northern Ireland Office	–88	–92	3	42	41	50	50	50
Chancellor's departments	7,458	9,643	12,574	14,164	15,167	17,965	21,211	22,753
Cabinet Office	4,181	4,188	3,233	4,695	4,003	4,765	4,986	5,221
Total Resource Departmental AME	122,744	130,862	134,377	154,490	158,423	157,446	163,742	169,838
Total Resource Budget	296,203	314,826	333,681	370,253	400,025	406,500	427,600	453,300

(1) Includes Welfare to Work expenditure financed from the Windfall Tax.

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Table I.8 Capital Budgets, 1998–99 to 2005–06

	£ million							
	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06
	outturn	outturn	outturn	outturn	estimated outturn	plans	plans	plans
Within DEL								
Education and Skills	716	867	1,232	2,055	2,551	3,297	3,753	4,306
Health	760	911	1,238	1,769	2,052	3,001	3,490	4,480
<i>of which: NHS</i>	700	850	1,173	1,676	1,953	2,892	3,383	4,363
Transport	1,181	1,104	1,402	2,426	3,017	3,299	3,647	3,295
Office of the Deputy Prime Minister	1,802	1,592	2,339	1,757	1,507	1,853	2,016	2,101
Local Government	360	272	56	84	219	324	324	349
Home Office	466	395	403	576	901	1,096	1,076	1,069
Lord Chancellor's departments	75	36	38	94	112	103	102	118
Attorney General's departments	5	4	14	22	11	15	14	15
Defence	5,302	4,051	5,391	5,848	6,328	6,128	6,405	7,041
Foreign and Commonwealth Office	86	88	105	60	68	57	71	84
International Development	-22	25	-16	24	13	11	18	14
Trade and Industry	24	5	49	94	382	503	168	105
Environment, Food and Rural Affairs	179	189	170	291	351	346	334	344
Culture, Media and Sport	82	40	23	37	70	88	61	75
Work and Pensions ⁽¹⁾	-302	42	36	140	201	29	232	94
Scotland	814	1,024	992	1,396	1,951	1,957	2,155	2,295
Wales	533	481	546	541	774	830	919	999
Northern Ireland Executive	229	239	300	352	564	423	483	523
Northern Ireland Office	23	25	35	18	54	64	57	72
Chancellor's departments	92	87	-223	205	398	272	317	308
Cabinet Office	231	202	202	210	236	619	238	247
Welfare to Work	271	264	742					
Invest to Save Budget						10	8	6
Capital Modernisation Fund								
Reserve						800	900	1,100
Allowance for shortfall					-1,151			
Total Capital Budget DEL	12,905	11,943	15,075	18,001	20,607	25,100	26,800	29,100
Within Departmental AME								
Education and Skills	1	3	2	1	1	1	1	1
Office of the Deputy Prime Minister		21	255		560	616	616	616
Local Government				50	210	100	175	175
Defence				108	-52		-28	-15
Foreign and Commonwealth Office				5	5	5	5	5
Trade and Industry	-226	919	1,260		557	310	-464	-416
Environment, Food and Rural Affairs	9	2	1	1	1	1	1	1
Culture, Media and Sport	709	741	468	377	308	272	236	188
Work and Pensions		29	22	75	77	90	101	109
Wales					7	10		
Northern Ireland Executive						125	200	200
Chancellor's departments								
Total Capital Budget Departmental AME	493	1,716	2,009	617	1,674	1,531	844	866
Total Capital Budget	13,398	13,659	17,084	18,617	22,282	26,700	27,600	29,900

(1) Includes Welfare to Work expenditure financed from the Windfall Tax.

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Table 1.9 Cash Equivalent Resource Budgets, 1998–99 to 2005–06

	£ million							
	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06
	outturn	outturn	outturn	outturn	estimated outturn	plans	plans	plans
Within DEL								
Education and Skills	11,859	12,421	14,577	16,810	20,619	21,962	23,614	25,599
Health	38,242	39,979	43,495	48,741	54,635	60,746	65,965	71,742
<i>of which: NHS</i>	37,530	39,349	42,764	47,587	52,384	58,536	63,847	69,569
Transport	3,444	4,081	3,584	4,511	5,663	7,218	7,256	8,120
Office of the Deputy Prime Minister	2,392	2,730	2,872	2,687	3,955	4,705	5,059	5,306
Local Government	32,375	33,922	35,269	36,922	37,402	41,007	44,068	47,990
Home Office	6,865	7,151	8,510	9,897	10,558	11,266	11,171	11,931
Lord Chancellor's departments	2,615	2,040	2,615	2,905	3,137	2,957	3,189	3,251
Attorney General's departments	333	330	360	399	485	464	501	520
Defence	18,378	19,984	19,391	18,523	20,118	19,769	20,173	20,444
Foreign and Commonwealth Office	965	1,037	1,201	1,277	1,393	1,444	1,329	1,382
International Development	2,012	2,527	2,731	3,168	3,390	3,573	3,656	4,425
Trade and Industry	2,965	2,956	3,343	3,973	4,382	4,409	4,720	5,180
Environment, Food and Rural Affairs	1,660	1,846	1,932	2,919	2,439	2,425	2,392	2,435
Culture, Media and Sport	885	961	994	1,057	1,186	1,228	1,294	1,363
Work and Pensions	5,581	5,729	6,032	6,146	7,370	7,855	7,940	8,053
Scotland	12,341	12,882	13,712	15,448	16,681	17,652	18,623	19,906
Wales	6,209	6,719	7,166	7,965	8,812	9,467	9,979	10,739
Northern Ireland Executive	4,401	4,650	4,944	5,230	5,990	6,212	6,502	6,913
Northern Ireland Office	964	956	917	989	1,110	1,021	1,065	1,095
Chancellor's departments	3,155	3,349	3,566	3,858	4,187	4,277	4,398	4,590
Cabinet Office	984	1,212	1,127	1,265	1,403	1,523	1,545	1,561
Total Resource DEL cash budget	158,623	167,462	178,337	194,688	214,914	231,178	244,441	262,544
Within AME								
Education and Skills	893	868	841	769	470	-404	-490	-434
Health	1,371	2,838	303	8,561	1,983	337	356	377
<i>of which: NHS</i>						1		
Transport		92		7	-2			
Office of the Deputy Prime Minister	3,307	3,105	2,913	4,338	4,060	4,620	4,400	4,491
Local Government	109	200	61	498	169	220		
Home Office	-1	312	1	-1	1,691	1	1	1
Lord Chancellor's departments	40	43	45	46	48	-12	-9	-9
Defence	1,281	1,302	1,428	1,335	1,189	1,166	1,115	1,077
Foreign and Commonwealth Office		-1			-1	-1	-1	-1
International Development	132							
Trade and Industry	325	292	384	552	1,115	785	761	569
Environment, Food and Rural Affairs	2,317	2,164	2,281	3,509	1,974	1,266	1,613	1,589
Culture, Media and Sport	1,148	1,169	1,403	1,359	1,632	1,938	1,674	1,322
Work and Pensions	80,069	83,916	85,588	91,106	95,456	99,505	102,281	106,344
Scotland	934	769	873	1,102	863	449	403	410
Wales	358	348	346	341	380	392	383	362
Northern Ireland Executive	3,416	3,506	3,604	3,824	4,078	3,897	4,006	4,181
Northern Ireland Office	-88	-92	3	42	41	50	50	50
Chancellor's departments	7,435	9,583	12,517	14,068	15,053	17,880	21,126	22,668
Cabinet Office	516	574	622	650	674	686	688	693
Total Resource AME cash budget	103,562	110,989	113,212	132,105	130,873	132,777	138,359	143,691
Total Resource cash budget	262,185	278,451	291,549	326,793	345,787	363,955	382,799	406,235

I. PUBLIC EXPENDITURE OVERVIEW

Table I.10 Non-cash Resource Budgets, 1998–99 to 2005–06

	£ million							
	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06
	outturn	outturn	outturn	outturn	estimated outturn	plans	plans	plans
Within DEL								
Education and Skills	18	362	–46	171	28	43	48	49
Health	1,702	1,420	1,257	3,321	2,727	2,263	2,702	3,117
<i>of which: NHS</i>	1,702	1,420	1,256	3,319	2,713	2,250	2,689	3,105
Transport	–13	–60	–205	–66	321	125	203	237
Office of the Deputy Prime Minister	9	60	100	47	161	97	98	98
Local Government								
Home Office	563	298	324	387	722	446	459	472
Lord Chancellor's departments	71	266	182	146	170	166	220	241
Attorney General's departments	5	7	7	37	5	8	19	20
Defence	10,980	11,345	14,003	13,810	21,243	10,983	11,288	11,834
Foreign and Commonwealth Office	117	95	297	152	221	207	212	227
International Development	433	216	268	6	202	67	96	77
Trade and Industry	132	963	2,641	1,411	241	264	272	282
Environment, Food and Rural Affairs	168	397	783	–229	247	300	316	322
Culture, Media and Sport	95	94	108	123	135	173	179	182
Work and Pensions	11	53	46	53	105	114	110	106
Scotland	76	193	231	503	623	743	746	746
Wales	202	226	196	269	315	311	393	403
Northern Ireland Executive	51	58	463	480	256	234	234	235
Northern Ireland Office	48	174	–66	–13	81	50	48	50
Chancellor's departments	127	176	202	215	366	305	306	300
Cabinet Office	38	161	177	252	286	301	302	304
Total Resource DEL non-cash budget	14,835	16,502	20,968	21,075	28,452	17,199	18,252	19,302
Within AME								
Education and Skills	5,202	5,406	5,617	5,887	6,180	6,366	6,666	7,006
Health	4,032	4,332	4,500	5,208	5,520	5,846	6,203	6,575
<i>of which: NHS</i>						–6		
Transport	2,075	1,678	1,725	2,100	2,133	2,296	2,089	1,579
Lord Chancellor's departments	41	44	47	51	54	59	62	64
Defence	2,668	2,851	2,992	3,148	5,263	3,378	3,370	3,428
International Development		58	81	60	56	61	58	54
Trade and Industry	–153	438	392	923	2,375	–414	–396	–191
Environment, Food and Rural Affairs			1,325	–1,195	–140			
Culture, Media and Sport					1	–1		
Work and Pensions	220	230	128	91	123	119	123	129
Scotland	1,407	1,162	1,206	1,182	1,392	1,513	1,516	1,554
Wales				234	233	233	233	233
Northern Ireland Executive			481	556	916	1,049	1,076	1,102
Chancellor's departments	24	60	58	95	114	85	85	85
Cabinet Office	3,666	3,615	2,611	4,045	3,329	4,079	4,298	4,528
Total Resource AME non-cash budget	19,183	19,873	21,165	22,385	27,551	24,670	25,383	26,147
Total Resource non-cash budget	34,018	36,375	42,133	43,460	56,003	41,868	43,636	45,449

I. PUBLIC EXPENDITURE OVERVIEW

Table I.11 Invest to Save Budget, 1999–2000 to 2005–06⁽¹⁾

	£ million						
	1999–00 outturn	2000–01 outturn	2001–02 outturn	2002–03 estimated outturn	2003–04 Plans	2004–05 Plans	2005–06 Plans
Education and Skills	2.1	0.1	0.4	6.2	5.4	0.2	0.2
Health	0.2	5.9	6.5	4.8	1.9	0.7	0.1
Transport	0.2	0.1		3.3	1.4	0.4	
Office of Deputy Prime Minister	0.3	0.1	–0.9	0.7	0.3		0.1
Local Government		4.1	12.8	22.1	13.9	1.8	0.4
Home Office	0.5	4.7	6.0	16.2	12.2	2.9	1.8
Lord Chancellor's Departments	0.6	2.4	0.6	–0.8	1.6	0.2	0.2
Attorney General's Departments							
Defence		0.1	2.2	0.2	0.5		
Foreign and Commonwealth Office					0.2	0.2	
Trade and Industry		1.2	3.0	11.1	1.7	0.4	0.2
Environment, Food and Rural Affairs				3.3	0.6	0.1	
Culture, Media and Sport	0.1		0.4	3.3	3.6	0.7	
Work and Pensions	30.4	16.1	11.6	4.9	2.7		
Scotland		0.5			3.8	0.7	0.3
Wales	0.4	1.7	8.4	5.7	1.6	0.3	0.1
Northern Ireland Executive	1.2	0.5	0.5	3.2	1.1	0.2	0.1
Northern Ireland Office	0.1	0.1					
Chancellor's Departments	1.8	3.0	3.3	2.3	0.4		
Cabinet Office		0.8	0.1	0.7	3.2		
Unallocated					30.5	31.3	26.6
Total Invest to Save Budget	37.7	41.3	54.8	87.1	86.4	40.0	30.0

(1) The departments allocated resources from the Invest to Save Budget are, in each case, the lead departments for innovative service delivery projects involving two or more departments.

Table I.12 Capital Modernisation Fund, 1999–00 to 2003–04⁽¹⁾

Department	£ million				
	1999–00 outturn	2000–01 outturn	2001–02 outturn	2002–03 estimated outturn	2003–04 plans
Education and Skills	50.0	193.0	251.0	234.8	166.1
Health	114.0	172.0	278.0	162.7	79.9
Transport	10.0	162.8	25.6	34.4	41.8
Office of the Deputy Prime Minister		1.0	34.5	83.7	3.8
Home Office	20.4	240.3	164.6	92.3	71.8
Lord Chancellor's Departments		10.0	14.2	8.1	23.9
Attorney General's Departments		3.8	1.6	6.0	6.8
Defence		7.1	9.9	1.6	2.3
Foreign and Commonwealth Office		5.6	8.2	3.0	3.0
Trade and Industry		73.3	60.9	68.2	76.5
Environment, Food and Rural Affairs		9.0	17.6	37.1	39.9
Culture, Media & Sport		15.0	95.7	50.7	35.4
Work and Pensions	10.0	96.0	132.0	27.0	85.6
Scotland	19.6	79.0	91.3	70.0	56.7
Wales	10.0	35.4	45.9	31.7	33.1
Northern Ireland	6.3	25.7	30.2	21.1	16.5
Northern Ireland Office			0.5	1.1	0.5
Chancellor's Departments	1.3	62.8	33.4	14.5	12.3
Cabinet Office		25.0	20.7	36.5	56.1
Total Capital Modernisation Fund	241.6	1,216.7	1,315.8	984.4	811.8

(1) Full details of allocations announced to date can be found on the Treasury website and on departmental websites.

I. PUBLIC EXPENDITURE OVERVIEW

Table I.13 Accounting adjustments, 1998–99 to 2005–06

	£ million							
	1998–99 outturn	1999–00 outturn	2000–01 outturn	2001–02 outturn	2002–03 estimated outturn	2003–04 plans	2004–05 plans	2005–06 plans
Removal of non-cash spending in DEL ⁽¹⁾	-7,447	-9,082	-11,680	-11,382	-10,189	-6,814	-7,123	-7,450
Financial transactions in DEL	-625	-814	-1,036	-1,413	-1,400	-1,695	-1,228	-1,241
Removal of non-cash spending in AME	-3,247	-3,242	-5,012	-4,658	-9,243	-5,036	-5,165	-5,225
Adjustment for Pensions accounted for under FRS17	-14,496	-16,151	-13,381	-25,318	-19,728	-19,593	-20,537	-21,403
Financial transactions in AME	80	80	-1,180	54	-425	-146	650	582
Adjustments for public corporations	2,396	2,447	2,916	3,117	2,968	3,300	3,292	3,490
Central government non-trading capital consumption	7,580	7,759	7,991	8,275	8,535	8,968	9,417	9,882
VAT refunded on general government expenditure	5,340	5,837	6,661	7,602	8,846	9,810	10,611	11,638
EC contributions	-5,576	-5,530	-6,314	-6,104	-4,229	-4,481	-4,218	-4,126
Tax credits	1,887	1,790	952	881	1,314	753	807	836
Intra-general government debt interest	-3,279	-3,388	-3,039	-3,043	-3,591	-2,491	-2,794	-2,824
Other accounting adjustments	-2,818	-4,850	-535	-1,860	-1,869	-407	1,290	1,442
Total accounting adjustments	-20,205	-25,143	-23,658	-33,849	-29,011	-17,833	-14,997	-14,400

(1) Excluding depreciation in resource DEL.

I. PUBLIC EXPENDITURE OVERVIEW

Table I.14 Voted and non-voted expenditure in TME, 1998–99 to 2005–06

	resources, £ million							
	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06
	outturn	outturn	outturn	outturn	estimated outturn	plans	plans	plans
Voted expenditure in TME:								
DEL⁽¹⁾								
Central Government spending	93,780	100,021	109,510	117,459	126,564	127,776	136,434	146,688
Central Government support for local authorities	42,451	42,553	46,103	49,226	52,105	57,206	59,966	64,755
Central Government support for public corporations	1,089	1,473	940	932	1,184	1,436	1,456	1,487
Departmental AME								
Central Government own spending	59,865	64,568	62,727	75,950	76,320	67,813	68,079	69,926
Central Government support for local authorities	11,005	11,024	11,287	12,855	13,665	14,945	15,834	16,990
Central Government support for public corporations	4	60	57	82	73	803	74	87
Other AME								
Central Government spending (EU receipts)	-3,836	-3,654	-3,389	-3,500	-3,706	-3,613	-3,606	-3,591
Accounting adjustments ⁽²⁾	6,986	6,851	8,541	8,753	17,247	9,306	9,899	10,582
Total voted expenditure in TME	211,344	222,897	235,777	261,757	283,452	275,673	288,135	306,924
Non-Voted expenditure in TME:								
DEL⁽¹⁾								
Central Government spending (including spending by Devolved Executives and Non-Departmental Public Bodies)	30,200	32,265	35,264	42,887	45,596	57,454	59,728	64,513
Central Government support for local authorities	10,104	10,454	11,480	11,708	14,557	16,168	17,499	17,936
Public Corporations	1,352	1,721	1,795	1,913	1,924	2,305	2,396	2,582
DEL not allocated by spending sector					-2,000	1,500	2,100	2,700
AME								
Central Government spending (including spending by Devolved Executives and Non-Departmental Public Bodies)	51,860	56,423	61,867	65,638	69,286	74,783	79,950	83,127
Central Government support for local authorities	510	502	514	627	755	636	651	576
Public Corporations	-8	-1	-68	-44				
Other AME and AME margin								
Central Government debt interest, AME margin, locally financed expenditure, non-voted net payments to EU, and accounting and other adjustments	27,934	19,370	20,187	5,094	7,455	27,150	34,293	38,113
Total non-voted expenditure in TME	121,953	120,735	131,039	127,822	137,573	180,000	196,600	209,600
Total Managed Expenditure	333,297	343,632	366,816	389,579	421,025	455,700	484,700	516,500

Memorandum:

Voted expenditure not in TME (included within "Non-Budget" in Estimates):

Grants to NDPBs to finance their expenditure	11,696	13,583	14,906	19,688	24,115	28,205	27,629	28,959
Grants to Devolved Executives to finance their expenditure	1,620	21,967	26,999	31,134	35,954	36,643	9,877	10,508
Other non-public expenditure	-898	1,063	2,792	1,423	2,558	32,107	-4,188	-4,022
Total voted expenditure not in TME	12,419	36,613	44,697	52,245	62,627	96,955	33,319	35,445
Total voted expenditure	223,763	259,510	280,474	314,002	346,079	372,627	321,454	342,369

(1) Full resource budgeting basis, net of depreciation.

(2) Depreciation voted in resource DEL.

I. PUBLIC EXPENDITURE OVERVIEW

Table I.15 Total Managed Expenditure by Spending Sector, 1998–99 to 2005–06

	resources, £ million							
	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06
	outturn	outturn	outturn	outturn	estimated outturn	plans	plans	plans
Central Government own expenditure:								
DEL ⁽¹⁾⁽²⁾	123,979	132,286	144,774	160,345	172,160	185,231	196,161	211,201
Departmental AME	111,726	120,991	124,595	141,588	145,606	142,596	148,029	153,052
Locally financed support in								
Northern Ireland	97	111	129	156	141	145	154	167
Net payments to EC institutions	3,590	2,807	3,697	770	2,288	2,307	3,042	3,367
Central Government debt interest	28,760	24,927	25,945	22,051	20,845	21,833	23,214	24,277
Accounting and other adjustments ⁽¹⁾	-22,164	-29,276	-29,033	-39,100	-31,421	-21,500	-18,300	-16,500
Total Central Government own expenditure	245,988	251,846	270,106	285,811	309,620	330,600	352,300	375,600
Local Authority expenditure:								
Central Government support in DEL ⁽²⁾	52,555	53,007	57,583	60,934	66,661	73,374	77,464	82,691
Central Government support in departmental AME	11,515	11,527	11,802	13,482	14,420	15,581	16,485	17,566
Locally financed support in								
Scotland	1,395	1,441	1,663	1,554	1,650	1,646	1,774	1,909
Local authority self-financed expenditure	16,009	17,033	16,592	18,125	18,923	21,168	22,714	24,073
Accounting and other adjustments ⁽¹⁾	387	3,642	3,503	4,328	4,082	6,100	6,600	7,100
Total Local Authority expenditure	81,861	86,649	91,142	98,424	105,736	117,900	125,000	133,400
Public Corporation expenditure:								
DEL ⁽²⁾	2,441	3,194	2,735	2,845	3,109	3,741	3,852	4,069
Departmental AME	-4	60	-10	38	73	803	74	87
Public Corporations' own-financed capital expenditure	1,437	1,392	971	1,540	2,161	2,579	2,687	2,714
Accounting and other adjustments ⁽¹⁾	1,573	491	1,873	921	327	100	800	700
Total Public Corporation expenditure	5,448	5,137	5,568	5,344	5,669	7,200	7,400	7,600
Total Managed Expenditure	333,297	343,632	366,816	389,579	421,025	455,700	484,700	516,500

(1) Full resource budgeting basis, net of depreciation.

(2) The sectoral DEL figures shown above exclude the £2.0 billion Special Reserve in 2002–03 (see footnote 4 to table I.2), and for 2003–04, 2004–05 and 2005–06, also exclude the DEL reserve, and unallocated amounts for the Invest to Save Budget. AME figures for 2003–04, 2004–05 and 2005–06 exclude the AME margin. Amounts for each of these items are shown in Tables I.1 and I.2. These items are included within the accounting and other adjustments figures in Table I.15 above, reflecting notional forecast allocations. The accounting and other adjustments in this table differ from those shown in Tables I.1 and I.13, by these amounts

I. PUBLIC EXPENDITURE OVERVIEW

Table I.16 Total Managed Expenditure, 1998–99 to 2002–03 (RAB stage I basis)

	1998–99	1999–00	2000–01	2001–02	£ million 2002–03 estimated outturn
	outturn	outturn	outturn	outturn	
Departmental Expenditure Limits					
Resource Budget	153,460	159,835	172,537	188,076	206,279
Capital Budget	17,437	18,695	20,115	23,716	27,364
Total Departmental Expenditure Limits	170,897	178,530	192,652	211,793	233,643
Annually Managed Expenditure					
Social security benefits	91,975	96,988	99,131	104,982	109,775
Housing Revenue Account subsidies	3,486	3,285	3,096	4,527	4,270
Common Agricultural Policy	3,060	2,814	2,966	3,713	2,598
Export Credits Guarantee Department	–154	925	1,315	141	763
Self-financing Public Corporations	709	1,387	1,374	1,000	1,173
Net public service pensions	5,539	5,658	5,662	5,655	5,774
National Lottery	1,831	1,908	1,855	1,710	1,930
Other programme spending	–29	1,007	1,807	4,115	919
<i>Non-cash items:</i>					
Depreciation	7,345	7,372	9,240	9,579	18,356
Cost of capital charges	9,091	9,442	9,939	10,266	10,968
Provisions and other charges	1,012	2,822	5,081	3,268	6,630
Total departmental AME	123,866	133,608	141,468	148,956	163,157
<i>Other AME</i>					
Net payments to EC institutions ⁽¹⁾	3,590	2,807	3,697	770	2,288
Locally financed expenditure	17,501	18,585	18,383	19,835	20,714
Central Government gross debt interest	28,760	24,927	25,945	22,051	20,845
Total Other AME	49,851	46,318	48,025	42,657	43,847
Accounting adjustments	–11,318	–14,825	–15,329	–13,826	–19,622
<i>AME Margin</i>					
Total Annually Managed Expenditure	162,400	165,102	174,164	177,786	187,382
Total Managed Expenditure	333,297	343,632	366,816	389,579	421,025
<i>of which:</i>					
Current expenditure	314,667	326,601	348,575	366,584	395,036
Net investment	6,015	4,385	5,197	9,575	12,233
Depreciation	12,615	12,646	13,044	13,420	13,756

(1) See footnote 3 to Table I.1.

I. PUBLIC EXPENDITURE OVERVIEW

Table I.17 Departmental Expenditure Limits, 1998–99 to 2002–03 (RAB stage I basis)

	£ million				
	1998–99	1999–00	2000–01	2001–02	2002–03
	outturn	outturn	outturn	outturn	estimated outturn
Resource Budget					
Education and Skills	11,666	12,190	14,222	16,503	19,979
Health	38,242	39,937	43,437	48,655	54,520
<i>of which: NHS</i>	37,530	39,307	42,706	47,501	52,269
Transport	2,590	2,702	2,831	2,686	3,110
Office of the Deputy Prime Minister	569	625	740	1,328	1,787
Local Government	32,375	33,922	35,270	36,922	37,404
Home Office	6,812	7,060	8,418	9,684	10,401
Lord Chancellor's departments	2,655	2,054	2,645	2,911	3,114
Attorney General's departments	333	331	361	400	486
Defence	17,729	18,152	19,239	18,540	20,161
Foreign and Commonwealth Office	953	1,025	1,178	1,263	1,399
International Development	2,012	2,528	2,732	3,168	3,390
Trade and Industry	2,746	2,854	3,039	3,536	3,798
Environment, Food and Rural Affairs	1,570	1,717	1,815	2,731	2,259
Culture, Media and Sport	853	925	960	1,022	1,161
Work and Pensions	5,338	5,264	5,438	6,152	7,375
Scotland	11,675	12,100	12,805	14,232	16,141
Wales	6,028	6,297	6,801	7,501	8,523
Northern Ireland Executive	3,937	4,170	4,421	4,748	5,670
Northern Ireland Office	964	956	916	987	1,103
Chancellor's departments	3,160	3,318	3,514	3,837	4,189
Cabinet Office	984	1,214	1,122	1,271	1,407
Welfare to Work	269	493	635		
Invest to Save Budget					
Capital Modernisation Fund					
Reserve					
Unallocated Special Reserve					2,000
Allowance for Shortfall					-3,100
Total Resource DEL	153,460	159,835	172,537	188,076	206,279
Capital Budget					
Education and Skills	888	1,094	1,582	2,497	3,194
Health	760	969	1,310	1,871	2,182
<i>of which: NHS</i>	700	908	1,246	1,778	2,083
Transport	1,978	2,474	2,151	4,316	5,595
Office of the Deputy Prime Minister	3,171	3,146	3,797	2,646	3,185
Local Government	360	272	56	85	221
Home Office	473	458	481	802	1,065
Lord Chancellor's departments	96	57	64	120	139
Attorney General's departments	5	4	14	22	11
Defence	5,989	5,976	5,740	5,880	6,340
Foreign and Commonwealth Office	101	102	130	77	98
International Development	-22	25	-16	24	13
Trade and Industry	247	191	345	550	992
Environment, Food and Rural Affairs	284	343	344	513	637
Culture, Media and Sport	115	76	61	72	94
Work and Pensions	-286	63	63	160	206
Scotland	1,370	1,701	1,813	2,164	1,981
Wales	783	632	775	933	1,065
Northern Ireland Executive	491	479	561	539	549
Northern Ireland Office	23	26	36	20	61
Chancellor's departments	108	141	-146	215	399
Cabinet Office	231	203	210	211	236
Welfare to Work	271	264	742		
Invest to Save Budget					
Capital Modernisation Fund					
Policy Innovation Fund					
Reserve					
Allowance for Shortfall					-900
Total Capital DEL	17,437	18,695	20,115	23,716	27,364
Total Budget DEL	170,897	178,530	192,652	211,793	233,643

2. DIFFERENCES FROM PREVIOUS PLANS

INTRODUCTION

2.1 This chapter compares the latest plans for DEL and AME with the plans set out in PESA last year (Cm 5401), which were consistent with Budget 2002. The comparisons are presented in two different ways (Stage 1 resource budgeting and Stage 2 resource budgeting) depending on the budgeting regime applicable to the year. The tables in this chapter do not fall within the scope of National Statistics.

TYPES OF CHANGES

- 2.2** The comparisons distinguish between:
- (i) Transfers of financing responsibility between departments and spending sectors; and classification changes, i.e. changes in the way public expenditure is scored or re-allocation of functions between departments (i.e. Machinery of Government changes); and
 - (ii) other changes, which are due to policy decisions or changes in forecasts of expenditure outside DEL.

THE TABLES

2.3 Data in the tables taken from last year's PESA are adjusted for the effects of the Machinery of Government changes last summer. The main one was the split of the old Department of Transport, Local Government and the Regions into the Department of Transport and the Office of the Deputy Prime Minister.

2.4 **Tables 2.1, 2.2 and 2.3 are for 2001-02**, and compare the latest outturns with the estimated outturns in last year's PESA, and with the provisional outturns published in July 2002 in the Public Expenditure Outturn White Paper (PEOWP). All numbers are presented on an SR2000 (RAB Stage 1) budgeting basis, which was the basis for spending control in that year.

2.5 **Tables 2.4, 2.5 and 2.6 are for 2002-03**, and compare the current estimated outturns with the plans presented in last year's PESA. The DEL tables also show final provision following the Spring Supplementary Estimates. All numbers are presented on an SR2000 (RAB Stage 1) budgeting basis, which was the basis for spending control last year.

2.6 **Tables 2.7, 2.8 and 2.9 are for 2003-04**. These tables show the effects of changes in the budgeting regime for SR2002, and the additional allocations that were made in SR2002. The tables start with last year's PESA numbers on an SR2000 budgeting basis as presented in last year's PESA, and conclude with the latest plans on an SR2002 budgeting basis. The total changes are broken down into those made for SR2002, including the move to full resource (RAB Stage 2) budgeting, and the further changes made since SR2002.

2.7 Within the SR2002 changes, the effects of the change in budgeting regime are separately identified. A full discussion of these changes can be found in Annex B of the 2002 Spending Review White Paper (Opportunity and Security for all) (Cm 5570).

MAIN CLASSIFICATION AND TRANSFER CHANGES AFFECTING PLANS

2.8 Tables 2.7, 2.8 and 2.9 show the effect of the **move to full resource (RAB Stage 2) budgeting**. Compared to plans presented on a RAB Stage 1 basis, the move to full resource budgeting added some £33 billion to resource DEL and reduced capital DEL s by £8.3 billion. The movement in capital DEL was mainly due to capital grants to the private sector and abroad that moved to resource DEL, and by capital spending by most PCs¹, which are now outside the budgeting framework. The increase in resource DEL is attributable to the switches from capital DEL of capital grants to the private sector and abroad and the movement of non-cash items from AME into DEL, and a change in the treatment of the majority of public corporations finance, which had been outside the framework under RAB Stage 1.

2.9 Tables 2.3, 2.6, 2.7, 2.8 and 2.9 show the effect of the **reduction in the cost of capital charge and the discount rate** applied to provisions in a separate column. The changes shown are as a result of the reduction in the rate applicable from 6 per cent to 3.5 per cent, in line with the revised guidance on appraisal and evaluation of capital spending in the new edition of the Green Book, published by H M Treasury in January 2003.

2.10 The reduction in the discount rate reduced Total DEL by £3.6 billion. Of this some £3.7 billion is a drop in the cost of capital charges incurred by departments, whilst the change in the discount rate applied to provisions adds £60 million to resource DEL.

2.11 The definition of the **net public service pensions** line has changed. From 2003-04 the adoption of the accounting standard FRS17 requires pension schemes preparing separate scheme statements under Chapter 15 of the Resource Accounting Manual to reflect the accruing pension costs of scheme members. A provision for the present value of the scheme liabilities scores on the balance sheet and this is used to finance future pension costs.

2.12 The net public service pensions line now shows the annual increase in the liability arising from current and past service costs, employee contributions and purchase of added years, as well any group and individual transfers into the scheme, the receipts of employer and employee contributions, and the value received in respect of transfers in score as income to offset the increase in the liability.

2.13 No cost of capital credit scores on the liability. This is to avoid distorting the presentation of the increases in the liability due to unwinding of the discount scores in other non-cash items in AME. Increases to pension scheme liabilities do not count to TME so there is an offsetting adjustment in the accounting adjustments line. (See Appendix B for a description of the accounting adjustments in respect of net public service pensions.)

2.14 The Department for International Development shows reductions in all years in capital DEL and increases in resource DEL following the reclassification of subscriptions to the UN's International Development Association (IDA) that had been recorded as a financial transaction and in capital DEL. These payments have now been reclassified as a current grants in national accounts, as they are no longer viewed as payments acquiring an asset on which a return could be expected.

⁽¹⁾ NHS trusts and the Forestry Commission capital expenditure still score in their parent departments' capital DELs.

POLICY AND ESTIMATING CHANGES

2.15 Table 2.4 shows Health resource DEL provision in 2002-03 increased by £1.3 billion. This is made up of increases to budgets of £850 million drawn down at Supplementary Estimates and £436 million take up of EYF.

2.16 Home Office resource DEL increased by £1.1 billion in 2002-03. £1 billion of this was drawn down in Spring Supplementary Estimates and represented increases to their budget; the remainder is made up of take up of EYF entitlement.

2.17 Defence resource DEL increased by £1.3bn in 2002-03, £1 billion of which was drawn down at Supplementary Estimates and represented an increase in their budget.

2.18 Contributions into pension scheme for teachers and the NHS staff paid by employers (Accruing Superannuation Liability Charges (ASLCs)) increased in 2003-04 by £2.9 billion; these are scored in the parent departments' resource DELs. These contributions are paid to the pension schemes run by the public sector and the receipts score in AME; there is no increase in overall spending (TME).

2.19 The Government made a contingency provision of £3 billion in DEL in 2002-03 to cover the cost of the UK's military obligations. £2 billion of this is shown in an unallocated special reserve.

2. DIFFERENCES FROM PREVIOUS PLANS

Table 2.1 Resource DEL 2001–02, stage I RAB basis, changes since PESA 2002–03 and PEOWP 2002

	£ million, SR2000 basis					
	Final provision adjusted for MOG	Estimated outturn in PESA 2002 adjusted for MOG	Provisional outturn in PEOWP 2002 adjusted for MOG	Transfers and classification changes since PEOWP 2002	Other changes since PEOWP 2002	Outturn
Education and Skills	17,391	16,984	16,555	-122	70	16,503
Health	48,995	48,846	48,656	0	-1	48,655
Transport	3,420	2,898	2,940	-112	-142	2,686
Office of the Deputy Prime Minister	1,479	1,253	1,271	15	42	1,328
Local Government	36,950	36,894	36,922	1	-1	36,922
Home Office	9,696	9,579	9,593	-2	93	9,684
Lord Chancellor's Departments	2,909	2,845	2,934	-32	9	2,911
Attorney General's Departments	436	421	398	-1	3	400
Defence	19,034	18,905	18,905	0	-365	18,540
Foreign and Commonwealth Office	1,269	1,277	1,224	-2	41	1,263
International Development	2,818	2,791	2,754	261	153	3,168
Trade and Industry	4,160	3,941	3,621	9	-94	3,536
Environment Food and Rural Affairs	2,508	2,377	2,234	217	280	2,731
Culture Media and Sport	1,037	1,032	1,023	-1	0	1,022
Work and Pensions	7,111	6,297	6,290	197	-335	6,152
Scotland	14,715	14,231	14,289	-57	0	14,232
Wales	7,665	7,659	7,623	-1	-121	7,501
Northern Ireland Executive	5,203	5,066	4,960	-17	-195	4,748
Northern Ireland Office	1,085	1,057	967	0	20	987
Chancellor's Departments	4,034	3,909	3,867	-1	-29	3,837
Cabinet Office	1,472	1,441	1,389	-120	2	1,271
Allowance for Shortfall	0	-2,013	0	0	0	0
Total	193,388	187,690	188,415	232	-570	188,077

2. DIFFERENCES FROM PREVIOUS PLANS

Table 2.2 Capital DEL 2001–02, stage I RAB basis, changes since PESA 2002–03 and PEOWP 2002

	£ million, SR2000 basis					
	Final provision adjusted for MOG	Estimated outturn in PESA 2002 adjusted for MOG	Provisional outturn in PEOWP 2002 adjusted for MOG	Transfers and classification changes since PEOWP 2002	Other changes since PEOWP 2002	Outturn
Education and Skills	2,913	2,487	2,503	0	-7	2,496
Health	1,933	1,858	1,871	0	0	1,871
Transport	4,665	4,311	4,425	7	-115	4,317
Office of the Deputy Prime Minister	2,682	2,479	2,544	13	89	2,646
Local Government	90	70	85	1	-1	85
Home Office	1,031	875	826	-1	-24	801
Lord Chancellor's Departments	116	120	120	1	0	121
Attorney General's Departments	24	22	23	0	0	23
Defence	5,656	5,646	5,552	0	328	5,880
Foreign and Commonwealth Office	127	134	96	1	-19	78
International Development	328	328	324	-309	9	24
Trade and Industry	812	649	657	-1	-107	549
Environment Food and Rural Affairs	522	472	477	37	-1	513
Culture Media and Sport	143	68	72	-1	1	72
Work and Pensions	231	231	171	3	-14	160
Scotland	2,382	2,266	2,109	55	1	2,165
Wales	949	884	933	0	0	933
Northern Ireland Executive	799	670	677	-1	-138	538
Northern Ireland Office	59	68	44	0	-24	20
Chancellor's Departments	280	252	240	0	-25	215
Cabinet Office	251	239	196	-1	15	210
Total	25,993	24,129	23,946	-196	-33	23,717

2. DIFFERENCES FROM PREVIOUS PLANS

Table 2.3 Total Managed Expenditure 2001–02, stage I RAB basis, changes since PESA 2002–03

	£ million, SR2000 basis					
	Estimated outturn in PESA 2002–03	Provisional outturn in 2002	Changes in the cost of capital and discount rate	Other transfers and classification changes since PEOWP 2002	Other changes since PEOWP 2002	Outturn
Total DELs	211,818	212,361	-197	233	-603	211,794
Departmental AME						
Social Security Benefits	105,218	105,218	-3	126	-359	104,982
Housing Revenue Account Subsidies	4,549	4,527	0	0	0	4,527
Common Agricultural Policy	2,667	2,650	0	0	1,063	3,713
Exports Credits Guarantee Department	249	277	0	0	-136	141
Self-financed Public Corporations	1,119	1,122	0	0	-122	1,000
Net Public Service Pensions	5,125	4,548	0	349	758	5,655
National Lottery	1,700	1,700	0	0	10	1,710
Other programme expenditure	2,174	5,442	0	0	-1,327	4,115
Non-cash items	23,376	22,812	734	-340	-94	23,113
Other AME						
Net Payments to EC Institutions	776	771	0	0	-1	770
Locally Financed Expenditure	19,354	20,464	0	0	-629	19,835
Central Government Debt Interest	22,160	22,182	0	0	-131	22,051
Accounting and other adjustments	-8,156	-14,211	-534	-369	1,288	-13,826
Total Annually Managed Expenditure	180,312	177,503	198	-232	321	177,786
Total Managed Expenditure	392,131	389,865	0	0	-281	389,580

2. DIFFERENCES FROM PREVIOUS PLANS

Table 2.4 Resource DEL 2002–03, stage I RAB basis, changes since PESA 2002–03

	£ million, SR2000 basis				
	Plans in PESA 2002–03 adjusted for MOG	Other transfers and classification changes	Reserve allocation and other policy changes	Final provision	Estimated outturn
Education and Skills	20,179	–114	616	20,681	19,979
Health	53,375	–137	1,282	54,520	54,520
Transport	3,284	–233	269	3,320	3,110
Office of the Deputy Prime Minister	1,800	–318	473	1,955	1,787
Local Government	37,375	15	39	37,429	37,404
Home Office	9,411	–105	1,151	10,457	10,401
Lord Chancellor's Departments	2,751	–53	510	3,208	3,114
Attorney General's Departments	427	59	19	505	486
Defence	18,865	6	1,306	20,177	20,161
Foreign and Commonwealth Office	1,319	–14	96	1,401	1,399
International Development	2,948	296	192	3,436	3,390
Trade and Industry	3,676	3	240	3,919	3,798
Environment Food and Rural Affairs	1,650	247	59	1,956	2,259
Culture Media and Sport	1,160	–2	8	1,166	1,161
Work and Pensions	6,893	212	471	7,576	7,375
Scotland	15,374	–29	854	16,199	16,141
Wales	8,237	72	229	8,538	8,523
Northern Ireland Executive	5,515	–106	445	5,854	5,670
Northern Ireland Office	1,092	0	86	1,178	1,103
Chancellor's Departments	4,036	–6	193	4,223	4,189
Cabinet Office	1,422	–127	147	1,442	1,407
Invest to Save Budget	22	0	–22	0	0
Policy Innovation Fund	30	0	–30	0	0
Reserve	400	0	–400	0	0
Unallocated special reserve			2,000	2,000	2,000
Allowance for Shortfall					–3,100
Total	201,241	–334	10,234	211,141	206,277

2. DIFFERENCES FROM PREVIOUS PLANS

Table 2.5 Capital DEL 2002–03, stage I RAB basis, changes since PESA 2002–03

	£ million, SR2000 basis				
	Plans in PESA 2002–03 adjusted for MOG	Other transfers and classification changes	Reserve allocation and other policy changes	Final provision	Estimated outturn
Education and Skills	3,164	0	337	3,501	3,194
Health	2,499	133	–227	2,405	2,182
Transport	5,079	–43	641	5,677	5,595
Office of the Deputy Prime Minister	3,380	170	–4	3,546	3,185
Local Government	274	0	7	281	221
Home Office	956	–33	179	1,102	1,065
Lord Chancellor's Departments	103	21	10	134	139
Attorney General's Departments	16	2	–1	17	11
Defence	5,732	0	628	6,360	6,340
Foreign and Commonwealth Office	145	1	–78	68	98
International Development	391	–377	–1	13	13
Trade and Industry	827	0	260	1,087	992
Environment Food and Rural Affairs	547	0	33	580	637
Culture Media and Sport	104	0	59	163	94
Work and Pensions	131	12	116	259	206
Scotland	2,401	0	0	2,401	1,981
Wales	1,050	0	0	1,050	1,065
Northern Ireland Executive	616	0	0	616	549
Northern Ireland Office	60	0	9	69	61
Chancellor's Departments	243	140	22	405	399
Cabinet Office	171	13	70	254	236
Invest to Save Budget	8		–8		
Capital Modernisation Fund	338		–338		
Policy Innovation Fund	10		–10		
Allowance for Shortfall					–900
Total	28,245	39	1,704	29,988	27,363

2. DIFFERENCES FROM PREVIOUS PLANS

Table 2.6 Total Managed Expenditure 2002–03, stage I RAB basis, changes since PESA 2002–03

	£ million, SR2000 basis				
	Plans in PESA 2002–03	Change in the cost of capital and discount rate	Transfers and classification changes	Other changes	Estimated outturn
Total DEL	229,486	218	–513	4,449	233,640
Departmental AME					
Social Security Benefits	109,170	–3	0	608	109,775
Housing Revenue Account Subsidies	4,530	0	0	–260	4,270
Common Agricultural Policy	2,598	0	0	0	2,598
Exports Credits Guarantee Department	352	0	0	411	763
Self-financed Public Corporations	1,198	0	0	–25	1,173
Net Public Service Pensions	5,020	0	91	663	5,774
National Lottery	2,300	0	0	–370	1,930
Other programme expenditure	145	0	0	774	919
Non-cash items	26,165	–3,343	–328	13,461	35,956
Other AME					
Net Payments to EC Institutions	2,163	0	0	126	2,289
Locally Financed Expenditure	20,656	0	0	58	20,714
Central Government Debt Interest	21,132	0	0	–287	20,845
Accounting and other adjustments	–7,527	3,128	750	–15,971	–19,621
AME margin	1,000	0	0	–1,000	0
Total Annually Managed Expenditure	188,901	–218	513	–1,813	187,385
Total Managed Expenditure	418,387	0	0	2,636	421,025

2. DIFFERENCES FROM PREVIOUS PLANS

Table 2.7 Resource Budget DELS 2003–04, full RAB basis, changes since PESA 2002–03

	Plans in PESA 2002–03 adjusted for MOG	Adjustments for full resource budgeting	Other changes for Spending Review	Spending Review 2002 plans	Change in cost of capital and discount rate	Other transfer and classification changes	Other changes	New plans
								£ million
Education and Skills	21,497	800	41	22,338	-142	-507	316	22,005
Health	58,467	2,742	173	61,382	-290	19	1,897	63,008
Transport	3,434	3,302	896	7,632	5	-338	44	7,343
Office of the Deputy Prime Minister	1,674	2,847	205	4,726	-57	220	-87	4,802
Local Government	40,070	-1	316	40,385	0	36	586	41,007
Home Office	9,633	799	1,253	11,685	-154	148	33	11,712
Lord Chancellor's Departments	2,793	99	198	3,090	-47	60	21	3,124
Attorney General's Departments	440	20	37	497	-3	-41	19	472
Defence	18,929	13,503	584	33,016	-2,184	-71	-9	30,752
Foreign and Commonwealth Office	1,158	245	43	1,446	-36	31	211	1,652
International Development	3,161	548	0	3,709	-108	4	34	3,639
Trade and Industry	3,333	886	581	4,800	-101	-26	0	4,673
Environment Food and Rural Affairs	1,739	591	435	2,765	-79	223	-184	2,725
Culture Media and Sport	1,167	253	35	1,455	-60	-7	13	1,401
Work and Pensions	7,509	121	3	7,633	-12	265	83	7,969
Scotland	16,534	1,479	297	18,310	-128	0	212	18,394
Wales	8,943	773	-143	9,573	-73	-17	295	9,778
Northern Ireland Executive	5,553	510	257	6,320	-49	-9	184	6,446
Northern Ireland Office	984	69	35	1,088	-17	0	0	1,071
Chancellor's Departments	4,045	382	41	4,468	-40	131	22	4,581
Cabinet Office	1,476	361	27	1,864	-66	-113	139	1,824
Budget 2002 addition	1,600	0	-1,600	0	0	0	0	0
Invest to Save Budget	53	0	-13	40	0	0	0	40
Policy Innovation Fund	30	0	-30	0	0	0	0	0
Reserve	1,400	121	-400	1,100	0	0	-400	600
Total	215,600	30,450	3,300	249,300	-3,641	8	3,400	249,100

2. DIFFERENCES FROM PREVIOUS PLANS

Table 2.8 Capital Budget DELS 2003–04, stage 2 basis changes since PESA 2002–03

	Plans in PESA 2002–03 adjusted for MOG	Adjustments for full resource budgeting	Other changes at Spending Review	Spending Review 2002 plans	Transfer and classification changes	Other changes	New plans
	£ million						
Education and Skills	4,087	-759	-26	3,302	-32	27	3,297
Health	2,996	-66	-9	2,921	-13	93	3,001
Transport	6,133	-3,130	366	3,369	-78	8	3,299
Office of the Deputy Prime Minister	4,278	-2,270	10	2,018	-207	42	1,853
Local Government	324	0	0	324	0	0	324
Home Office	836	-222	194	808	95	193	1,096
Lord Chancellor's Departments	111	-30	-4	77	0	26	103
Attorney General's Departments	15	0	-9	6	0	9	15
Defence	5,950	-57	116	6,009	119	0	6,128
Foreign and Commonwealth Office	163	-31	0	132	-65	-10	57
International Development	399	-388	0	11	0	0	11
Trade and Industry	1,069	-531	-114	424	9	70	503
Environment Food and Rural Affairs	556	-237	-3	316	19	11	346
Culture Media and Sport	89	-25	-8	56	6	26	88
Work and Pensions	53	-7	-50	-4	32	1	29
Scotland	2,405	-595	-94	1,717	-20	260	1,957
Wales	1,062	-311	146	897	0	-67	830
Northern Ireland Executive	919	-205	-121	593	1	-171	423
Northern Ireland Office	46	0	18	64	0	0	64
Chancellor's Departments	247	0	-9	238	-3	37	272
Cabinet Office	190	-3	9	196	-1	424	619
Invest to Save Budget	10	0	0	10	0	0	10
Capital Modernisation Fund	777	0	0	777	0	-777	0
Policy Innovation Fund	10	0	0	10	0	-10	0
Reserve	700	0	200	900	0	-120	800
Total	33,500	-8,867	600	25,200	-138	100	25,100

Table 2.9 Total Managed Expenditure 2003–04, stage 2 basis changes since PESA 2002–03

	PESA 2002–03 on Stage 1 RAB basis					New Plans on Full RAB basis					£ million
	Plans in PESA 2002–03 adjusted for MOG	Adjustments for full resource budgeting and other changes at Spending Review 2002	Spending Review 2002 plans	Change in the cost of capital and discount rate	Other transfer and classification changes	Other changes	New plans				
Resource DEL	215,600	33,709	249,300	-3,641	8	3,400	249,100				
Capital DEL	33,500	-8,269	25,200	0	-138	100	25,100				
Less Depreciation	51	11,004	11,100	0	-758	52	10,349				
Total DEL	249,000	14,437	263,500	-3,641	628	3,400	263,800				
Departmental AME											
Social Security Benefits ¹	114,177	-111	114,066	0	3,498	593	114,659				
Tax credits ¹	0	9,890	9,860	0	-3,498	-1,685	8,205				
Housing Revenue Account Subsidies	4,422	-31	4,391	0	0	-112	4,279				
Common Agricultural Policy	2,640	-249	2,391	0	0	-55	2,336				
Self-financing public corporations	2,599	-2,599	0	0	0	0	0				
Net Public Service Pensions	5,411	-16	5,395	0	-1,295	-3,628	471				
National Lottery	2,300	0	2,300	0	0	-100	2,200				
Non-cash items	27,997	-22,897	5,100	-357	18,525	1,293	24,561				
Other programme expenditure	-240	540	300	0	0	1,966	2,266				
Total Departmental AME	159,306	-15,474	143,832	-357	17,230	-1,728	158,978				
Other AME											
Net Payments to EC Institutions	2,364	-4	2,360	0	0	-53	2,307				
Locally Financed Expenditure	21,919	80	21,999	0	0	960	22,959				
Central Government Debt Interest	23,192	-208	22,984	0	0	-1,151	21,833				
Public corporations own financed capital expenditure	0	2,299	2,299	0	0	280	2,579				
Total Other AME	47,475	2,166	49,641	0	0	37	49,678				
Total AME before margin and accounting adjustments	206,781	-13,308	193,473	-357	17,230	-1,691	208,656				
AME margin	2,000	-1,000	1,000		0	-1,000	1,000				
Accounting adjustments	-7,148	3,923	-3,225	3,998	-17,858	-700	-17,800				
Annually Managed Expenditure	201,633	-10,385	191,248	3,641	-628	-3,439	191,823				
Total Managed Expenditure	450,600	4,052	454,700	0	0	0	455,700				

¹ Social security and tax credits numbers are based on the latest definitions as at Budget 2003, and as such show a different split to numbers present at SR2002.

3. TRENDS IN PUBLIC SECTOR EXPENDITURE

3.1 The analyses in this chapter attempt to give a picture of changes in government expenditure over recent years, adjusted as far as possible so that figures for outturn years are based on current allocations of responsibilities between departments and on current definitions for the aggregate spending measures.

3.2 Data in this chapter are a mix of cash and resources. All outturn data up until 1999–00 is on a cash basis. Outturn for 2000–01 and 2001–02 are on a resource basis, as is estimated outturn for 2002–03 and are as plans data, where shown, for 2003–04, 2004–05 and 2005–06. All outturn data (to 2001–02) in the tables in this chapter are National Statistics. The box below discusses the implications of resource accounting and budgeting and the switch from cash to accruals measurement for the presentations in this chapter.

Cash versus resources

Under resource accounting and budgeting, public spending is measured in resource (accruals) terms, rather than in cash. Data for central government expenditure from 2001–02 onwards is only available on a resource basis. Data for 1998–99 through to 2000–01 is available on both a cash and a resource basis. Data for 1997–98 and earlier years is only available on a cash basis.

As a consequence, most of the tables in this chapter contain a break in series, with cash data being used up to 1999–2000 and resource data from 2000–01 onwards. The choice of break point reflects a judgement as to the relative quality of the two data sets over the overlap period. Table headings indicate where the break between cash and resources comes. The exception to this general rule is Table 3.1, where the practice adopted for national accounts has been followed; cash data is used up to and including 2001–02, and resources for the years thereafter (which at this stage are all Treasury projections).

In practice, it should make very little difference to the numbers in these tables, in the vast majority of cases, as to whether they are measured on a cash or on a resource basis. Non-cash items, such as capital charges, depreciation, changes in provisions, are excluded from the definition of “expenditure on services” that drives most of the tables in this chapter. This leaves the main differences between resources and cash as timing differences from measuring payments on an accruals as opposed to a cash basis.

PUBLIC EXPENDITURE AGGREGATES

3.3 Table 3.1 shows trends in public expenditure over the years 1965–66 to 2005–06 in cash and in real terms and as a percentage of gross domestic product (GDP). The table shows three spending aggregates in this detail: public sector current expenditure, public sector net investment and total managed expenditure (TME). Data for a fourth aggregate, public sector depreciation, are shown in cash only. Data for all these aggregates for the years up to 2001–02 are taken from the national accounts compiled by the Office for National Statistics (ONS). Public sector current expenditure plus public sector net investment plus public sector depreciation is equal to TME – which is total public sector spending in national accounts. Figures for 2002–03 onwards are projections produced by the Treasury.

TOTAL MANAGED EXPENDITURE BY FUNCTION

3.4 Table 3.5 gives a detailed analysis of TME by function for the years 1997–98 to 2002–03, allocating expenditure for which the devolved administrations in Scotland, Wales and Northern Ireland are responsible and expenditure by local authorities to the appropriate function. The key concept in this and subsequent tables in this chapter is “expenditure on services”, which is the spending aggregate allocated by function. This covers most expenditure by the public sector that is included in TME – central government’s own current and capital expenditure, local authorities’ current and capital expenditure, public corporations’ capital expenditure. But it excludes net public service pension payments in AME, debt interest payments and most of the accounting adjustments in Table 1.13. The definition is fully detailed in Appendix G.

3.5 However, the definition of expenditure on services has some particular implications for measurement of expenditure on health services. Under the present institutional arrangements, public health services are mostly provided by NHS trusts, classified as public corporations, who receive payment for services provided from the health authorities (in central government). TME includes both spending by the health authorities on the purchase of health services from trusts (part of central government current expenditure) and the capital spending net investment plus depreciation and interest and dividend payments of the trusts (part of public corporations’ expenditure). But the central government payments to the trusts’ for the procurement of their services includes elements in respect of i) the trusts’ debt interest costs (trust debt remuneration) and ii) depreciation on trusts’ capital assets (since these form part of trusts’ net operating costs.) So there are these elements of double-counting in TME. This year, this double-counting has been consistently removed in the measures of health spending, health and personal social services spending, and in total expenditure on services presented in Tables 3.2 through to 3.5, and in Table 3.7, and in equivalent figures in Chapter 8. These elements are then added back within the total national accounts adjustments, where these are shown in those tables that show total TME.

3.6 This treatment of these double-counted elements is slightly different to what was done last year in Public Expenditure Statistical Analyses 2003–03; the change in treatment is detailed further in the box below, which also discusses the different measures of public spending on health.

3.7 Table 3.2 shows a longer time series, from 1985–86 to 2002–03, for TME by function, at a higher level of aggregation. Tables 3.3 and 3.4 present the material in Table 3.2 in real terms and as a percentage of GDP. These tables cover outturn years and give estimated outturns for 2002–03.

Measures of Health Spending

Public spending on Health can be measured in a number of different ways. The Department of Health's annual report 2003 shows gross NHS expenditure, which is a measure of public spending on Health gross of charges and other income. Part of gross NHS spending is funded by income from prescription and other charges, such as dental charges, and from asset sales; gross spending also includes the element of NHS trust' charges which goes to fund interest and dividend payments to Government ("trust debt remuneration").

Net public spending on health differs from gross spending, in that it is net of all income from charges, and net of asset sales.

The Department of Health measure of net NHS spending is based on net NHS spending included within Department of Health DEL. Under Stage I resource accounting and budgeting, as implemented in the 2000 spending review, this includes trust debt remuneration, and the profit and loss of Health trusts. The scoring of Health trusts in DELs within the 2000 (and 2002) spending review figures is explained further in para 7.6 in Chapter 7.

The table below reconciles the Department of Health's measure of net NHS expenditure in England on a Stage I DEL basis with the measure included within the UK figures for net Health spending within expenditure on services in this publication (in the tables in this chapter, and chapter 8). The expenditure on services measure of net Health spending excludes trust debt remuneration for the reasons explained in para 3.5 above, and it excludes profit and loss of Health trusts because these are not included in TME.

	£ million	
	2000-01	2001-02
Net NHS expenditure (Department of Health Stage I DELs)	44.0	49.3
less trust debt remuneration	-1.3	-1.2
less profit/loss of NHS trusts	1.3	1.2
Net health spending within expenditure on services	44.0	49.2

The treatment of net health spending in expenditure on services has changed in the tables in this chapter, compared with the treatment in last year's publication, in that:

- i) net spending on health and expenditure on services in Table 3.2 no longer excludes the capital spending of health trusts financed from their operating surpluses;
- ii) the deduction of trust debt remuneration from net health spending has been carried through to total expenditure on services in all tables (see para 3.5 above).

TOTAL MANAGED EXPENDITURE BY ECONOMIC CATEGORY

3.8 The economic significance of components of public spending depends on their nature, for example whether they are transfer payments or expenditure on goods and services, current or capital. Table 3.6 breaks down total expenditure on services into its components economic categories.

**TOTAL MANAGED EXPENDITURE SPLIT BY SPENDING
SECTOR AND CURRENT AND CAPITAL SPENDING**

3.9 Table 3.7 and 3.8 give a functional breakdown of the capital and current expenditure of central and local government and public corporations for outturn years (1997–98 to 2002–03), and for central government and public corporation spending, for the plans years (2002–03, 2004–05, 2003–04 and 2005–06). The figures for central government and public corporations capital spending for 2003–04 onwards reflect departments’ budgets and detailed decisions on the allocation of expenditure. A functional split of local authority spending is not available for future years as the allocation of spending between services is a matter for determination by individual local authorities, and there are no plans at this level of detail.

ASSET SALES

3.10 Table 3.9 shows public sector receipts from asset sales from 1998–99 through to 2002–03. Figures are shown separately for each spending sector, distinguishing between receipts for sale of land and buildings and other receipts.

Table 3.1 Public Expenditure Aggregates, 1965–66 to 2005–06

	Public Sector Current Expenditure			Depreciation		Public Sector Net Investment			Total Managed Expenditure		
	Cash £ billion	Real terms ⁽¹⁾ £ billion	Percentage of GDP	Cash £ billion		Cash £ billion	Real terms ⁽¹⁾ £ billion	Percentage of GDP	Cash £ billion	Real terms ⁽¹⁾ £ billion	Percentage of GDP
1965–66	11.3	135.5	30.9	1.3		1.8	22.0	5.0	14.4	173.2	39.5
1966–67	12.2	141.6	31.7	1.4		2.3	26.3	5.9	15.9	184.1	41.3
1967–68	13.7	154.4	33.6	1.5		2.9	32.8	7.1	18.2	204.2	44.5
1968–69	14.7	157.7	33.2	1.7		2.8	30.2	6.4	19.2	205.7	43.3
1969–70	15.6	158.4	32.7	1.8		2.8	28.2	5.8	20.2	205.1	42.4
1970–71	17.3	161.9	32.6	2.1		3.2	30.4	6.1	22.6	211.7	42.7
1971–72	19.7	169.3	33.3	2.3		3.1	26.8	5.3	25.1	215.9	42.5
1972–73	22.2	176.9	33.1	2.6		3.2	25.8	4.8	28.1	223.5	41.8
1973–74	26.2	194.4	35.0	3.1		3.9	28.9	5.2	33.2	246.6	44.4
1974–75	34.6	214.8	38.8	4.0		4.9	30.6	5.5	43.6	270.3	48.8
1975–76	44.3	219.6	39.9	5.1		6.1	30.0	5.5	55.5	274.8	49.9
1976–77	51.8	225.8	39.9	6.0		5.6	24.5	4.3	63.3	276.4	48.8
1977–78	58.0	222.6	38.4	6.8		4.3	16.6	2.9	69.1	265.3	45.8
1978–79	66.3	229.2	38.4	7.7		4.2	14.5	2.4	78.2	270.3	45.2
1979–80	79.4	235.1	38.2	9.1		4.5	13.4	2.2	93.1	275.5	44.8
1980–81	96.6	241.9	40.8	10.9		4.3	10.8	1.8	111.8	280.0	47.3
1981–82	110.6	252.8	42.6	11.9		2.4	5.5	0.9	124.9	285.5	48.1
1982–83	120.9	258.5	42.7	12.3		4.2	9.1	1.5	137.5	293.9	48.5
1983–84	130.4	266.8	42.3	12.8		5.5	11.2	1.8	148.7	304.3	48.3
1984–85	141.0	274.1	42.6	12.8		5.1	9.9	1.5	158.9	308.9	48.1
1985–86	148.7	274.0	41.0	12.1		4.5	8.3	1.2	165.3	304.6	45.5
1986–87	155.8	278.1	40.1	12.6		2.8	5.0	0.7	171.2	305.6	44.1
1987–88	166.4	281.7	38.6	12.3		2.8	4.8	0.7	181.5	307.4	42.1
1988–89	173.7	275.3	36.2	13.6		1.7	2.7	0.4	189.0	299.6	39.4
1989–90	187.4	277.3	35.7	14.7		6.3	9.3	1.2	208.4	308.3	39.7
1990–91	203.3	279.0	36.1	13.8		8.2	11.2	1.4	225.3	309.1	40.0
1991–92	228.6	295.7	38.4	12.3		11.0	14.2	1.8	251.9	325.9	42.3
1992–93	247.8	310.5	40.3	11.9		12.4	15.5	2.0	272.1	340.9	44.2
1993–94	262.3	320.7	40.1	12.0		10.4	12.7	1.6	284.6	348.0	43.6
1994–95	275.2	332.1	39.9	12.5		10.4	12.5	1.5	298.1	359.7	43.2
1995–96	287.3	337.1	39.4	13.0		10.3	12.0	1.4	310.5	364.3	42.6
1996–97	299.4	340.5	38.7	12.5		5.3	6.0	0.7	317.2	360.7	41.0
1997–98	306.3	337.8	37.2	12.4		4.9	5.4	0.6	323.6	356.9	39.3
1998–99	314.7	337.8	36.2	12.6		6.0	6.5	0.7	333.3	357.8	38.4
1999–00	326.6	342.4	35.6	12.6		4.4	4.6	0.5	343.6	360.2	37.4
2000–01	348.6	357.3	36.2	13.0		5.2	5.3	0.5	366.8	376.0	38.1
2001–02	366.6	366.6	36.5	13.4		9.6	9.6	1.0	389.6	389.6	38.8
2002–03	395.0	383.4	37.4	13.8		12.2	11.9	1.2	421.0	408.6	39.9
2003–04	422.3	399.1	38.1	14.4		18.9	17.9	1.7	455.7	430.7	41.1
2004–05	446.5	411.4	38.1	15.2		23.0	21.2	2.0	484.7	446.6	41.3
2005–06	475.2	427.1	38.4	15.9		25.4	22.8	2.1	516.5	464.3	41.7

(1) Real terms figures are the cash figures adjusted to 2000–01 price levels.

Table 3.2 Total Managed Expenditure by function, 1985–86 to 2002–03⁽¹⁾

	1985–86		1986–87		1987–88		1988–89		1989–90		1990–91		1991–92		1992–93		1993–94		1994–95		1995–96		1996–97		1997–98		1998–99		1999–00		2000–01		2001–02		2002–03						
	outturn	estimated	outturn	estimated	outturn	estimated	outturn	estimated	outturn	estimated	outturn	estimated	outturn	estimated	outturn	estimated	outturn	estimated	outturn	estimated	outturn	estimated	outturn	estimated	outturn	estimated	outturn	estimated	outturn	estimated	outturn	estimated	outturn	estimated	outturn	estimated					
Education	16.8	18.5	20.3	21.9	24.4	26.3	29.1	31.4	33.1	34.7	35.6	36.4	37.4	39.0	40.9	44.2	49.4	53.6																							
Health and PSS ⁽²⁾	21.0	22.6	24.9	27.5	30.0	33.6	38.0	41.7	43.9	47.1	49.8	51.9	54.1	57.3	62.3	66.9	73.8	82.0																							
of which: Health ⁽³⁾	18.1	19.4	21.3	23.4	25.4	28.4	32.4	35.6	37.0	38.9	40.7	42.1	43.8	46.4	50.2	54.0	59.9	66.3																							
Transport	6.8	6.7	6.7	7.0	8.0	9.7	10.9	12.6	11.8	12.1	11.5	10.1	9.2	8.7	8.6	9.1	11.4	13.0																							
Housing	4.2	4.1	4.2	3.2	5.2	4.9	5.8	6.3	5.3	5.3	5.0	4.6	3.7	3.7	2.9	3.1	4.6	4.7																							
Environment	4.0	4.6	4.8	4.9	5.9	6.6	7.3	7.9	7.6	8.3	8.7	8.4	8.6	8.5	9.5	10.6	11.5	13.0																							
Law, order and protection	6.6	7.2	8.1	9.0	10.2	11.5	13.0	14.2	14.8	15.3	15.7	16.2	17.0	17.5	18.8	20.3	22.8	24.9																							
Defence ⁽⁴⁾	18.0	18.2	18.7	19.0	20.6	21.5	22.7	22.7	22.6	22.4	21.6	21.3	20.9	22.6	22.7	24.9	24.1	25.0																							
International	1.6	1.7	1.7	2.0	2.2	2.4	2.7	3.0	3.1	3.2	3.3	3.0	2.9	3.2	3.4	4.1	5.1	6.5																							
Trade, employment etc	8.0	8.1	6.7	8.1	7.8	9.0	9.4	10.0	10.3	9.8	9.5	8.9	8.8	9.1	9.5	10.6	11.7	12.4																							
Agriculture	2.9	2.2	2.4	2.2	2.2	2.9	3.1	3.1	4.0	3.6	4.0	5.8	4.9	4.8	4.6	5.1	6.8	5.4																							
Culture, Media and Sport ⁽⁵⁾	1.7	1.8	2.0	2.2	2.6	2.8	2.9	3.0	3.0	3.3	3.5	3.7	4.2	5.0	5.0	5.2	5.5	6.1																							
Social protection ⁽⁶⁾	43.1	46.3	48.4	49.6	52.6	58.9	69.9	79.2	86.4	88.7	92.8	96.4	97.4	99.4	104.1	109.1	115.8	123.1																							
Central Administration etc ⁽⁶⁾	4.6	5.2	6.4	6.0	8.1	8.3	5.8	7.9	8.1	7.1	9.5	7.8	7.9	10.2	10.2	11.5	9.9	13.2																							
Total expenditure on services	139.4	147.3	155.3	162.6	179.8	198.3	220.7	243.0	254.0	260.8	270.5	274.5	277.1	288.9	302.4	324.8	352.4	382.9																							
Public sector	19.3	19.0	19.7	20.2	20.9	20.5	18.3	19.0	20.8	23.5	26.8	28.1	29.7	29.4	25.3	26.4	22.5	21.3																							
debt interest																																									
Other accounting adjustments ⁽⁷⁾	6.6	4.8	6.4	6.2	7.7	6.5	13.0	10.1	9.9	13.8	13.3	14.6	16.8	15.0	15.9	15.6	14.7	18.9																							
Allowance for shortfall and unallocated special reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-2.0																							
Total Managed Expenditure	165.3	171.2	181.5	189.0	208.4	225.3	251.9	272.1	284.6	298.1	310.5	317.2	323.6	333.3	343.6	366.8	389.6	421.0																							

(1) For years prior to 1995–96, the effects of transfer and classification changes have been imputed.

(2) Excludes trust debt remuneration.

(3) The outturns for Defence for 1996–97 and 1997–98 include receipts from the sale of Ministry of Defence married quarters.

(4) Includes expenditure financed from the National Lottery.

(5) Includes tax credit payments in excess of an individual's tax liability.

(6) Includes net payments to the European Communities and activities such as tax collection and the registration of the population.

(7) Includes net public service pensions.

Table 3.3 Total Managed Expenditure by function in real terms, 1985-86 to 2002-03⁽¹⁾

	cash, £ billion																	recourses, £ billion	
	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	
Education	31.0	33.0	34.3	34.7	36.0	36.1	37.7	39.4	40.5	41.9	41.7	41.4	41.3	41.9	42.9	45.3	49.4	52.0	
Health and personal social services ⁽²⁾	38.7	40.4	42.1	43.5	44.4	46.1	49.2	52.2	53.6	56.9	58.5	59.0	59.7	61.6	65.3	68.6	73.8	79.5	
of which: Health ⁽²⁾	33.4	34.6	36.0	37.2	37.6	39.0	41.9	44.6	45.2	47.0	47.8	47.9	48.3	49.8	52.7	55.3	59.9	64.4	
Transport	12.6	12.0	11.4	11.0	11.9	13.3	14.1	15.8	14.4	14.6	13.5	11.5	10.2	9.3	9.0	9.3	11.4	12.7	
Housing	7.7	7.2	7.0	5.1	7.7	6.7	7.5	7.9	6.4	6.4	5.9	5.2	4.1	3.9	3.1	3.2	4.6	4.6	
Other environmental services	7.3	8.3	8.2	7.8	8.7	9.1	9.5	9.8	9.3	10.0	10.2	9.5	9.4	9.2	9.9	10.8	11.5	12.6	
Law, order and protective services	12.1	12.8	13.7	14.2	15.0	15.7	16.8	17.7	18.0	18.5	18.5	18.4	18.8	18.8	19.7	20.8	22.8	24.2	
Defence ⁽³⁾	33.2	32.6	31.7	30.2	30.5	29.5	29.4	28.4	27.6	27.0	25.4	24.2	23.1	24.3	23.8	25.5	24.1	24.3	
International development assistance and other international services	3.0	3.1	2.9	3.2	3.2	3.2	3.5	3.8	3.8	3.8	3.9	3.4	3.2	3.4	3.6	4.2	5.1	6.3	
Trade, industry, energy and employment	14.8	14.4	11.3	12.9	11.5	12.3	12.2	12.5	12.6	11.8	11.1	10.1	9.7	9.8	9.9	10.9	11.7	12.0	
Agriculture, fisheries, food and forestry	5.3	3.9	4.0	3.5	3.2	3.9	4.0	3.9	4.9	4.3	4.7	6.6	5.5	5.2	4.8	5.3	6.8	5.3	
Culture, Media and Sport ⁽⁴⁾	3.1	3.2	3.4	3.6	3.8	3.9	3.8	3.8	3.7	4.0	4.1	4.2	4.6	5.3	5.2	5.4	5.5	5.9	
Social protection ⁽⁵⁾	79.5	82.7	82.0	78.6	77.8	80.8	90.4	99.2	105.7	107.1	108.8	109.7	107.4	106.7	109.2	111.9	115.8	119.4	
Central administration and associated expenditure ⁽⁶⁾	8.5	9.3	10.8	9.4	12.0	11.3	7.5	10.0	9.9	8.6	11.1	8.9	8.7	10.9	10.7	11.8	9.9	12.8	
Total expenditure on services	256.9	263.0	263.0	257.7	265.9	272.1	285.4	304.4	310.5	314.7	317.3	312.1	305.7	310.2	317.0	332.9	352.4	371.6	
Public sector debt interest	35.6	34.0	33.4	32.0	31.0	28.1	23.7	23.9	25.4	28.3	31.4	32.0	32.8	31.5	26.5	27.1	22.5	20.6	
Other accounting adjustments ⁽⁷⁾	12.1	8.7	10.9	9.9	11.4	8.9	16.8	12.6	12.1	16.6	15.6	16.6	18.5	16.1	16.7	16.0	14.7	18.3	
Allowance for shortfall and unallocated special reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.9	
Total Managed Expenditure	304.6	305.6	307.4	299.6	308.3	309.1	325.9	340.9	348.0	359.7	364.3	360.7	356.9	357.8	360.2	376.0	389.6	408.6	

(1) For years prior to 1995-96, the effects of transfer and classification changes have been imputed.

(2) Excludes trust debt remuneration.

(3) The outturns for Defence for 1996-97 and 1997-98 include receipts from the sale of Ministry of Defence married quarters.

(4) Includes expenditure financed from the National Lottery.

(5) Includes tax credit payments in excess of an individual's tax liability.

(6) Includes net payments to the European Communities and activities such as tax collection and the registration of the population.

(7) Includes net public service pensions.

Table 3.4 Total Managed Expenditure as a percentage of GDP, 1985–86 to 2002–03⁽¹⁾

	resources, £ billion																	
	cash, £ billion																	
	1985–86	1986–87	1987–88	1988–89	1989–90	1990–91	1991–92	1992–93	1993–94	1994–95	1995–96	1996–97	1997–98	1998–99	1999–00	2000–01	2001–02	2002–03
	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	estimated
Education	4.6	4.8	4.7	4.6	4.6	4.7	4.9	5.1	5.1	5.0	4.9	4.7	4.5	4.5	4.5	4.6	4.9	5.1
Health and personal social services ⁽²⁾	5.8	5.8	5.8	5.7	5.7	6.0	6.4	6.8	6.7	6.8	6.8	6.7	6.6	6.6	6.8	6.9	7.3	7.8
of which: Health ⁽³⁾	5.0	5.0	4.9	4.9	4.8	5.0	5.4	5.8	5.7	5.6	5.6	5.5	5.3	5.3	5.5	5.6	6.0	6.3
Transport	1.9	1.7	1.6	1.4	1.5	1.7	1.8	2.0	1.8	1.8	1.6	1.3	1.1	1.0	0.9	0.9	1.1	1.2
Housing	1.1	1.0	1.0	0.7	1.0	0.9	1.0	1.0	0.8	0.8	0.7	0.6	0.5	0.4	0.3	0.3	0.5	0.4
Other environmental services	1.1	1.2	1.1	1.0	1.1	1.2	1.2	1.3	1.2	1.2	1.2	1.1	1.0	1.0	1.0	1.1	1.1	1.2
Law, order and protective services	1.8	1.8	1.9	1.9	1.9	2.0	2.2	2.3	2.3	2.2	2.2	2.1	2.1	2.0	2.0	2.1	2.3	2.4
Defence ⁽³⁾	5.0	4.7	4.3	4.0	3.9	3.8	3.8	3.7	3.5	3.2	3.0	2.8	2.5	2.6	2.5	2.6	2.4	2.4
International development assistance and other international services	0.5	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.4	0.3	0.4	0.4	0.4	0.5	0.6
Trade, industry, energy and employment	2.2	2.1	1.6	1.7	1.5	1.6	1.6	1.6	1.6	1.4	1.3	1.2	1.1	1.0	1.0	1.1	1.2	1.2
Agriculture, fisheries, food and forestry	0.8	0.6	0.6	0.5	0.4	0.5	0.5	0.5	0.6	0.5	0.6	0.8	0.6	0.5	0.5	0.7	0.5	0.6
Culture, Media and Sport ⁽⁴⁾	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.5	0.5	0.5	0.6
Social protection ⁽⁵⁾	11.9	11.9	11.2	10.3	10.0	10.4	11.7	12.9	13.2	12.9	12.7	12.5	11.8	11.4	11.3	11.3	11.5	11.7
Central administration and associated expenditure ⁽⁶⁾	1.3	1.3	1.5	1.2	1.5	1.5	1.0	1.3	1.2	1.0	1.3	1.0	1.0	1.2	1.1	1.2	1.0	1.3
Total expenditure on services	38.4	38.0	36.0	33.9	34.2	35.2	37.1	39.5	38.9	37.8	37.1	35.5	33.6	33.3	32.9	33.7	35.1	36.3
Public sector debt interest	5.3	4.9	4.6	4.2	4.0	3.6	3.1	3.1	3.2	3.4	3.7	3.6	3.6	3.4	2.8	2.7	2.2	2.0
Other accounting adjustments ⁽⁷⁾	1.8	1.2	1.5	1.3	1.5	1.2	2.2	1.6	1.5	2.0	1.8	1.9	2.0	1.7	1.7	1.6	1.5	1.8
Allowance for shortfall and unallocated special reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.2
Total Managed Expenditure	45.5	44.1	42.1	39.4	39.7	40.0	42.3	44.2	43.6	43.2	42.6	41.0	39.3	38.4	37.4	38.1	38.8	39.9

(1) For years prior to 1995–96, the effects of transfer and classification changes have been imputed.

(2) Excludes trust debt remuneration.

(3) The outturns for Defence for 1996–97 and 1997–98 include receipts from the sale of Ministry of Defence named quarters.

(4) Includes expenditure financed from the National Lottery.

(5) Includes tax credit payments in excess of an individual's tax liability.

(6) Includes net payments to the European Communities and activities such as tax collection and the registration of the population.

(7) Includes net public service pensions.

3. TRENDS IN PUBLIC SECTOR EXPENDITURE

Table 3.5 Total Managed Expenditure by function, 1997–98 to 2002–03

	cash, £ million				resources, £ million	
	1997–98 outturn	1998–99 outturn	1999–00 outturn	2000–01 outturn	2001–02 outturn	2002–03 estimated outturn
Education						
Under fives	1,686	1,900	2,136	2,302	2,844	3,106
Schools	21,482	22,699	23,777	26,405	29,055	30,982
Further Education	4,949	5,108	5,263	5,425	7,266	7,965
Higher Education	4,737	4,757	5,329	6,025	5,969	6,277
Student support (inc mandatory, awards & access fund)	2,614	2,506	1,972	1,796	1,502	1,861
Miscellaneous educational services, research and administration	1,945	2,011	2,418	2,223	2,718	3,381
Total education	37,413	38,981	40,895	44,176	49,354	53,572
Health and personal social services						
Health						
National Health Service Hospitals, community health, family health and related services (net) ⁽¹⁾	42,861	45,444	49,201	52,930	58,687	65,094
Central health, and other services	952	921	1,034	1,037	1,165	1,237
Total health (net)⁽¹⁾	43,813	46,365	50,235	53,967	59,852	66,331
Personal social services	10,334	10,979	12,102	12,919	13,910	15,623
Total health and personal social services⁽¹⁾	54,147	57,344	62,337	66,886	73,762	81,955
Transport						
National roads	2,000	1,851	1,892	1,967	2,173	2,314
Local roads	3,008	2,921	2,864	2,242	2,462	2,637
Local transport	2,087	1,986	1,935	3,127	4,093	4,665
Ports	19	18	21	18	42	53
Marine, coastguard, shipping and civil aviation services	88	100	132	173	247	172
Driver and vehicle licensing and testing	175	102	126	138	157	223
National and international rail services	1,550	1,478	1,215	1,045	1,796	2,388
UK Maritime Agency	83	84	90	95	99	112
Other transport services	215	150	276	307	353	478
Total transport	9,225	8,690	8,551	9,112	11,422	13,042
Housing						
Local authority housing	1,501	1,645	840	925	1,442	1,838
Other social housing	917	1,118	1,229	1,407	1,871	1,617
Other	1,300	916	847	808	1,296	1,238
Total housing	3,718	3,679	2,916	3,140	4,609	4,693
Other environmental services						
Environmental protection	3,846	4,100	4,715	4,059	4,313	5,017
Countryside and water	-51	-51	310	1,201	1,584	1,524
Urban	2,074	1,902	1,179	1,300	1,254	1,562
Other	2,685	2,583	3,246	4,025	4,392	4,889
Total other environmental services	8,554	8,534	9,450	10,585	11,543	12,992

(1) Excludes trust debt remuneration.

3. TRENDS IN PUBLIC SECTOR EXPENDITURE

**Table 3.5 Total Managed Expenditure by function, 1997–98 to 2002–03
(continued)**

	cash, £ million			resources, £ million		
	1997–98 outturn	1998–99 outturn	1999–00 outturn	2000–01 outturn	2001–02 outturn	2002–03 estimated outturn
Law, order and protective services						
Administration of justice	3,242	3,281	3,393	3,923	4,159	4,614
Prisons and offender programmes	2,535	2,730	2,746	2,649	2,898	3,258
Police	8,677	8,862	9,189	9,692	11,158	12,130
Immigration and citizenship	256	217	797	1,398	1,729	1,801
Fire	1,720	1,799	1,879	1,943	2,086	2,334
Civil defence	28	6	6	6	6	6
Constitutional and community services	114	114	243	90	82	99
Central and miscellaneous services	435	466	513	606	682	707
Total law, order and protective services	17,007	17,475	18,766	20,307	22,800	24,949
Defence						
Defence budget	21,646	22,634	22,717	24,899	24,098	24,990
Receipts from sale of married quarters	–700					
Total defence	20,946	22,634	22,717	24,899	24,098	24,990
International development assistance and other international services						
International development assistance	1,772	2,042	2,276	2,747	3,198	3,368
Other international services	1,097	1,123	1,154	1,308	1,929	3,164
Total international development assistance and other international services	2,869	3,165	3,430	4,055	5,127	6,532
Trade, industry, energy, employment and training						
Regional and other industrial support	1,754	1,882	1,688	2,074	2,061	2,575
Trade, scientific and technological support	2,285	2,481	2,400	2,596	2,855	3,337
Support for aerospace, shipbuilding, coal, steel	594	493	689	759	983	1,188
Employment	2,191	2,460	2,768	3,348	4,080	3,092
Training	1,691	1,512	1,626	1,478	1,248	1,615
Department administration and other services	284	273	296	366	485	608
Total trade, industry, energy, employment and training	8,799	9,101	9,467	10,621	11,712	12,415
Agriculture, fisheries, food and forestry						
Market support under CAP	2,567	2,842	2,582	3,000	2,891	3,051
Other agriculture, fisheries and food ⁽²⁾	2,328	1,927	1,867	2,026	3,781	2,221
Forestry	54	56	113	123	134	149
Total agriculture, fisheries, food and forestry	4,949	4,825	4,562	5,149	6,806	5,421

(2) Includes spending on BSE and foot-and-mouth disease.

3. TRENDS IN PUBLIC SECTOR EXPENDITURE

**Table 3.5 Total Managed Expenditure by function, 1997–98 to 2002–03
(continued)**

	cash, £ million			resources, £ million		
	1997–98 outturn	1998–99 outturn	1999–00 outturn	2000–01 outturn	2001–02 outturn	2002–03 estimated outturn
Culture, Media and Sport						
Museums and galleries	470	458	520	531	631	705
Other arts and heritage	722	745	777	803	904	989
Libraries	859	867	915	906	1,000	1,015
Films	23	22	25	24	24	27
Tourism	153	150	176	204	291	288
Sport and recreation	896	911	629	969	1,084	1,214
Broadcasting	203	259	278	224	191	203
Administration	47	50	49	53	54	44
Lottery	803	1,488	1,618	1,514	1,313	1,593
Total culture, media and sport	4,176	4,950	4,987	5,228	5,492	6,078
Social protection⁽⁴⁾						
Pension benefits	34,483	36,552	38,731	40,187	43,635	46,057
Widows' benefits	1,021	1,008	1,023	1,019	982	1,124
Unemployment, incapacity and other benefits	7,804	7,636	7,304	7,052	7,822	9,071
Industrial injury benefits	768	783	785	779	800	791
Family benefits	10,022	10,430	11,937	13,419	14,173	15,816
War pensions	1,288	1,264	1,256	1,411	1,238	1,187
Disability benefits	9,942	10,547	11,148	11,688	12,567	13,358
Income support	16,720	16,215	16,765	18,185	19,116	18,923
Social Fund	117	116	117	120	187	228
Housing benefits	12,054	11,948	11,914	11,902	12,309	12,928
Administration and miscellaneous services	3,141	2,897	3,164	3,376	2,950	3,571
Total social security protection⁽⁴⁾	97,360	99,396	104,144	109,138	115,779	123,054
Central administration and associated expenditure						
Public and common services	5,771	6,582	7,382	7,738	9,020	10,809
EC Net Payments	2,153	3,590	2,806	3,781	884	2,398
Total central administration and associated expenditure	7,924	10,172	10,188	11,519	9,904	13,207
Total expenditure on services⁽⁵⁾	277,087	288,946	302,410	324,815	352,408	382,900
Public sector debt interest	29,722	29,355	25,283	26,404	22,493	21,175
Net Public Service pensions	5,352	4,681	5,223	7,327	7,749	7,624
Allowance for shortfall and unallocated special reserve						-2,000
Other Accounting adjustments	11,404	10,315	10,716	8,271	6,929	11,327
Total Managed Expenditure	323,565	333,297	343,632	366,816	389,579	421,025

(4) Includes tax credit payments in excess of an individual's tax liability.

(5) For definition, see Appendix F.

3. TRENDS IN PUBLIC SECTOR EXPENDITURE

Table 3.6 Total Managed Expenditure by economic category, 1998-99 to 2002-03

	resources, £ million				
	1998-99	1999-00	2000-01	2001-02	2002-03
	outturn	outturn	outturn	outturn	estimated outturn
Public sector current expenditure					
Pay ⁽¹⁾	61,365	66,017	70,209	75,829	81,785
Procurement of goods and services ⁽¹⁾	85,939	92,251	100,401	109,785	122,024
Subsidies	7,824	7,645	7,954	9,449	9,289
Social benefits and other grants to private sector	118,145	126,600	132,497	141,471	148,579
Current transfers abroad	1,639	1,768	2,290	161	4,025
Public sector debt interest	29,355	25,283	26,404	22,493	21,259
Accounting adjustments ⁽³⁾	10,400	7,037	8,821	7,396	8,075
Total public sector current expenditure	314,667	326,601	348,575	366,584	395,036
Public sector capital expenditure					
Capital expenditure on assets ⁽²⁾	14,347	12,908	11,897	14,810	17,928
Stock building	269	158	138	23	61
Capital grants	4,431	4,380	4,780	6,775	7,378
Accounting adjustments ⁽³⁾	-417	-415	1,427	1,387	622
Total public sector capital expenditure	18,630	17,031	18,241	22,995	25,989
Total managed expenditure	333,297	343,632	366,816	389,579	421,025

(1) Excludes pay and procurement of public corporations such as NHS trusts.

(2) Net of sales of capital assets and before depreciation.

(3) Includes allowance for shortfall and special reserve in 2002-03.

3. TRENDS IN PUBLIC SECTOR EXPENDITURE

Table 3.7 Public sector gross investment by spending sector and function⁽¹⁾, 1997–98 to 2005–06

	cash, £ million					resources, £ million				
	1997–98 outturn	1998–99 outturn	1999–00 outturn	2000–01 outturn	2001–02 outturn	2002–03 estimated outturn	2003–04 plans	2004–05 plans	2005–06 plans	
Central government own										
Education	179	151	283	599	908	1,065	1,235	1,459	1,676	
Health and PSS	79	-95	-16	-36	680	1,285	1,685	2,283	3,339	
Transport	1,626	1,304	1,214	1,145	2,220	2,735	4,222	4,182	4,643	
Housing	795	797	877	1,230	1,165	1,031	1,512	1,800	1,978	
Environment	326	313	587	344	483	689	679	723	749	
Law, order and protection	503	524	392	455	804	993	1,157	1,157	1,148	
Defence	892	1,647	1,232	984	1,021	921	1,088	1,192	965	
International	95	96	90	121	156	107	91	115	128	
Trade, employment etc	713	720	588	906	1,723	1,398	1,691	1,769	1,811	
Agriculture	341	279	107	169	251	328	312	317	309	
Culture, Media and Sport	777	1,063	1,472	832	542	990	1,368	1,202	1,007	
Social protection	3	-307	43	34	129	190	19	165	88	
Central Administration etc	348	351	356	142	632	1,083	2,036	1,958	1,948	
Total central government own capital expenditure on services⁽¹⁾	6,677	6,843	7,225	6,925	10,714	12,815	17,095	18,322	19,789	
Allowance for shortfall						-900				
Accounting classification and other adjustments	584	909	-53	737	-312	-43	300	1,400	2,500	
Total central government own capital expenditure	7,261	7,752	7,172	7,662	10,402	11,872	17,400	19,700	22,200	
Local authorities										
Education	1,186	1,369	1,510	1,810	2,151	2,397				
Health and PSS	133	114	112	116	120	193				
Transport	1,308	1,239	1,180	1,550	2,178	2,502				
Housing	1,145	1,261	471	544	1,026	1,356				
Environment	1,037	878	905	925	986	1,276				
Law, order and protection	297	311	292	289	394	489				
Trade, employment etc	12	10	12	15	17	19				
Agriculture	-47	-34	-30	-31	-33	-48				
Culture, Media and Sport	327	370	436	461	563	652				
Central Administration etc	102	124	96	57	34	110				
Total local authorities capital expenditure on services⁽¹⁾	5,500	5,642	4,984	5,736	7,436	8,946				
Accounting adjustments	329	700	718	147	669	474				
Total local authorities capital expenditure	5,829	6,342	5,702	5,883	8,105	9,420				
Public corporations										
Health and PSS	1,232	1,304	1,252	1,573	1,384	1,343	1,695	1,630	1,640	
Transport	863	635	584	415	542	738	75	75	75	
Housing	224	220	235	39	-2	-40	57	57	57	
Environment	473	390	207	799	550	340	420	350	290	
Law, order and protection			5	1	15	12	11	11	11	
Defence	140	113	123	66	105	143	99	123	107	
International	20	24	1	25	17	30	31	31	31	
Trade, employment etc	935	1,024	1,003	1,128	805	966	1,001	641	641	
Agriculture	218	245	338	33	6	23	7	4	4	
Culture, Media and Sport	225	186	197	156	116	129	123	108	93	
Central Administration etc	21	28	24	50	53	55	70	54	47	
Total public corporations capital expenditure on services⁽¹⁾	4,351	4,169	3,969	4,285	3,591	3,739	3,589	3,084	2,996	
Accounting adjustments	-143	367	338	561	1,047	1,108	1,300	1,800	1,900	
Total public corporations capital expenditure	4,208	4,536	4,307	4,846	4,638	4,847	4,800	4,900	4,900	

(1) The sectoral spending figures shown above exclude the £2.0 billion special reserve in 2002–03 (see footnote 4 to table 1.2), and for 2003–04, 2004–05 and 2005–06 also exclude the DEL reserve, unallocated amounts for the Invest to Save Budget, and the AME margin. Amounts for these totals, are shown in Tables 1.1 and 1.2. These items are included within the other accounting adjustments figures in Table 3.7 above, reflecting notional forecast allocations.

3. TRENDS IN PUBLIC SECTOR EXPENDITURE

Table 3.8 Public sector current expenditure by spending sector and function, 1997–98 to 2005–06

	cash, £ million						resources, £ million		
	1997–98 outturn	1998–99 outturn	1999–00 outturn	2000–01 outturn	2001–02 outturn	2002–03 estimated outturn	2003–04 plans	2004–05 plans	2005–06 plans
Central government own									
Education ⁽¹⁾	11,686	11,360	12,894	13,770	15,497	17,395	18,849	20,339	21,743
Health and PSS ⁽¹⁾	42,611	45,250	49,125	52,513	58,046	64,208	71,224	77,444	84,106
Transport	2,571	2,576	2,653	2,711	2,803	3,178	3,038	3,447	3,707
Housing	996	803	753	788	1,840	1,548	1,285	1,150	1,191
Environment	984	1,041	1,139	1,720	2,242	2,530	2,858	2,900	3,009
Law, order and protection	6,152	6,302	7,252	8,373	10,079	11,450	11,581	11,875	12,735
Defence	19,914	20,874	21,362	23,848	22,971	23,925	24,801	25,413	26,545
International	2,753	3,045	3,339	3,909	4,953	6,395	5,054	4,988	5,813
Trade, employment etc	6,530	6,770	7,345	8,249	8,792	9,691	9,631	9,906	10,915
Agriculture	4,339	4,267	4,112	4,910	6,504	5,048	4,780	4,856	4,901
Culture, Media and Sport	1,182	1,561	1,355	1,823	2,204	2,214	2,083	2,051	2,011
Social protection	85,895	88,328	92,587	97,460	103,599	110,197	116,527	121,559	126,263
Central Administration etc	6,343	8,256	7,979	9,508	7,245	9,960	9,863	10,854	11,920
Total central government current own expenditure on services⁽²⁾	191,956	200,433	211,895	229,582	246,775	267,739	281,574	296,782	314,859
Central government debt interest	29,307	28,760	24,927	25,945	22,051	20,846	21,833	23,216	24,364
Net public service pensions ⁽³⁾	5,352	4,681	5,223	7,327	7,749	7,624	2,766	2,785	3,128
Allowance for shortfall						-3,100			
Other accounting adjustments	6,522	4,362	2,629	-409	-1,166	4,639	7,000	9,800	11,000
Total central government own current expenditure	233,137	238,236	244,674	262,444	275,409	297,748	313,200	332,600	353,300
Local authorities									
Education	24,360	26,102	26,207	27,997	30,799	32,715			
Health and PSS	10,092	10,770	11,863	12,646	13,532	14,923			
Transport	2,789	2,810	2,793	3,166	3,589	3,771			
Housing	356	387	519	536	569	637			
Environment	5,614	5,852	6,552	6,741	7,215	8,092			
Law, order and protection	10,038	10,337	10,824	11,188	11,508	12,007			
Trade, employment etc	250	250	235	224	232	255			
Agriculture	12	12	5	4	2	-5			
Culture, Media and Sport	1,646	1,693	1,453	1,882	1,988	2,012			
Social protection	11,462	11,375	11,511	11,644	12,053	12,666			
Central Administration etc	1,109	1,271	1,388	1,761	1,938	1,997			
Total local authorities current expenditure on services	67,728	70,859	73,350	77,789	83,425	89,070			
Local authority debt interest	357	541	313	385	350	330			
Other accounting adjustments	4,119	4,119	7,434	7,235	6,694	7,066			
Total local authorities current expenditure	72,204	75,519	81,097	85,409	90,469	96,466			
Total public corporations current expenditure on services	868	858	787	648	614	740	2,200	2,300	2,400
Public corporations debt interest	58	54	43	74	92	83	129	184	236
Total public corporations current expenditure	926	912	830	722	706	823	2,400	2,500	2,700

(1) From 2003-04 onwards, these figures include employers contributions for costs of pensions increases that score in DEL.

(2) See footnote (1) to table 3.7.

(3) Lower figures from 2003-04 onwards reflect the offset to the employers contributions for costs of pensions increases – see footnote (1).

3. TRENDS IN PUBLIC SECTOR EXPENDITURE

Table 3.9 Public Sector receipts from sales of assets⁽¹⁾, 1998–99 to 2002–03

	resources, £ million				
	1998–99 outturn	1999–00 outturn	2000–01 outturn	2001–02 outturn	2002–03 estimated outturn
Central government					
Receipts from sale of land and existing buildings	261	-1,055	785	679	867
Other	200	382	197	216	203
Central government	461	-672	982	894	1,070
Local authorities					
Receipts from sale of land and existing buildings	2,846	3,426	3,519	3,471	3,575
Other	28	18	20	14	11
Local authorities	2,874	3,444	3,539	3,485	3,586
Total general government	3,335	2,772	4,521	4,380	4,656
Public corporations					
Receipts from sale of land and existing buildings	47	189	145	203	236
Other	10	389	233	39	31
Public corporations	57	578	378	242	267
Total public sector	3,392	3,350	4,899	4,622	4,923

(1) National accounts definition of capital. Excludes single use fighting equipment by Ministry of Defence, which is treated as capital under resource accounting, and expenditure on and sales of which will be included in the capital budget under resource budgeting.

3. TRENDS IN PUBLIC SECTOR EXPENDITURE

4. CENTRAL GOVERNMENT OWN EXPENDITURE

INTRODUCTION

4.1 This section provides summary analyses of central government's own expenditure, i.e. the expenditure of government departments on their own activities and their funding of other non-trading central government bodies. It excludes expenditure by central government bodies that goes to support the spending of local authorities and public corporations. Central government's own expenditure accounts for about 70 per cent of Departmental Expenditure Limits and about 90 per cent of Departmental AME.

4.2 All the analyses of central government's own expenditure in this section offer further breakdowns of the figures given for central government's own expenditure in the sectoral spending **Table 1.15**.

4.3 Data in **Tables 4.1** to **4.4** are on a resource basis. Outturn in **Table 4.5** is part cash and part resources. Outturn from 1997–98 to 1999–00 is cash; outturn for 2000–01 and 2001–02, estimated outturn for 2002–03 and plans for 2004–05 and 2005–06 are resources. For a discussion of the implications of this data approach, see the box in Chapter 3, "Cash and Resources". All outturn data (to 2001–02) in this chapter are National Statistics.

CENTRAL GOVERNMENT OWN EXPENDITURE BY DEPARTMENT

4.4 **Table 4.1** gives a departmental breakdown of central government's own expenditure, actual and planned, for the period 1998–99 to 2005–06. Expenditure falling in DEL is shown separately from expenditure falling in Departmental AME. In a number of areas, for example education, transport, and law and order, a relatively large proportion of expenditure is carried out by local authorities, with only a relatively small proportion spent directly by central government – some of which will be recorded under Scotland, Wales or Northern Ireland. Partly as a result, social security, health and defence together account for some two thirds of total central government own spending. Other AME includes locally financed expenditure which is classified as central government spending (see para 1.16).

4.5 **Tables 4.2** and **4.3** show, for 1998–99 through to 2005–06, central government expenditure, actual and planned, for each department, separated between current/resource and capital expenditure. Departmental totals for resource expenditure within DEL include non-cash items. These are deducted in the accounting adjustments to get to a measure of total current expenditure that is consistent with national accounts.

CENTRAL GOVERNMENT OWN EXPENDITURE BY ECONOMIC CATEGORY

4.6 **Table 4.4** shows central government departmental expenditure by economic category. This table is on a national accounts basis, and excludes all non-cash resource budgeting items.

4.7 The pay totals in **Table 4.4** exclude the pay of most NHS employees employed by NHS trusts, because NHS trusts are public corporations. Health authorities' purchase of health care from providers (mostly from NHS Trusts but also from hospitals managed by health

4. CENTRAL GOVERNMENT OWN EXPENDITURE

authorities under contracts) is classified as procurement of goods and services. In the case of contracts with NHS Trusts, it is the payments for the goods and services provided, rather than the trusts' actual expenditure, that is recorded in central government's own expenditure.

CENTRAL GOVERNMENT OWN EXPENDITURE BY FUNCTION

4.8 Table 4.5 shows central government own expenditure by function. This allocates to the appropriate function the expenditure for which the devolved administrations in Scotland, Wales and Northern Ireland are responsible. As with the similar analyses of total public spending in Chapter 3, the key concept in this table is total expenditure on services (see para 3.4 and Appendix F). Because expenditure by local authorities is excluded, it is possible to include figures for the future plans years here as well as data for the past.

4. CENTRAL GOVERNMENT OWN EXPENDITURE

Table 4.1 Central government own expenditure by department, 1998–99 to 2005–06

	resources, £ million							
	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06
	outturn	outturn	outturn	outturn	estimated outturn	plans	plans	plans
Within DEL^{(1) (2)}								
Education and Skills	9,594	11,311	12,149	13,936	15,864	17,369	18,992	20,832
Health	38,802	40,249	43,842	51,259	55,848	62,024	68,151	75,091
Transport	3,263	3,303	2,995	4,095	5,031	6,002	6,161	6,731
Office of the Deputy Prime Minister	1,377	2,052	2,158	2,419	3,260	3,525	3,815	4,053
Local Government	212	241	235	246	259	354	393	381
Home Office	3,358	3,422	4,607	6,422	7,499	7,903	7,926	8,639
Lord Chancellor's Departments	2,383	2,146	2,477	2,734	3,026	2,824	3,047	3,128
Attorney General's Departments	337	335	375	428	498	482	519	539
Defence	28,510	29,500	31,493	30,693	32,298	29,248	29,826	30,719
Foreign and Commonwealth Office	1,121	1,152	1,322	1,370	1,513	1,540	1,445	1,518
International Development	2,420	2,764	2,979	3,187	3,588	3,629	3,749	4,495
Trade and Industry	3,034	3,820	5,932	5,231	4,849	5,032	5,014	5,418
Environment, Food and Rural Affairs	2,128	2,459	2,875	2,919	2,974	3,000	2,949	2,999
Culture, Media and Sport	921	956	957	1,042	1,205	1,291	1,322	1,406
Work and Pensions	4,751	5,341	5,656	5,794	7,097	7,245	7,586	7,501
Scotland	8,383	8,825	9,642	11,478	12,770	13,097	13,971	15,177
Wales	3,586	3,819	4,313	4,965	5,732	6,318	6,792	7,403
Northern Ireland Executive	4,364	4,601	5,182	5,539	6,272	6,425	6,733	7,144
Northern Ireland Office	1,008	1,127	856	962	1,186	1,097	1,131	1,178
Chancellor's Departments	3,208	3,421	3,378	4,097	4,602	4,618	4,790	4,971
Cabinet Office	1,219	1,441	1,352	1,528	1,707	2,208	1,851	1,878
Allowance for shortfall					-4,916			
Total central government own expenditure within DEL^{(1) (2)}	123,979	132,286	144,774	160,345	172,160	185,231	196,161	211,201
Within Departmental AME								
Education and Skills	6,097	6,277	6,460	6,657	6,651	5,755	5,889	6,068
Health	5,403	7,170	4,803	13,769	7,503	6,183	6,559	6,952
Transport	2,075	1,771	1,725	2,107	2,131	2,296	2,089	1,579
Office of the Deputy Prime Minister	482	468	445	983	902	850	704	734
Home Office	-1	312	1	-1	1,691	1	1	1
Lord Chancellor's Departments	81	87	92	96	102	47	53	55
Defence	3,949	4,154	4,420	4,604	6,441	4,537	4,479	4,499
Foreign and Commonwealth Office		-1		5	5	5	5	5
International Development	132	58	81	59	56	60	57	54
Trade and Industry	-54	1,650	2,036	1,475	4,045	-20	-99	-38
Environment, Food and Rural Affairs	2,326	2,166	3,607	2,316	1,836	1,267	1,615	1,590
Culture, Media and Sport	1,515	1,579	1,530	1,339	1,604	1,912	1,654	1,308
Work and Pensions	72,218	76,008	77,237	82,270	85,879	89,584	91,272	94,471
Scotland	2,342	1,931	2,080	2,284	2,255	1,962	1,919	1,964
Wales	190	177	172	394	413	397	397	397
Northern Ireland Executive	3,416	3,506	4,085	4,379	4,994	5,072	5,282	5,483
Northern Ireland Office	-88	-92	3	42	41	50	50	50
Chancellor's Departments	7,462	9,582	12,585	14,112	15,054	17,872	21,117	22,659
Cabinet Office	4,181	4,188	3,233	4,695	4,003	4,765	4,986	5,221
Total central government own expenditure within Departmental AME	111,726	120,991	124,595	141,588	145,606	142,596	148,029	153,052
Locally financed support in Northern Ireland	97	111	129	156	141	145	154	167
Net payments to EC institutions	3,590	2,807	3,697	770	2,288	2,307	3,042	3,367
Central government debt interest	28,760	24,927	25,945	22,051	20,845	21,833	23,214	24,277
Accounting and other adjustments ⁽¹⁾	-22,164	-29,276	-29,034	-39,100	-31,421	-21,500	-18,300	-16,500
Total central government own expenditure⁽¹⁾	245,988	251,846	270,106	285,811	309,620	330,600	352,300	377,600

(1) Full resource budgeting basis, net of depreciation.

(2) See footnote 2 to Table 1.15.

4. CENTRAL GOVERNMENT OWN EXPENDITURE

Table 4.2 Central government own current expenditure by department, 1998–99 to 2005–06

	resources, £ million							
	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06
	outturn	outturn	outturn	outturn	estimated outturn	plans	plans	plans
Within Resource Budget DEL								
Education and Skills	9,592	11,308	12,122	13,819	15,675	17,268	19,009	20,835
Health	39,299	40,734	44,247	51,052	55,378	61,134	66,872	72,935
Transport	2,700	2,846	2,577	3,467	4,581	5,596	5,676	6,519
Office of the Deputy Prime Minister	1,361	2,000	2,107	1,910	3,142	3,536	3,826	4,065
Local Government	211	241	235	246	248	316	333	350
Home Office	3,316	3,330	4,508	6,163	7,132	7,297	7,370	8,132
Lord Chancellor's Departments	2,374	2,064	2,512	2,733	3,030	2,854	3,084	3,159
Attorney General's Departments	337	336	367	436	490	472	520	540
Defence	29,358	31,331	33,402	32,315	41,353	30,746	31,458	32,274
Foreign and Commonwealth Office	1,067	1,118	1,473	1,413	1,613	1,621	1,511	1,578
International Development	2,445	2,743	3,000	3,174	3,592	3,639	3,752	4,502
Trade and Industry	3,076	3,912	5,972	5,291	4,586	4,650	4,969	5,439
Environment, Food and Rural Affairs	2,022	2,418	2,879	2,851	2,848	2,904	2,877	2,925
Culture, Media and Sport	899	975	1,020	1,095	1,228	1,316	1,381	1,453
Work and Pensions	5,132	5,363	5,676	5,721	7,016	7,340	7,478	7,531
Scotland	8,303	8,786	9,536	11,387	12,271	12,155	12,854	13,953
Wales	3,711	4,039	4,399	5,099	5,839	6,223	6,706	7,267
Northern Ireland Executive	4,201	4,436	5,139	5,434	5,866	6,131	6,401	6,783
Northern Ireland Office	1,011	1,129	851	976	1,191	1,071	1,113	1,145
Chancellor's Departments	3,283	3,525	3,767	4,073	4,552	4,581	4,705	4,890
Cabinet Office	1,008	1,359	1,291	1,497	1,669	1,805	1,830	1,845
Allowance for shortfall					-3,765			
Total within Resource Budget DEL	124,706	133,993	147,080	160,152	179,536	182,655	193,725	208,120
Within Resource Departmental AME								
Education and Skills	6,096	6,273	6,458	6,656	6,650	5,754	5,888	6,067
Health	5,403	7,170	4,803	13,769	7,503	6,183	6,559	6,952
Transport	2,075	1,771	1,725	2,107	2,131	2,296	2,089	1,579
Office of the Deputy Prime Minister	482	468	445	983	902	850	704	734
Home Office	-1	312	1	-1	1,691	1	1	1
Lord Chancellor's Departments	81	87	92	96	102	47	53	55
Defence	3,949	4,154	4,420	4,447	6,441	4,537	4,479	4,499
Foreign and Commonwealth Office	0	-1	0	0	-1	-1	-1	-1
International Development	132	58	81	59	56	60	57	54
Trade and Industry	172	730	776	1,475	3,488	370	365	378
Environment, Food and Rural Affairs	2,317	2,164	3,606	2,314	1,834	1,266	1,613	1,589
Culture, Media and Sport	1,148	1,130	1,363	1,313	1,594	1,902	1,644	1,298
Work and Pensions	72,218	75,979	77,214	82,195	85,802	89,494	91,171	94,361
Scotland	2,342	1,931	2,080	2,284	2,255	1,962	1,919	1,964
Wales	190	177	172	394	413	397	397	397
Northern Ireland Executive	3,416	3,506	4,085	4,379	4,994	4,947	5,082	5,283
Northern Ireland Office	-88	-92	3	42	41	50	50	50
Chancellor's Departments	7,462	9,583	12,585	14,112	15,054	17,872	21,117	22,659
Cabinet Office	4,181	4,188	3,233	4,695	4,003	4,765	4,986	5,221
Total within Resource Departmental AME	111,575	119,588	123,141	141,322	144,954	142,752	148,174	153,141
Locally financed support in Northern Ireland	97	111	129	156	141	145	154	167
Net payments to EC institutions	3,590	2,807	3,697	770	2,288	2,307	3,042	3,367
Central government debt interest	28,760	24,927	25,945	22,051	20,845	21,833	23,214	24,277
Classification changes to national accounts	-3,954	-5,880	-6,003	-6,695	-6,765	-9,587	-9,949	-10,785
Accounting and other adjustments	-26,538	-30,872	-31,545	-42,348	-43,251	-26,900	-25,800	-25,000
Total central government own current expenditure	238,236	244,674	262,444	275,409	297,748	313,200	332,600	353,300

(1) See footnote to Table 1.15..

4. CENTRAL GOVERNMENT OWN EXPENDITURE

Table 4.3 Central government own capital expenditure by department, 1998–99 to 2005–06

	resources, £ million							
	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06
	outturn	outturn	outturn	outturn	estimated outturn	plans	plans	plans
Within Capital Budget DEL⁽¹⁾								
Education and Skills	15	16	42	148	218	146	28	43
Health	-343	-119	-113	502	804	1,287	1,836	2,816
Transport	576	477	447	671	774	705	837	599
Office of the Deputy Prime Minister	19	62	64	526	140	9	9	8
Local Government	1	1	1	0	11	39	61	31
Home Office	305	228	244	449	614	828	788	751
Lord Chancellor's Departments	43	11	16	52	63	46	46	62
Attorney General's Departments	5	4	14	22	11	15	14	15
Defence	5,340	4,067	5,410	5,850	6,323	6,140	6,417	7,051
Foreign and Commonwealth Office	86	88	105	60	68	57	71	84
International Development	-22	25	-16	24	13	11	18	14
Trade and Industry	24	5	49	65	381	502	167	104
Environment, Food and Rural Affairs	145	159	136	232	295	279	272	280
Culture, Media and Sport	75	35	-2	12	45	63	34	48
Work and Pensions	-307	37	33	138	194	25	228	90
Scotland	158	173	245	303	801	1,170	1,348	1,456
Wales	25	-44	60	57	116	284	342	385
Northern Ireland Executive	172	175	233	286	496	363	403	433
Northern Ireland Office	23	25	35	18	54	64	57	72
Chancellor's Departments	92	87	-223	205	398	272	317	308
Cabinet Office	231	202	202	210	236	619	238	247
Allowance for shortfall					-1,151			
Total within Capital Budget DEL	6,662	5,713	6,982	9,832	10,903	12,925	13,529	14,897
Within Capital Departmental AME								
Education and Skills	1	3	2	1	1	1	1	1
Defence				158				
Foreign and Commonwealth Office				5	5	5	5	5
Trade and Industry	-226	919	1,260		557	-390	-464	-416
Environment, Food and Rural Affairs	9	2	1	1	1	1	1	1
Culture, Media and Sport	367	449	168	27	10	10	10	10
Work and Pensions		29	22	75	77	90	101	109
Northern Ireland Executive						125	200	200
Total within Capital Departmental AME	151	1,402	1,453	266	652	-156	-145	-89
Classification changes to national accounts	3,954	5,880	6,003	6,695	6,765	9,587	9,949	10,785
Accounting and other adjustments	-3,015	-5,824	-6,776	-6,391	-6,448	-5,000	-3,600	-3,300
Total central government own capital expenditure	7,752	7,172	7,662	10,402	11,872	17,400	19,700	22,200

(1) See footnote (1) to Table 1.15.

4. CENTRAL GOVERNMENT OWN EXPENDITURE

**Table 4.4 Central Government own expenditure by economic category
1998–99 to 2005–06**

	resources, £ million							
	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06
	outturn	outturn	outturn	outturn	estimated outturn	plans	plans	plans
Central government current expenditure								
Pay ⁽¹⁾	20,799	23,356	24,339	25,723	28,282	30,898	31,910	32,841
Procurement of goods and services ⁽¹⁾	69,657	73,649	80,809	89,357	100,068	104,236	110,350	119,106
Subsidies	6,609	6,405	6,496	7,812	7,470	6,919	6,795	6,925
Social benefits and other grants to private sector	104,807	114,190	120,380	129,003	135,446	137,826	144,001	151,432
Current transfers abroad	1,639	1,768	2,290	165	7,434	3,897	4,763	6,052
Debt interest	28,760	24,927	25,945	22,051	20,845	21,833	23,214	24,277
Accounting adjustments ⁽³⁾	5,964	379	2,185	1,298	-1,797	7,600	11,500	12,700
Total central government current expenditure	238,236	244,674	262,444	275,409	297,748	313,200	332,600	353,300
Central government capital expenditure								
Capital expenditure on assets ⁽²⁾	7,293	5,078	3,303	5,032	6,662	8,994	10,136	10,957
Stock building	0	7	18	-42	27	-23	-21	-20
Capital grants	2,959	3,321	3,620	5,742	6,143	8,958	9,135	10,012
Accounting adjustments ⁽³⁾	-2,499	-1,233	721	-329	-960	-600	500	1,300
Total central government capital expenditure	7,752	7,172	7,662	10,402	11,872	17,400	19,700	22,200
Total central government own expenditure	245,988	251,846	270,106	285,811	309,620	330,600	352,300	375,600

(1) Excludes pay and procurement of public corporations such as NHS trusts.

(2) Net of sales of capital assets and before depreciation.

(3) Includes allowance for shortfall and special reserve in 2002–03, and reserve and invest to save budget in 2003–04 to 2005–06.

4. CENTRAL GOVERNMENT OWN EXPENDITURE

Table 4.5 Central government own expenditure by function, 1997–98 to 2005–06

	cash, £ million						resources, £ million			
	1997–98 outturn	1998–99 outturn	1999–00 outturn	2000–01 outturn	2001–02 outturn	2002–03 estimated outturn	2003–04 plans	2004–05 plans	2005–06 plans	
Education⁽¹⁾										
Under fives	637	135	127	59	136	218	244	537	727	
Schools	1,368	1,383	1,445	1,569	1,619	1,724	1,748	1,778	1,844	
Further Education	3,587	3,661	4,030	4,350	6,095	6,676	7,145	7,560	8,211	
Higher Education	4,726	4,746	5,318	6,013	5,957	6,265	6,594	7,377	7,713	
Student support (including mandatory awards & access fund)	557	629	1,176	1,478	1,375	1,782	2,003	1,975	2,160	
Miscellaneous educational services, research and administration	991	956	1,082	900	1,222	1,796	2,350	2,572	2,763	
Total education⁽¹⁾	11,866	11,510	13,178	14,369	16,404	18,461	20,084	21,799	23,418	
Health and personal⁽¹⁾ social services										
National Health Service hospitals	41,321	43,830	47,612	50,917	56,924	63,368	70,473	77,143	84,688	
Central health and other services	903	858	968	961	1,096	1,171	1,418	1,415	1,472	
Total health⁽¹⁾	42,224	44,688	48,580	51,878	58,020	64,539	71,891	78,558	86,160	
Personal social services	466	467	529	599	707	954	1,018	1,169	1,284	
Total health and personal social services⁽¹⁾	42,690	45,155	49,109	52,477	58,727	65,493	72,909	79,727	87,444	
Transport										
National roads	1,992	1,842	1,882	1,956	2,162	2,301	2,254	2,407	2,485	
Local roads	0	1	1	0	0	0	0	0	0	
Local transport	203	288	332	332	317	336	353	370	383	
Ports	5	1	1	1	12	10	4	154	154	
Marine, coastguard, shipping and civil aviation services	1	29	31	58	161	86	97	98	98	
Driver and vehicle licensing and testing	165	92	115	128	123	201	157	158	157	
National and International rail services	1,532	1,393	1,141	978	1,796	2,388	3,574	3,545	4,047	
UK Maritime Agency	83	84	90	95	99	112	106	106	106	
Other transport services	215	150	276	307	353	477	715	793	920	
Total transport	4,196	3,880	3,869	3,855	5,023	5,911	7,260	7,631	8,350	
Housing										
Social housing	729	922	1,019	1,343	1,813	1,416	1,500	1,696	1,721	
Other	1,062	678	611	674	1,193	1,162	1,298	1,254	1,448	
Total housing	1,791	1,600	1,630	2,017	3,006	2,578	2,798	2,950	3,169	
Other environmental services										
Environmental protection	646	663	683	166	254	276	313	318	327	
Countryside and water	-79	-80	278	888	1,294	1,455	1,661	1,698	1,767	
Urban	103	93	61	21	140	327	378	412	420	
Other	641	678	703	1,167	1,229	1,371	1,415	1,436	1,498	
Total other environmental services	1,311	1,354	1,725	2,242	2,917	3,429	3,767	3,864	4,012	
Law, order and protective services										
Administration of justice	2,854	2,880	2,989	3,515	3,706	4,185	3,915	4,069	4,219	
Prisons and offender programmes	2,055	2,249	2,244	2,135	2,898	3,258	3,360	3,422	3,619	
Police	925	895	849	1,022	1,701	2,180	2,373	2,470	2,856	
Immigration and citizenship	256	217	797	1,398	1,729	1,801	1,745	1,710	1,733	
Fire	55	58	62	74	91	212	144	170	145	
Civil defence	24	3	3	2	2	3	3	3	3	
Constitutional and community services	52	59	187	75	73	92	144	136	138	
Central and miscellaneous services	435	466	513	606	682	707	1,049	1,047	1,163	
Total law, order and protective services	6,656	6,827	7,644	8,827	10,882	12,438	12,733	13,027	13,876	

(1) See footnote (1) to Table 3.8.

4. CENTRAL GOVERNMENT OWN EXPENDITURE

Table 4.5 Central government own expenditure by function, 1997–98 to 2005–06 (continued)

	cash, £ million						resources, £ million		
	1997–98 outturn	1998–99 outturn	1999–00 outturn	2000–01 outturn	2001–02 outturn	2002–03 estimated outturn	2003–04 plans	2004–05 plans	2005–06 plans
Defence									
Defence budget	21,506	22,521	22,594	24,833	23,992	24,846	25,889	26,605	27,510
Receipts for sale of married quarters	-700	0	0	0	0	0	0	0	0
Total defence	20,806	22,521	22,594	24,833	23,992	24,846	25,889	26,605	27,510
International development assistance and other international services									
International development assistance	1,770	2,039	2,275	2,747	3,198	3,368	3,555	3,634	4,403
Other international services	1,078	1,102	1,154	1,283	1,912	3,134	1,590	1,469	1,538
Total international development assistance and other services	2,848	3,141	3,429	4,030	5,110	6,502	5,145	5,103	5,941
Trade industry, energy, employment and training									
Regional and other industrial support	1,239	1,290	1,136	1,447	1,786	2,104	1,892	1,906	1,991
Trade, scientific and technological support	2,112	2,317	2,233	2,428	2,685	3,150	3,263	3,500	3,720
Support for aerospace, shipbuilding, coal, steel	111	21	211	241	438	682	674	705	509
Employment	1,807	2,076	2,430	3,196	3,874	2,930	3,229	3,220	3,895
Training	1,691	1,512	1,626	1,478	1,248	1,615	1,669	1,680	1,741
Departmental administration and other services	284	273	296	366	485	608	595	664	869
Total trade, industry, energy, employment and training	7,244	7,489	7,932	9,156	10,516	11,089	11,322	11,675	12,725
Agriculture, fisheries, food and forestry									
Market support under CAP	2,558	2,834	2,574	2,992	2,883	3,043	2,982	2,987	3,014
Other agriculture, fisheries and food	1,185	1,175	1,210	1,983	3,761	2,218	1,987	2,057	2,064
Forestry	89	90	104	104	111	114	124	129	131
Total agriculture, fisheries, food and forestry	4,681	4,546	4,220	5,079	6,755	5,375	5,093	5,173	5,209
Culture, Media and Sport									
Museums and galleries	272	268	290	287	361	412	376	398	422
Other arts and heritage	482	483	503	487	560	629	664	697	763
Libraries	141	124	136	114	159	166	145	147	152
Films	23	22	25	24	24	27	27	27	27
Tourism	64	65	67	91	171	167	107	107	112
Sport and recreation	115	116	128	72	93	153	162	157	165
Broadcasting	12	8	12	12	13	13	13	13	13
Administration	47	50	49	53	54	44	52	63	65
Lottery	803	1,488	1,618	1,514	1,313	1,593	1,904	1,644	1,298
Total Culture, Media and Sport	1,959	2,624	2,828	2,654	2,748	3,204	3,450	3,253	3,017

4. CENTRAL GOVERNMENT OWN EXPENDITURE

Table 4.5 Central government own expenditure by function, 1997–98 to 2005–06 (continued)

	cash, £ million					resources, £ million			
	1997–98 outturn	1998–99 outturn	1999–00 outturn	2000–01 outturn	2001–02 estimated outturn	2002–03 plans	2003–04 plans	2004–05 plans	2005–06 plans
Social protection									
Pension benefits	34,483	36,552	38,731	40,187	43,635	46,057	48,368	50,450	52,808
Widows' benefits	1,021	1,008	1,023	1,019	982	1,124	1,111	1,027	952
Unemployment, incapacity and other benefits	7,804	7,636	7,304	7,052	7,822	9,071	9,137	9,109	9,390
Industrial injury benefits	768	783	785	779	800	791	728	705	722
Family benefits	10,022	10,430	11,937	13,419	14,173	15,816	18,663	21,945	23,489
War pensions	1,288	1,264	1,256	1,411	1,238	1,187	1,158	1,107	1,069
Disability benefits	9,942	10,547	11,148	11,688	12,567	13,358	14,008	14,743	15,560
Income support	16,720	16,215	16,765	18,185	19,116	18,923	19,751	18,650	18,614
Social Fund	117	116	117	120	187	228	261	267	273
Housing benefits	618	602	449	302	315	323	335	347	360
Administration and miscellaneous services	3,115	2,868	3,117	3,332	2,892	3,509	3,026	3,374	3,115
Total social protection	85,898	88,021	92,632	97,494	103,727	110,387	116,546	121,724	126,352
Central administration and associated expenditure									
Public and common services	4,538	5,017	5,528	5,869	6,993	8,646	9,465	9,642	10,373
EC Net Payments	2,153	3,590	2,806	84	113	110	128	128	128
Total Central administration and associated expenditure	6,691	8,607	8,334	5,953	7,106	8,756	9,593	9,770	10,501
Total expenditure on services⁽²⁾	198,637	207,275	219,124	232,986	256,913	278,469	296,589	312,301	331,524
Central government debt interest	29,307	28,760	24,927	25,945	22,051	20,846	21,833	23,216	24,364
Net Public Service pensions ⁽³⁾	5,352	4,681	5,223	7,327	7,749	7,624	2,766	2,785	3,128
Other adjustments	7,102	5,272	2,572	3,849	-902	2,681	9,400	14,000	16,500
Total Central Government own expenditure⁽⁴⁾	240,398	245,988	251,846	270,106	285,811	309,620	330,600	352,300	375,600

(2) Central government own expenditure on services. For definition of expenditure on services, see Appendix F.

(3) See footnote (3) to Table 3.8.

(4) For definition, see table 4.1, see also footnotes to Table 3.2.

4. CENTRAL GOVERNMENT OWN EXPENDITURE

5. CENTRAL GOVERNMENT ADMINISTRATION AND STAFFING

INTRODUCTION

5.1 This chapter sets out details of expenditure by those central government departments that are subject to Treasury administration costs controls, and of civil service staffing levels in all central government departments and the devolved administrations. The data on administration costs is on a resource basis and starts in 1998–99, with plans going through to 2005–06. The data on staffing levels covers a period of nine years, starting in 1997–98, with projections going through to 2005–06.

5.2 Outturn data on gross administrative expenditure and civil service staffing in this chapter do not fall within the scope of National Statistics.

GROSS ADMINISTRATIVE EXPENDITURE

5.3 The primary aim of administration costs control is to promote economical and efficient administration and service delivery in central government. Administration cost controls cover the costs of all central government administration other than the costs of some direct front line services, and activities and support activities that are directly associated with these. It also covers the direct delivery of services by some departments and their agencies where these are carried out by civil servants; for example, prison officers and personal advisers helping people into work. Administration costs are controlled during the year through accruals-based administration costs limits, which are notified to Parliament in the Supply Estimates. These limits are net of certain income which departments are allowed to offset against their gross administrative expenditure. Administration costs control limits for 2003–04 will be announced in the 2003–04 Supplementary Budgetary Information (Cm 5797).

5.4 Table 5.1 shows gross administrative expenditure from 1998–99 to 2005–06 for all central government departments for which administration cost controls are operated. There are no numbers for the Ministry of Defence, which is not subject to the administration cost controls operated on civil departments, nor for the devolved administrations, which operate their own controls. Administrative expenditure is measured after eliminating double counting and offsetting VAT refunds on eligible contracted out services. The table shows outturn for 1998–99 through to 2001–02, estimated outturn for 2002–03 and plans for 2003–04 to 2005–06. Recent years' outturn have, on average, been overestimated by about 2.5 per cent.

5.5 Departments' paybill outturns are published in departmental reports, together with the related staff numbers.

CIVIL SERVICE STAFFING

5.6 Table 5.2 provides a summary of civil service staffing by department, starting in 1997–98, with estimates for 2002–03 and plans for 2003–04 through to 2005–06. The figures comprise all permanent staff and exclude temporary and casual staff. Numbers are measured in terms of "full-time equivalent" staff, with part-time staff recorded according to the proportion of a full week for which they are contracted to work.

5.7 Plans for the devolved administrations are indicative only as staff numbers will depend on the decisions of the devolved executives.

5. CENTRAL GOVERNMENT ADMINISTRATION AND STAFFING

Table 5.1 Gross administrative expenditure^{1,2,3} by department, 1998–99 to 2005–06

	resources, £ million							
	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06
	outturn	outturn	outturn	outturn	estimated outturn	plans	plans	plans
Education	242	251	238	256	268	249	264	265
Health	267	276	294	306	335	353	331	341
Transport	406	449	469	494	656	520	534	546
Office of the Deputy Prime Minister	240	224	304	344	375	380	373	375
Home office	2,753	2,429	2,812	3,257	3,593	3,896	4,119	4,378
Lord Chancellor's Departments	488	679	640	729	834	817	867	931
Attorney General's Department	259	253	279	347	360	360	371	390
Foreign and Commonwealth Office	647	646	723	796	940	911	928	944
International Development	64	79	77	85	100	214	227	241
Trade and Industry ⁽⁴⁾	427	539	588	568	638	642	658	670
Environment, Food and Rural Affairs	436	484	519	887	710	682	691	673
Culture, Media and Sport	22	26	27	32	39	44	47	49
Work and Pensions	3,926	4,151	4,470	4,861	5,736	5,868	5,912	5,891
Scotland		4	7	7	7	8	8	8
Wales		1	3	2	3	3	3	3
Northern Ireland Office	158	167	142	136	241	173	185	202
Chancellor's Departments:	3,409	3,627	3,882	4,169	4,582	4,704	4,807	4,991
<i>Of which:</i>								
<i>Inland Revenue</i>	2,198	2,398	2,555	2,668	3,046	3,148	3,147	3,226
<i>Customs and Excise</i>	837	823	897	988	1,062	1,080	1,160	1,250
<i>Others</i>	374	406	430	513	475	477	500	516
Cabinet Office	518	669	589	637	706	781	808	813
Departmental totals	14,263	14,955	16,062	17,914	20,123	20,604	21,134	21,711
<i>Of which estimated IT PFI capital⁽⁵⁾</i>	66	107	131	206	335	440	464	473
Total gross expenditure on civil departments' administration costs	14,197	14,848	15,931	17,708	19,788	20,164	20,670	21,238
<i>Of which administration costs paybill⁽⁶⁾</i>	7,648	8,164	8,519	9,066	9,806	9,655	9,795	9,853
Ministry of Defence civilian paybill	2,267	2,241	2,305	2,422	2,521	2,540	2,600	2,668

(1) Administration costs cover the costs of all central government administration other than the costs of some direct front line services, and activities and support activities that are directly associated with these.

(2) Gross of all receipts except for those receipts paid from within other departments' administration costs, which are netted off for consolidation purposes.

(3) Excludes administration costs of devolved bodies.

(4) Excluding Export Credits Guarantee Department (ECGD) whose administration costs are met from trading income. However ECGD sets administration costs plans.

(5) These are charges that previously would have scored as capital but under PFI contracts are now funded from administration costs.

(6) This covers the pay cost of Civil Servants and other staff (including casual staff), and includes superannuation charges and National Insurance Contributions. It excludes the staff of the devolved bodies, the armed forces and Ministry of Defence civilian staff.

5. CENTRAL GOVERNMENT ADMINISTRATION AND STAFFING

Table 5.2 Staff of Home Civil Service Central Government Departments and Devolved Bodies, 1997–98 to 2005–06⁽¹⁾

	thousands (full-time equivalents)									
	1997–98 actual	1998–99 actual	1999–00 actual	2000–01 actual	2001–02 actual	2002–03 estimated outturn	2003–04 plans	2004–05 plans	2005–06 plans	
Education and Skills ⁽²⁾	33.2	34.1	33.3	36.4	6.3	6.8	4.6	4.6	4.7	
Office for Standards in Education							2.4	2.4	2.4	
Health ⁽³⁾	4.2	4.3	4.5	4.8	4.6	3.2	4.8	4.8	4.8	
Food Standards Agency				1.9	2.1	2.2	2.2	2.2	2.2	
Transport, Local										
Government and the Regions	17.6	17.6	19.6	21.0	18.7					
Transport						10.7	11.0	11.1	11.2	
Office of the Deputy Prime Minister						7.2	6.7	6.8	6.8	
Home Office	49.0	48.6	48.0	54.0	57.9	60.6	64.9	66.2	66.2	
Charity Commission							0.6	0.6	0.6	
Lord Chancellor's and Law Attorney										
General's Departments	17.6	16.4	17.0	18.2	19.1	20.0	20.3	20.5	20.5	
Defence	89.7	89.0	86.8	85.2	79.5	76.5	75.4	74.6	74.1	
Foreign and Commonwealth Office	5.5	5.5	5.6	5.5	5.5	5.8	5.9	5.9	5.9	
International Development	1.0	1.1	1.3	1.2	1.4	1.6	1.7	1.8	1.8	
Trade and Industry (including ACAS, OFT, OFTEL, OFGEM & the Postal Services Commission)	8.4	8.4	8.8	8.9	9.3	9.4	10.4	10.2	10.2	
Export Credits Guarantee Department	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	
Environment, Food and Rural Affairs ⁽⁴⁾	10.4	11.3	11.7	10.4	11.4	12.5	12.5	11.6	11.6	
Culture, Media and Sport	0.6	0.6	0.7	0.6	0.4	0.5	0.5	0.5	0.5	
Work and Pensions ⁽²⁾	91.0	87.0	82.9	81.9	120.8	130.2	126.9	122.3	115.9	
Scotland Office				0.1	0.1	0.1	0.1	0.1	0.1	
Scotland ⁽⁵⁾	12.0	12.2	12.2	12.5	12.7	14.3	13.6	13.6	13.6	
Wales Office	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	
Wales ⁽⁵⁾			0.03	0.04	0.04	0.04	0.05	0.05	0.05	
Northern Ireland Office	4.4	4.2	3.9	3.4	3.3	3.3	3.3	3.3	3.3	
Northern Ireland ⁽⁵⁾	19.6	19.6	21.2	24.0	24.7	25.6	26.7	26.6	26.6	
HM Customs and Excise	23.3	23.1	22.4	21.8	21.9	22.0	21.6	21.6	21.1	
Inland Revenue	53.8	53.6	59.8	62.7	63.6	66.0	68.7	68.8	68.0	
Chancellor's other departments	8.9	8.3	4.3	4.5	4.3	5.1	5.0	5.3	5.3	
Cabinet Office and Privy Council										
Office	2.5	2.0	2.1	2.5	2.4	2.6	2.3	2.2	2.2	
Security and Intelligence Services	8.3	8.1	8.1	7.7	8.0	8.3	9.1	9.2	9.2	
Trading funds ⁽⁶⁾	31.7	29.8	32.4	33.3	32.6	30.9	30.9	30.8	32.8	
TOTAL⁽¹⁾	496.4	488.5	490.3	506.2	514.3	529.1	535.9	531.4	525.4	
<i>of which: Home Civil Service</i>	<i>494.4</i>	<i>480.3</i>	<i>483.8</i>	<i>500.3</i>	<i>507.7</i>	<i>522.9</i>	<i>529.5</i>	<i>525.2</i>	<i>519.4</i>	

(1) Unless otherwise indicated all figures are financial year averages for permanent staff.

(2) The changes in DfES and DWVP staff numbers between 2000–01 and 2001–02 mainly reflect machinery of government changes.

(3) Outturn figures for the Department of Health from 2003–04 to 2005–06 are expected to be significantly lower.

(4) Intervention Board staff are included in DEFRA totals.

(5) Plans for the devolved bodies are indicative only as future staff numbers will depend upon the decisions of the devolved administrations.

(6) The Army Base Repair Organisation (ABRO) became a trading fund on 1 April 2002 and the Defence Aviation Repair Agency (DARA) became a trading fund on 1 April 2001.

6. LOCAL AUTHORITY EXPENDITURE

INTRODUCTION

6.1 This chapter describes central government support for local authorities from 1998–99 to 2005–06 [Table 6.1 to Table 6.5] and local authority expenditure for outturn years [Table 6.6 to Table 6.9]. It deals primarily with Great Britain – most equivalent spending in Northern Ireland is central government spending carried out by Northern Ireland departments. Where relevant, district council spending in Northern Ireland is included in certain tables in this section.

6.2 In this chapter all data for central government support are on a resource basis. Data for local authorities expenditure is on a cash basis. All outturn data (to 2001–02) fall under the umbrella of National Statistics.

6.3 Details of the Government’s policies and objectives for particular services provided, in whole or in part, by local authorities can be found in the relevant departmental reports.

6.4 Total Local Authority Expenditure is defined as the contribution of local authorities to TME as measured in national accounts. TME is a consolidated measure in the sense that transactions between parts of the public sector do not add to TME. So, for example, total local authority expenditure defined here excludes capital grants paid to public corporations and interest paid to central government. Total local authority expenditure can also be measured as central government support for local authorities within DEL and Departmental AME, plus locally financed expenditure in AME, plus some accounting adjustments. **Table 6.1** sets out details of the financing of local authority expenditure defined on this basis, and also provides information on other local authority transactions relevant to TME.

6.5 Local authority expenditure accounts for around one quarter of TME. Data for all years up to 2000–01 are final outturn figures; 2001–02 are provisional outturn and might be subject to revision; 2002–03 are estimates based on local authority budget plans; 2003–04 to 2005–06 are based on the spending plans by central government departments that support local authorities and forecasts of local authority expenditure financed locally.

6.6 Outturn figures and projections for the later years for local authority expenditure and its financing are set out in **Table 6.1**. **Table 6.6** presents total local authority expenditure by function for the outturn and estimated outturn years: 1997–98 to 2002–03. **Table 6.9** shows total local authority expenditure for those years, broken down by country and economic category.

6.7 Central government support for expenditure by local authorities is provided in three forms: grants, for both capital and current expenditure; non-domestic rate payments; and credit approvals (net capital allocations in Scotland). Support may be non-specific, for example Revenue Support Grant, or related to specific services, e.g. police grant.

6.8 **Table 6.2** presents a departmental breakdown of central government support for current and capital expenditure by local authorities.

6.9 Local authority current spending can broadly be divided into two categories – main local services, which local authorities have some discretion over and which are partly financed by local taxation, and other spending, financed wholly by central government specific grants.

MAIN LOCAL SERVICES

6.10 Local authorities have considerable discretion to determine the level, pattern, and standard of the main services – subject to the financial resources available, including the implications for local taxation, and in some cases subject also to central government regulation and inspection of the service provided.

6.11 Government support for expenditure on the main services above is provided through Aggregate External Finance (AEF). This comprises:

- Revenue Support Grant (RSG);
- non-domestic rate payments: the proceeds for National Non-Domestic Rates (NNDR) are pooled separately in England, Scotland and Wales and distributed to local authorities in the country concerned in proportion to population;
- specific and special grants, which fund part of the current expenditure on a specific service or activity.

6.12 Table 6.4 shows AEF in Great Britain by country and grant. All AEF falls within DEL, with the exception of Scottish NNDR payments which are in locally financed expenditure in Other AME.

OTHER SPENDING

6.13 This is financed almost wholly by central government through specific grants outside AEF, with little or no impact on local tax levels. The main examples are rent allowances and rebates, and council tax benefit. Table 6.5 shows current specific grants outside AEF by country, for the years 1998–99 to 2005–06. Grants outside of AEF are a mixture of support falling within DEL and Departmental AME.

CAPITAL EXPENDITURE

6.14 Local authorities have several ways of paying for capital expenditure:

- central government support;
- own resources: capital receipts, and revenue.

6.15 Local authorities in England, Wales and Scotland must set aside part of their housing capital receipts to repay debt but they are free to spend the remainder on capital programmes at any time. The requirement to set aside part of their other receipts was lifted in September 1998.

6.16 Gross capital expenditure, split by country and function from 1997–98 to 2002–03, is shown in Table 6.7. Gross means that it is before sales of capital assets and depreciation. These estimates take account of the returns from local authorities on capital expenditure. Table 6.8 shows local authority receipts within the United Kingdom, again by country and function. Tables 6.7 and 6.8 use a definition of capital expenditure that is consistent with the national accounts, i.e. excludes financial transactions.

SUPPORT FOR LOCAL AUTHORITY CAPITAL PROGRAMMES

6.17 Central government support for local authority capital expenditure comprises grants and credit approvals (net capital allocations in Scotland). Credit approvals and net capital allocations authorise local authorities to borrow or use other forms of credit to finance capital expenditure. **Table 6.3** shows the component of this government support within the United Kingdom by country and by service. Credit approvals fall sharply in 2001–02 because of a change in the way support for housing repairs is provided: more of that support is now given through rent rebate grants and subsidies rather than credit approvals.

6.18 Most credit approvals are issued as Basic Credit Approvals (BCAs) and can be used for any local authority service. The remainder – Supplementary Credit Approvals (SCAs) – are for particular projects or services. The distribution of BCAs takes account of local authorities' relative capital spending needs and their ability to finance their capital programmes from their capital receipts.

6. LOCAL AUTHORITY EXPENDITURE

Table 6.1 Financing of local authority expenditure in the United Kingdom, 1998–99 to 2005–06

	resource, £ million							
	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06
	outturn	outturn	outturn	outturn	estimated outturn	plans	plans	plans
Expenditure within DEL								
Current								
Aggregate External Finance within DEL								
England								
Revenue support grant	19,506	19,902	19,470	21,122	19,931	24,267	43,147	46,883
Non-domestic rate payments	12,531	13,619	15,407	15,144	16,633	15,607		
Specific and special grants	6,153	6,349	8,247	9,709	11,418	12,023	11,312	11,555
Total England	38,189	39,869	43,123	45,974	47,982	51,897	54,458	58,438
Scotland								
Revenue support grant	3,487	3,537	3,593	3,853	4,267	5,045	5,236	5,367
Specific and special grants	439	566	611	544	582	605	640	669
Total Scotland	3,925	4,103	4,203	4,397	4,848	5,633	5,875	6,036
Wales								
Revenue support grant	1,804	1,890	2,032	2,146	2,338	} 3,147	3,242	3,432
Non-domestic rate payments	606	656	648	708	657			
Specific and special grants	287	277	284	271	298	304	288	287
Total Wales	2,697	2,824	2,963	3,125	3,292	3,451	3,530	3,720
Great Britain								
Revenue support grant	24,796	25,329	25,094	27,121	26,535	32,459	} 51,624	55,682
Non-domestic rate payments	13,137	14,275	16,054	15,852	17,290	15,607		
Specific and special grants	6,878	7,192	9,142	10,523	12,297	12,935	12,239	12,512
Total AEF Great Britain	44,811	46,796	50,290	53,496	56,122	61,001	63,863	68,194
Other current grants	2,428	1,136	754	700	2,237	2,370	2,537	2,766
Total current grants within DEL	47,240	47,932	51,044	54,196	58,359	63,371	66,401	70,960
Capital								
Capital grants	2,152	1,848	2,416	3,354	4,344	5,212	5,408	6,147
Credit approvals	3,163	3,227	4,122	3,380	3,947	4,791	5,655	5,585
Total capital support within DEL	5,316	5,075	6,539	6,734	8,291	10,003	11,064	11,732
Total central government support in DEL	52,555	53,007	57,583	60,934	66,661	73,374	77,464	82,691
Central Government support in departmental AME*	11,515	11,527	11,802	13,482	14,420	15,581	16,485	17,566
Locally financed expenditure								
Local authority self financed expenditure	16,009	17,033	16,592	18,125	18,923	21,168	22,714	24,073
Locally financed support in Scotland	1,395	1,441	1,663	1,554	1,650	1,646	1,774	1,909
Total Locally financed expenditure	17,404	18,474	18,255	19,679	20,573	22,814	24,488	25,982
Accounting and other adjustments	387	3,642	3,503	4,328	4,082	6,100	6,600	7,100
Total Local Authority expenditure	81,861	86,649	91,142	98,424	105,736	117,900	125,000	133,400

*Includes expenditure financed from the Lottery

6. LOCAL AUTHORITY EXPENDITURE

Table 6.2 Central government support for local authorities in the United Kingdom by department, 1998–99 to 2005–06

	resource, £ million							
	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06
	outturn	outturn	outturn	outturn	estimated outturn	plans	plans	plans
Current within DEL								
Education and Skills	2,286	1,475	2,409	3,162	4,972	4,736	4,653	4,813
Health	1,053	1,000	1,052	1,440	2,371	2,426	2,243	2,269
Transport	271	260	517	492	627	712	707	709
Office of the Deputy Prime Minister	32,466	33,822	35,205	36,891	37,502	41,368	44,505	48,443
Home Office	4,112	4,119	4,326	4,123	4,149	4,416	4,261	4,272
Legal Departments	312	242	284	318	277	270	325	333
Trade and Industry	15	10	15	97	40	31	31	31
Environment, Food and Rural Affairs	-248	-248	-248	-248	-254	-282	-282	-282
Work and Pensions	366	323	301	330	367	534	478	534
Culture, Media and Sports	6	6	7	8	12			
Cabinet Office	14	14	13	19	19	19	19	19
Scotland ⁽¹⁾	4,029	4,203	4,286	4,497	4,988	5,735	5,953	6,112
Wales ⁽¹⁾	2,494	2,627	2,790	3,002	3,206	3,335	3,433	3,628
Northern Ireland ⁽¹⁾	64	80	86	66	82	71	74	78
Total within DEL	47,240	47,932	51,044	54,196	58,359	63,371	66,401	70,960
Current within departmental AME								
Education and Skills						208	288	506
Office of the Deputy Prime Minister	2,934	2,836	2,530	3,853	3,327	3,990	3,696	3,757
Work and Pensions	8,071	8,167	8,502	9,002	9,777	10,130	11,233	12,112
Culture, Media and Sport		39	40	47	40	35	30	24
Wales	168	171	174	180	200	229	220	199
Total current within departmental AME	11,173	11,213	11,246	13,082	13,344	14,592	15,468	16,597
Locally Financed Expenditure in Scotland	1,395	1,441	1,663	1,554	1,650	1,646	1,774	1,909
Total Current	59,808	60,586	63,953	68,832	73,354	79,610	83,642	89,465
Capital within DEL								
Education and Skills	932	1,085	1,892	1,906	2,333	3,152	3,725	4,262
Health	60	61	58	60	98	100	103	113
Transport	607	630	854	1,761	2,258	2,598	2,814	2,699
Office of the Deputy Prime Minister	2,475	2,137	2,730	1,814	2,060	2,629	2,770	2,910
Home Office	161	161	160	133	285	268	288	318
Legal Departments	32	26	22	42	49	56	56	56
Trade and Industry				30	1	1	1	1
Environment, Food and Rural Affairs	34	37	31	53	47	64	63	64
Work and Pensions	5	5	3	3	6	4	4	4
Culture, Media and Sport	7	4	25	25	25	25	27	27
Scotland	590	521	334	426	587	559	636	662
Wales	411	406	428	484	553	544	576	613
Northern Ireland	1	1	1	1				
Total Capital within DEL	5,316	5,075	6,530	6,738	8,302	10,003	11,064	11,732
Capital within AME								
Financing from the National Lottery	342	292	301	351	298	262	226	178
Departmental AME		21	255	50	777	726	791	791
Total Capital within AME Main programmes	342	313	556	401	1,075	988	1,017	969
Total Capital	5,658	5,388	7,094	7,139	9,377	10,991	12,080	12,701
Total	65,465	65,974	71,047	75,971	82,731	90,601	95,723	102,167

(1) Allocations within DEL totals may be subject to final decisions by the devolved administrations.

(2) Includes financial transactions.

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Table 6.3 Central government capital support for local authorities in the United Kingdom by country and service, 1998–99 to 2005–06

	resource, £ million							
	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06
	outturn	outturn	outturn	outturn	estimated outturn	plans	plans	plans
England								
Credit approvals								
Housing	987	1,024	1,819	684	844	1,263	1,409	1,528
Transport	368	470	766	1,183	1,315	1,471	1,746	1,703
Education	382	456	545	565	817	1,035	1,464	1,298
Personal social services	54	57	56	56	56	60	62	62
Fire services	30	30	33	57	48	58	59	59
Environment, Food and Rural Affairs	18	20	17	30	25	35	35	36
Culture, Media and Sport	7	4	25	25	35	25	25	25
Law, Order and Protective Services	56	57	58	71	98	80	80	80
Other environmental services	500	389	55	94	208	108	183	183
Total Credit Approvals	2,403	2,509	3,375	2,763	3,446	4,135	5,064	4,974
Capital grants								
Housing	239	247	339	114	788	865	865	865
Transport	239	159	88	578	943	1,127	1,067	996
Education	550	629	1,347	1,341	1,516	2,117	2,260	2,965
Personal social services	5	4	2	4	42	41	41	51
Environment, food and Rural affairs	15	16	14	24	22	29	28	29
Culture, Media and Sport							2	2
Law, Order and Protective Services	129	120	115	95	219	228	246	275
Trade, industry, energy, employment and training	2	2	2	31	7	4	4	4
Other environmental services	718	467	736	913	929	1,047	1,042	1,063
Total Capital grants	1,898	1,645	2,643	3,101	4,465	5,457	5,556	6,249
Total England	4,301	4,154	6,018	5,864	7,911	9,593	10,620	11,223
Scotland⁽¹⁾								
Scotland Executive housing								
Net capital allocations ⁽²⁾	195	158	161	56	76	76	76	76
Capital grants			1	4	4	4	4	4
Scottish Executive: Other								
Net capital allocations ⁽²⁾	326	299	346	351	360	406	413	423
Capital grants	69	65	-173	16	147	73	143	160
Total Net capital allocations	521	457	507	407	436	482	489	499
Total Capital grants	69	65	-172	20	151	77	147	164
Total Scotland	591	522	334	427	587	559	636	663
Wales⁽¹⁾								
Credit approvals								
National Assembly for Wales	231	256	234	253	273	274	269	278
Other departments ⁽⁴⁾	6	6	6	7	8	9	8	8
Total Credit approvals	237	262	240	260	281	283	277	286
Capital grants								
National Assembly for Wales	180	150	194	231	287	281	307	335
Other departments ⁽⁴⁾	6	7	6	6	12	13	14	15
Total Capital grants	186	157	201	237	299	293	321	350
Total Wales	423	418	441	497	581	577	596	636
Northern Ireland capital grants⁽¹⁾	1	1	1	1	0	0	0	0
Capital grants from the lottery	342	292	301	351	298	262	226	178
United Kingdom Total	5,658	5,387	7,095	7,140	9,377	10,991	12,080	12,700
of which:								
Credit approvals	3,163	3,227	4,122	3,380	3,947	4,791	5,655	5,585
Capital grants	2,494	2,140	2,719	3,705	4,642	5,053	5,881	5,763

(1) Allocations within DEL totals may be subject to final decisions by devolved administrations.

(2) Net capital allocations are the equivalent of credit approvals in England and Wales.

(3) Includes Training agency projects. Also includes provision for ports and airports projects which are not the responsibility of the Scottish Executive.

(4) Includes Home Office, Lord Chancellor's Department, DTLR, Department for Education and Skills and Department for Work and Pensions.

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**Table 6.4 Aggregate External Finance in Great Britain by country and grant
1998–99 to 2005–06**

	resource, £ million							
	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06
	outturn	outturn	outturn	outturn	estimated outturn	plans	plans	plans
England								
Revenue Support Grant	19,506	19,902	19,470	21,122	19,931	24,267	43,147	46,883
NNDR	12,640	13,818	15,468	15,642	16,802	15,827		
Police	3,470	3,518	3,637	3,795	3,788	4,083	3,944	3,944
Health	1,053	1,000	1,052	1,440	2,371	2,426	2,243	2,269
Education	409	676	2,086	3,017	3,505	3,441	3,386	3,664
Offenders programme	310	329	388					
Magistrates Courts	281	216	253	283	288	294	291	299
Social Security	166	166	180	171	165	329	335	343
Neighbourhood Renewal Fund				200	300	400	450	525
Metropolitan Railways Passenger Services	219	199	183	10	10	10	10	10
GLA Transport			286	236	324	390	339	300
Strategic Rail Authority				215	237	185	205	214
RDA Development Fund				144	127	149	127	127
PFI Special Grant	15	37	62	127	205	340		
Other	230	208	120	70	96	184	269	367
Total England	38,298	40,069	43,185	46,472	48,151	52,325	54,746	58,944
Scotland⁽¹⁾								
Revenue Support Grants	3,487	3,537	3,593	3,853	4,267	5,045	5,236	5,367
NNDR ⁽²⁾	1,395	1,441	1,663	1,554	1,650	1,646	1,774	1,909
Police	337	357	373	387	408	436	462	491
Other	102	209	238	157	174	172	178	178
Total Scotland	5,320	5,543	5,866	5,951	6,499	7,299	7,649	7,944
Wales⁽¹⁾								
Revenue Support Grants	1,804	1,890	2,032	2,146	2,338	3,147	3,242	3,432
NNDR	606	656	648	708	657			
Police	180	181	186	200	217	214	208	208
Other	107	97	98	71	80	90	80	80
Total Wales	2,697	2,824	2,963	3,125	3,292	3,451	3,530	3,720
Total Great Britain	46,316	48,436	52,014	55,548	57,942	63,075	65,925	70,608
<i>Of which: AEF grants within DEL</i>	<i>44,811</i>	<i>46,796</i>	<i>50,290</i>	<i>53,496</i>	<i>56,122</i>	<i>61,001</i>	<i>63,863</i>	<i>68,194</i>

(1) Allocations within DEL totals may be subject to final decisions by devolved administrations.

(2) Scottish domestic rate payments are locally financed expenditure in AME.

6. LOCAL AUTHORITY EXPENDITURE

Table 6.5 Current specific grants outside Aggregate External Finance in the United Kingdom by country and grant, 1998–99 to 2005–06

	resource, £ million							
	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06
	outturn	outturn	outturn	outturn	estimated outturn	plans	plans	plans
England								
Mandatory student awards	1,843	754	301	132	65	72	75	78
LSC Grants					1,379	1,428	1,476	1,573
Rent rebates	2,914	2,720	2,577	3,489	3,329	3,404	3,324	3,370
Rent allowances	4,594	4,662	4,893	5,124	5,623	5,490	6,055	6,532
Community charge rebates/ Council tax benefits	1,890	1,882	1,910	2,058	2,254	2,660	2,993	3,242
Supporting People Programme						783	813	837
Environment Agency	–248	–248	–248	–248	–264	–282	–282	–282
Planning Delivery Grant						50	130	170
LDA ODPM Support			117	103	107	107	107	107
New Deal for Communities		3	24	55	114	152	165	171
Speed and red light camera enforcement			3		1			
Police Special Grants	9	10	60	99	127	100	89	100
Others	579	378	263	306	343	244	267	324
Total England	11,582	10,160	9,899	11,117	13,076	14,209	15,214	16,224
Scotland								
Rent rebates	618	628	626	649	606	589	594	599
Rent allowances	298	308	349	383	442	462	534	585
Community charge rebates/ Council tax benefits	276	283	280	289	291	318	348	363
Others	123	124	102	122	163	107	103	101
Total Scotland	1,316	1,342	1,357	1,443	1,503	1,476	1,580	1,649
Wales								
Rent rebates	168	172	175	179	201	207	195	174
Rent allowances	214	220	226	242	249	259	315	374
Community charge rebates/ Council tax benefits	91	100	109	113	120	141	160	172
Police Special Grants			3	3	2	3	5	5
Others	58	76	83	119	180	169	175	181
Total Wales	531	568	595	657	752	779	850	906
Northern Ireland								
Others	64	80	86	66	82	71	74	78
Total Northern Ireland	64	80	86	66	82	71	74	78
Total United Kingdom	13,492	12,150	11,939	13,284	15,413	16,535	17,717	18,857
<i>Memo: Of which within DEL:</i>								
England	2,183	856	479	391	1,810	2,043	2,207	2,427
Scotland	123	124	102	122	163	107	103	101
Wales	58	76	86	120	182	149	154	159
Northern Ireland	64	80	86	66	82	71	74	78
Total within DEL	2,428	1,136	754	700	2,237	2,370	2,537	2,766

6. LOCAL AUTHORITY EXPENDITURE

Table 6.6 Local authority current and capital expenditure by function, 1997–98 to 2002–03

	£ million					
	1997–98	1998–99	1999–00	2000–01	2001–02	2002–03
	outturn	outturn	outturn	outturn	outturn	estimated outturn
Current						
Education	24,360	26,102	26,230	27,997	30,799	32,715
Health and personal social services	10,092	10,770	11,879	12,646	13,532	14,923
Transport	2,789	2,810	2,860	3,166	3,589	3,771
Housing	356	387	372	386	419	487
Other environmental services	5,614	5,888	6,915	7,191	7,665	8,542
Law, order and protective services	10,038	10,337	10,841	11,188	11,508	12,007
Trade, industry, energy, employment and training	250	250	227	224	232	255
Agriculture, fisheries, food and forestry	12	12	5	4	2	–5
Culture, media and sport	1,646	1,693	2,053	2,182	2,288	2,312
Social Security	11,462	11,375	11,531	11,644	12,053	12,666
Central administration and associated expenditure	1,109	1,271	1,393	1,761	1,938	1,997
Debt Interest to private sector	357	541	313	385	350	330
Accounting adjustments	4,119	4,083	6,478	6,635	6,094	6,466
Total current	72,204	75,519	81,097	85,409	90,469	96,466
Capital						
Education	1,186	1,369	1,487	1,810	2,151	2,397
Health and personal social services	133	114	108	116	120	193
Transport	1,325	1,255	1,161	1,550	2,178	2,502
Housing	1,145	1,261	250	394	876	1,206
Other environmental services	1,037	870	812	925	986	1,276
Law, order and protective services	297	311	290	289	394	489
Trade, industry, energy, employment and training	12	10	12	15	17	19
Agriculture, fisheries, food and forestry	–47	–70	–30	–31	–33	–48
Culture, media and sport	327	370	434	461	563	652
Central administration and associated expenditure	102	124	72	57	34	110
Accounting adjustments	312	728	956	147	669	474
Total capital	5,829	6,342	5,552	5,733	7,955	9,270
Total Local Authority Expenditure	78,033	81,861	86,649	91,142	98,424	105,736

6. LOCAL AUTHORITY EXPENDITURE

Table 6.7 Local authority gross⁽¹⁾ capital expenditure by country and service, 1997–98 to 2002–03

	£ million					
	1997–98	1998–99	1999–00	2000–01	2001–02	2002–03
	outturn	outturn	outturn	outturn	outturn	estimated outturn
England						
Education	1,115	1,251	1,391	1,719	2,062	2,360
Health and personal social services	150	136	133	156	149	223
Transport	1,111	1,050	1,080	1,409	1,953	2,188
Housing	1,992	2,245	2,155	2,482	2,709	2,900
Other environmental services	1,162	1,102	1,078	1,084	1,253	1,448
Law, order and protective services	322	340	364	360	442	524
Trade, industry, energy, employment and training	4	2	3	6	7	8
Agriculture, fisheries, food and forestry	10	18	7	7	4	10
Culture, media and sport	335	385	433	484	588	686
Central administration and associated expenditure	268	293	223	233	270	335
Total England	6,469	6,822	6,868	7,939	9,437	10,681
Scotland						
Education	132	153	138	128	143	172
Health and personal social services	21	30	22	21	31	45
Transport	144	167	107	119	159	278
Housing	315	319	110	108	129	111
Other environmental services	237	277	155	140	143	176
Law, order and protective services	41	44	37	36	38	68
Culture, media and sport	0	0	11	8	9	14
Total Scotland	892	990	580	559	652	863
Wales						
Education	71	75	59	76	96	94
Health and personal social services	10	11	8	8	10	14
Transport	90	80	74	108	111	107
Housing	243	266	184	195	202	261
Other environmental services	146	150	157	133	147	215
Law, order and protective services	21	17	23	21	26	55
Trade, industry, energy, employment and training	0	0	0	0	0	0
Agriculture, fisheries, food and forestry	11	8	10	7	6	0
Culture, media and sport	7	1	0	0	0	0
Total Wales	599	607	515	548	597	746
Total Great Britain	7,960	8,419	7,963	9,046	10,686	12,290
Northern Ireland						
Education	21	23	25	26	28	30
Transport	7	8	8	9	9	10
Other environmental services	27	30	32	34	36	38
Trade, industry, energy, employment and training	8	8	9	9	10	11
Agriculture, fisheries, food and forestry	2	2	2	2	2	2
Total Northern Ireland	65	70	76	81	85	91
Total United Kingdom	8,025	8,490	8,040	9,127	10,771	12,380
N.B.						
United Kingdom gross capital expenditure from above	8,025	8,490	8,040	9,127	10,771	12,380
United Kingdom capital receipts (see table 6.8)	-2,507	-2,874	-3,444	-3,539	-3,485	-3,586
Accounting adjustments	311	726	956	145	669	476
Total local authority capital expenditure	5,829	6,342	5,552	5,733	7,955	9,270

(1) 'Gross' – before sales of capital assets and depreciation.

6. LOCAL AUTHORITY EXPENDITURE

Table 6.8 Local authority capital receipts by country and function, 1997–98 to 2002–03

	£ million					
	1997–98	1998–99	1999–00	2000–01	2001–02	2002–03
	outturn	outturn	outturn	outturn	outturn	estimated outturn
England						
Education	133	82	102	119	146	224
Health and personal social services	43	53	50	63	59	80
Transport	13	24	103	89	41	70
Housing	1,289	1,462	2,134	2,320	2,096	2,017
Other environmental services	378	518	504	376	505	482
Law, order and protective services	80	80	125	117	105	152
Agriculture, fisheries, food and forestry	64	95	48	44	43	60
Culture, media and sport	15	16	10	30	33	47
Central administration and associated expenditure	166	169	151	176	237	225
Total England	2,180	2,499	3,227	3,333	3,264	3,357
Scotland						
Education	16	40	15	10	11	16
Health and personal social services	4	8	4	6	10	8
Transport	8	25	4	7	9	11
Housing	68	60	3	3	4	8
Other environmental services	133	134	56	53	60	94
Law, order and protective services	3	5	5	5	4	4
Culture, media and sport	0	0	0	0	0	1
Total Scotland	230	272	87	85	100	142
Wales						
Education	3	3	1	2	5	2
Health and personal social services	1	1	1	0	1	0
Transport	7	0	1	0	4	1
Housing	48	46	63	67	63	40
Other environmental services	16	21	32	17	18	15
Law, order and protective services	4	5	4	5	3	1
Agriculture, fisheries, food and forestry	6	3	1	2	2	0
Total Wales	85	79	104	94	94	60
Total Great Britain	2,495	2,850	3,418	3,512	3,458	3,559
Northern Ireland						
Education	3	7	8	8	17	17
Other environmental services	9	16	18	19	10	10
Total Northern Ireland	11	23	25	27	27	27
Total United Kingdom	2,507	2,874	3,444	3,539	3,485	3,586

6. LOCAL AUTHORITY EXPENDITURE

Table 6.9 Local authority expenditure by country and economic category, 1997–98 to 2002–03

	1997–98	1998–99	1999–00	2000–01	2001–02	2002–03
	outturn	outturn	outturn	outturn	outturn	estimated outturn
£ million						
England						
Pay	32,028	33,971	36,232	38,647	41,728	44,545
Other current expenditure on goods and services	12,615	13,725	14,579	15,824	17,087	18,340
Subsidies	632	623	582	756	959	1,011
Current grants to persons	11,897	11,629	10,817	10,517	10,815	11,432
Net capital expenditure on assets	3,362	3,385	2,959	3,818	5,330	6,364
Capital grants	927	939	682	788	843	959
Total England	61,460	64,271	65,851	70,350	76,762	82,652
Scotland						
Pay	3,991	4,117	4,114	4,543	4,942	5,315
Other current expenditure on goods and services	1,677	1,730	2,853	2,670	2,687	2,892
Subsidies	85	87	51	55	63	66
Current grants to persons	1,072	1,106	1,038	1,065	1,115	1,147
Net capital expenditure on assets	599	662	445	427	493	662
Capital grants	62	56	48	46	59	58
Total Scotland	7,486	7,758	8,549	8,806	9,359	10,141
Wales						
Pay	2,097	2,256	2,076	2,425	3,166	3,357
Other current expenditure on goods and services	762	838	1,182	1,110	666	737
Current grants to persons	666	602	555	535	538	554
Net capital expenditure on assets	339	326	283	337	394	518
Capital grants	175	202	128	117	109	169
Total Wales	4,039	4,224	4,223	4,525	4,873	5,336
Great Britain						
Pay	38,117	40,344	42,421	45,615	49,836	53,218
Other current expenditure on goods and services	15,053	16,292	18,613	19,604	20,440	21,969
Subsidies	716	710	633	811	1,022	1,078
Current grants to persons	13,635	13,337	12,410	12,117	12,468	13,133
Net capital expenditure on assets	4,300	4,373	3,687	4,582	6,216	7,545
Capital grants	1,164	1,196	858	952	1,010	1,186
Total Great Britain	72,986	76,253	78,623	83,681	90,994	98,128
Northern Ireland						
Pay	211	222	240	254	269	286
Other current expenditure on goods and services	-3	-10	-11	-12	-13	-13
Net capital expenditure on assets	52	45	49	52	56	61
Capital grants	2	2	2	2	2	2
Total Northern Ireland	261	259	279	296	315	336

6. LOCAL AUTHORITY EXPENDITURE

Table 6.9 Local authority expenditure by country and economic category, 1997–98 to 2002–03 (continued)

	£ million					
	1997–98	1998–99	1999–00	2000–01	2001–02	2002–03
	outturn	outturn	outturn	outturn	outturn	estimated outturn
United Kingdom						
Pay	38,327	40,566	42,661	45,870	50,106	53,503
Other current expenditure on goods and services	15,050	16,282	18,602	19,592	20,428	21,955
Subsidies	716	710	633	811	1,022	1,078
Current grants to persons	13,635	13,337	12,410	12,117	12,468	13,133
Net capital expenditure on assets	4,352	4,418	3,736	4,634	6,273	7,606
Capital grants	1,165	1,198	860	954	1,013	1,188
Total United Kingdom	73,247	76,511	78,902	83,977	91,309	98,464
Local Authority debt interest to private sector	357	541	313	385	350	330
Accounting and other adjustments	4,429	4,809	7,434	6,780	6,765	6,941
Total United Kingdom	78,033	81,861	86,649	91,142	98,424	105,736
<i>Of which: Expenditure not allocated to countries</i>						

7. PUBLIC CORPORATIONS

7.1 This Chapter sets out what public corporations are, recent developments, how public corporations are controlled, and how they are scored in public expenditure. A list of public corporations is in appendix D.

7.2 Data in this chapter do not fall within the scope of National Statistics.

PUBLIC CORPORATIONS IN NATIONAL ACCOUNTS

7.3 Public Corporation is a term from national accounts – the European System of Accounts (ESA95). So it is the Office for National Statistics that determines which bodies are public corporations. The characteristics of public corporations are:

- they are mainly trading bodies, largely recovering their costs from fees charged to customers;
- they are owned or controlled by central government, local authorities or other public corporations; and
- they have substantial day to day operating independence so that they should be seen as separate institutional units from their parent departments.

SELF-FINANCING PUBLIC CORPORATIONS, AND TRADING FUNDS

7.4 The Treasury has two designations which apply to some public corporations:

- **Self-Financing Public Corporations (SFPCs)**. A number of bodies that are not normally dependent on government subsidy or grant and that trade profitably with the private sector on normal commercial terms have been designated SFPCs. These bodies normally score as Departmental AME rather than in DEL. They also have greater and more individually tailored financial flexibilities. Some of the SFPCs are trading funds. To be classified as an SFPC, the PC must trade mainly with non-government customers and not perform regulatory functions (in other words its income must be from selling goods and services into a competitive market rather than through regulatory fees); and it must not require subsidies or other financial support from its parent department. SFPCs include PCs that are in the process of being privatised or established as public private partnerships (PPPs). The full list of SFPCs is: Royal Mail (formerly Consignia), British Nuclear Fuels Limited, Channel Four, Royal Mint, Commonwealth Development Corporation, Crown Estates, the Tote, and QinetiQ (formerly part of the Defence Evaluation and Research Agency). For budgeting purposes the BBC is treated as a self-financing public corporation.
- **Trading Funds**. Operations of a government department which generate income from the supply of goods and services may be designated trading funds. This is a financial control regime that allows such bodies to keep funds from one year to the next without having to surrender surpluses to the Exchequer at the end of each year. At present, all trading funds are classified as public corporations in national accounts. Trading funds are not subject to central government running costs controls. Instead, their expenditure is controlled using the same process as for other public corporations.

THE CORPORATE CONTROL FRAMEWORK

7.5 The controls on public corporations operate at a number of levels:

- **Strategic objectives** are agreed with each individual corporation and provide the framework within which the financial controls and the body's control procedures are set. Corporations' corporate plans are discussed with sponsor departments.
- **Financial targets and performance aims.** Financial targets should be set, often for three-year periods. They vary in form, according to the circumstances of the body. Backing up the financial targets are a series of performance aims, again often for three years ahead, which may relate to costs and, where appropriate, standards of service.
- **Investment appraisal and pricing principles.** In general, public corporations are required to aim at a rate of return on their new investment programmes of 8 per cent in real terms (before payment of interest and tax). This requirement is intended to ensure that there is a proper return on investment and, at the same time, that the resources invested are not diverted away from areas where they could be used more effectively.
- **Monitoring** plays an important role in controlling public corporations' performance in the interests of the taxpayer and the consumer. Sponsor Ministers and departments continuously monitor bodies' performance against all aspects of the controls described.

PUBLIC EXPENDITURE MEASUREMENT AND CONTROL

7.6 The following transactions of PCs are included in departmental budgets under stage 2 in RAB, as applied for Spending Review 2002. The list corresponds with the scoring and concepts in resource accounts:

- subsidies and capital grants paid to the PC by the Department (in resource DEL);
- interest and dividends received from the PC, and equity withdrawals (resource DEL, or resource AME if an SFPC);
- loans and public dividend capital invested (PDC) in the PC (capital DEL, or capital AME if an SFPC);
- a capital charge on the department's investments (loans and PDC) in the PC (in resource DEL, or resource AME if an SFPC). This is the same figure as recorded in the department's resource accounts.

NHS Trusts and Forestry Enterprise are public corporations with a different budgeting treatment. They apply the SR2000 rules under which:

- resource DEL includes subsidies given to the PC; the PC's profit (-)/loss (+), and a capital charge on the PC's net assets;
- capital DEL includes the PC's capital expenditure and any loans given by the PC to the private sector, or shares bought.

The Crown Estate Office is an SFPC. Uniquely the subsidy that is paid to it to cover administration costs in AME rather than DEL, and the dividends that Treasury receives from it are recorded outside budgets.

7.7 Public corporations controlled by local authorities are not within DEL or departmental AME. These PCs include the businesses reporting to Transport for London (TfL) and local authority airports such as Manchester. However, they are included in the bottom line of **Table 7.3** which shows the total contribution of all public corporations' capital expenditure to Total Managed Expenditure (TME). The contribution of local authority PCs' capital expenditure is in the line for PC own financed capital expenditure.

7.8 London Underground is expected to move during 2003 from being a public corporation sponsored by a central government department (Department for Transport) to a public corporation that will be controlled by a local authority (TfL). Its capital expenditure is not included in **Table 7.3**.

PUBLIC CORPORATIONS IN NATIONAL ACCOUNTS

7.9 Total Managed Expenditure (TME) is a consolidated measure of the current and capital expenditure of the public sector as a whole. It is from national accounts compiled by the Office for National Statistics (ONS). TME includes:

- subsidies paid to public corporations;
- the capital expenditure of public corporations, net of sales of assets;
- changes in public corporations' capital stocks; and
- payments of interest and dividends paid by public corporations to the private sector and abroad.

7.10 Grants and subsidies given by public corporations to the private sector and overseas are imputed to general government expenditure in national accounts, as grant-giving is not held to be a normal function of a commercial body.

7.11 Note that the impact of public corporations on departmental budgets differs from their impact on TME, and adjustments are needed to go from DEL plus Departmental AME to TME, in respect of PCs. PC capital expenditure not funded from departmental budgets is in the line "PC own financed capital expenditure", and the remaining adjustments are in the Accounting Adjustments line (see Appendix B for a full explanation of the accounting adjustments).

TABLES

7.12 **Table 7.1 (SR2002)** shows the impact of public corporations on departmental budgets – DEL and Departmental AME. It also shows a reconciliation to the impact of public corporations on Total Managed Expenditure (TME). TME is a consolidated measure so transfers from PCs to other parts of the public sector, such as payments of interest to government, are not included in PCs' contributions to TME.

7.13 Table 7.2 shows the contributions of PCs to resource budget DELs, by department, for outturn and plan years. This is made up of subsidies and investment grants paid by the department to PCs, net of any dividends, interest and equity withdrawals received from PCs.

7.14 Table 7.3 shows the capital expenditure of each major PC sponsored by a central government department (so excludes PCs under local authority control – or, like London Underground, are scheduled to move to local authority control – and small PCs controlled by central government departments). It also gives the sum of PC capital expenditure for each department. Capital expenditure is recorded net of any asset sales and includes any capital grants paid by a PC net of any received from the private sector or abroad. The table gives figures for outturn years, including estimated outturns, for 2002–03, and forecasts for 2003–04 to 2005–06 (except for self-financing public corporations).

7.15 More information is available in the departmental reports of government departments and in the annual reports and accounts of individual public corporations.

7. PUBLIC CORPORATIONS

Table 7.1 Public Corporations' contribution to Budgets and TME 1998–99 to 2005–06 (SR2002)

	resources, £ million							
	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06
	outturn	outturn	outturn	outturn	estimated outturn	plans	plans	plans
Within Resource Budget:								
<i>Resource Budget DELs:</i>								
CG dividends from PCs(-)	-33	31	233	-161	-177	-187	-187	-187
CG interest from PCs(-)	-1		-5	-6	-4	-9	-7	-7
CG investment grants and subsidies to PCs	1,650	2,052	1,225	1,523	1,757	2,474	2,591	2,686
Cost of capital charge	844	903	920	922	1,021	1,159	1,260	1,364
Profit(-)/Loss(+) of NHS Trusts and FE ⁽¹⁾	-1,279	-1,278	-1,593	-1,368	-1,387	-1,609	-1,611	-1,612
Total Resource Budget DEL	1,181	1,708	780	910	1,210	1,828	2,046	2,244
<i>Resource Budget AME:</i>								
CG dividends from SFPCs(-)	-8	-1	-68	-44				
CG interest from SFPCs(-)					-9	-3	-2	-1
CG subsidies to SFPCs ⁽²⁾	2	2	2	2	2	2	2	2
Cost of capital charge	2	58	55	130	133	104	102	101
Total Resource Budget AME	-4	59	-11	88	126	103	102	102
Total Public Corporations' Contribution to Resource Budget	1,177	1,767	769	998	1,336	1,931	2,148	2,346
Within Capital Budget:								
<i>Capital Budget DELs:</i>								
Capital expenditure of NHS Trusts and Forest Enterprise	1,283	1,309	1,576	1,384	1,348	1,694	1,630	1,640
Other capital expenditure in capital DEL	18		59	55	59			
CG investment grants and subsidies to PCs			104		2			
Net lending to PCs	-39	177	215	495	489	217	177	185
Total Capital Budget DEL	1,262	1,486	1,954	1,934	1,898	1,911	1,807	1,825
<i>Capital Budget AME:</i>								
Net lending to SFPCs				-50	-52	700	-28	-15
Total Capital Budget AME				-50	-52	700	-28	-15
Total Public Corporations' Contribution to Capital Budget	1,262	1,486	1,954	1,884	1,846	2,611	1,779	1,810
Other AME:								
PC own financed capital expenditure ⁽³⁾	1,437	1,392	971	1,540	2,161	2,579	2,687	2,714
Accounting adjustments	1,572	492	1,874	922	326	100	800	700
Public Corporations' expenditure in TME	5,448	5,137	5,568	5,344	5,669	7,200	7,400	7,600
<i>of which:</i>								
PC current expenditure in TME	912	830	722	706	823	2,400	2,500	2,700
PC gross investment in TME	4,536	4,307	4,846	4,638	4,847	4,800	4,900	4,900

(1) NHS Trusts and Forestry Enterprise have different budgeting rules such that the profit/loss scores in resource DEL and capital expenditure scores in capital DEL.

(2) The only subsidies in AME are those to the Crown Estate which has a special budgeting regime. Subsidies to other SFPCs are in DEL.

(3) Includes capital expenditure by local authority public corporations.

7. PUBLIC CORPORATIONS

Table 7.2 Public Corporations' contribution to Resource DEL, 1998–99 to 2005–06 (SR2002)

	resources, £ million							
	1998–99 outturn	1999–00 outturn	2000–01 outturn	2001–02 outturn	2002–03 estimated outturn	2003–04 plans	2004–05 plans	2005–06 plans
Public Corporations' contribution to Resource Budget DEL⁽¹⁾								
Health	-408	-335	-548	-431	-388	-551	-449	-344
Transport	460	914	285	481	765	1,035	1,076	1,129
Office of the Deputy Prime Minister	404	319	295	109	141	90	61	35
Home Office				-1	-1	-1	-1	-1
Trade and Industry	6	-3	-3	-4	-4	-8	-8	-8
Environment, Food and Rural Affairs	55	60	67	77	73	85	95	97
Work and Pensions	94	96	101	148	92	94	94	94
Defence		-2	-9	18	8	6	3	3
Foreign and Commonwealth Office	15	14	25	17		31	31	31
Culture, Media and Sport	75	75	75	77	80	85	92	92
Forestry Commission		12	17	9	18	17	17	17
Scotland	84	87	120	67	45	482	540	565
Wales	207	278	173	133	83	220	233	247
Northern Ireland Executive	187	192	181	209	298	243	261	287
Cabinet Office				1	1			
Total Public Corporations' contribution to Resource Budget DEL	1,181	1,708	780	910	1,210	1,828	2,046	2,244

7. PUBLIC CORPORATIONS

Table 7.3 Public Corporations' Capital Expenditure 1998–99 to 2005–06 (SR2002)

	resources, £ million							
	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06
	outturn	outturn	outturn	outturn	estimated outturn	plans	plans	plans
<i>Public Corporations' Capital expenditure</i>								
Department of Health								
Medicines Control Agency		6	7	5	5	5		
NHS Trusts	1,043	970	1,293	1,208	1,150	1,610	1,551	1,551
Total Department of Health	1,043	976	1,300	1,213	1,155	1,615	1,551	1,551
Department for Transport								
British Railways Board		3	3					
Civil Aviation Authority		1	1	1	1	1	1	1
Docklands Light Railway	34	34	34					
Driving Standards Agency (Trading Fund)	8	2	2	3	6	2	2	2
London Regional Transport	485	526	146					
National Air Traffic Services ⁽¹⁾	52	46	77	25				
Vehicle Inspectorate	7	7	8	30	15	15	15	15
Total Department for Transport	586	619	271	59	22	18	18	18
Office of the Deputy Prime Minister								
Audit Commission			1	1	3			
Commission for the New Towns		6	-23					
Fire Service College		1	1	4	2	2	2	2
HATs – Housing Action Trusts						1	1	1
QEll Conf Centre Executive Agency Trading Fund Short Term Loans	1		1	1		1	1	1
SRB: Urban Regeneration Agency	-11	1	2					
Total Office of the Deputy Prime Minister	-10	8	-18	6	5	4	4	4
Home Office								
Forensic Science Service				11	10	9	9	9
Total Home Office				11	10	9	9	9
Lord Chancellor's Departments								
Land Registry	21	20	26	26	27	44	29	22
Total Lord Chancellor's Departments	21	20	26	26	27	44	29	22
Defence								
Defence Aviation Repair Agency				6	8	8	9	10
Defence Scientific and Technology Laboratories				10	28	9	16	19
DERA Trading Fund capital expenditure ⁽²⁾		73	50					
Hydrographer Office Trading Fund capital expenditure		5	2	5	8	7	7	7
Met Office		25	14	48	29	31	25	21
Navy, Army, Airforce Institute (NAAFI).				1	3	3	3	3
QinetiQ				36	67	*	*	*
Total Defence		103	66	105	143	*	*	*
Foreign and Commonwealth Office								
BBC World Service	15	14	25	17	30	31	31	31
Total Foreign and Commonwealth Office	15	14	25	17	30	31	31	31
Department of Trade and Industry								
British Nuclear Fuels Ltd (BNFL)	466	492	518	545	506	*	*	*
Companies House		4	1	1	6	6	6	6
Patent office executive agency					1	1	1	1
Royal Mail		708	607	254	448	*	*	*
Total Department of Trade and Industry	466	1,204	1,126	800	961	*	*	*

7. PUBLIC CORPORATIONS

Table 7.3 Public Corporations' Capital Expenditure 1998–99 to 2005–06 (SR2002)
(continued)

	resources, £ million							
	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06
	outturn	outturn	outturn	outturn	estimated outturn	plans	plans	plans
Department for the Environment, Food and Rural Affairs								
British waterways board	-1	5	39	1	18	5	5	5
Total Department for the Environment, Food and Rural Affairs	-1	5	39	1	18	5	5	5
Department for Culture, Media and Sport								
BBC	163	114	124	84	105	*	*	*
Channel Four Television	7	11	11	16	4	*	*	*
Welsh Fourth Channel Authority	1	1	1	1	1			
Historic Royal Palaces Agency	4	2	4	1	1			
TOTE – Horserace Totalisator Board	8	33	16	15	20	*	*	*
Total Department for Culture, Media and Sport	183	161	156	117	130	*	*	*
Department for Work and Pensions								
Remploy	6	5	1	5	5	5	5	5
Total Department for Work and Pensions	6	5	1	5	5	5	5	5
Crown Estate Office								
Crown Estate Office		-23	18	20	20	*	*	*
Total Crown Estate Office		-23	18	20	20	*	*	*
Forestry Commission								
Forestry Enterprise, Management of the public estate		-7	4	5	10	2	-1	-1
Total Forestry Commission		-7	4	5	10	2	-1	-1
HM Treasury Own Department								
U.K. coinage	13	6	4	5	4	4	4	4
Total HM Treasury Own Department	13	6	4	5	4	4	4	4
Scottish Executive								
Water Supply and Sewerage		371	465	462	254	325	256	196
Total Scottish Executive		371	465	462	254	325	256	196
National Assembly for Wales								
Forest Enterprise					1	1	1	1
National Health Service Trusts	102	118	69	74	129	98	110	124
Total National Assembly for Wales	102	118	69	74	130	99	111	125
Northern Ireland Executive								
HSS Trusts	59	63	69	66	68	69	50	53
Laganside	1	2						
Northern Ireland Housing Executive	73	59	33	42	41	58	58	58
Northern Ireland Public Trust Port Authorities	10	10						
Northern Ireland Transport Holding Company			30	40	78	55	55	55
Total Northern Ireland Executive	143	134	132	148	187	182	163	166
Accounting adjustments	1,969	593	1,162	1,564	1,736	*	*	*
Total Public Corporations Capital Expenditure	4,536	4,307	4,846	4,638	4,847	4,800	4,900	4,900

(1) NATS – privatised in 2001.

(2) DERA ceased to exist in 2002.

* Forecasts for the plans years are not shown for self-financed public corporations, but are included in the total capital expenditure forecasts.

8. ANALYSIS OF PUBLIC EXPENDITURE BY COUNTRY AND REGION

INTRODUCTION

8.1 This chapter section presents analyses of public expenditure outturn⁽¹⁾ by country and region. In this chapter all data are National Statistics.

8.2 Throughout this chapter expenditure is allocated to a specific country or region to reflect the relative benefits incurred by the respective populations. It is important to recognise the limitations of this approach. In addition to practical difficulties that limit the extent of disaggregation possible, there are also significant definitional problems associated with allocating expenditure to particular areas on the basis of “who benefits”. For example, hospitals and health facilities are not used solely by the residents of the region in which the facility is located and roads serve the needs of more than the geographical area through which they pass. Definitional and border problems become increasingly significant the smaller the geographical unit considered.

PUBLIC EXPENDITURE BY COUNTRY

8.3 Public expenditure is planned and controlled on a departmental basis, except where devolved responsibility lies with the Scottish Parliament, National Assembly for Wales and the Northern Ireland Assembly. This means that in several areas expenditure is planned on a national basis rather than by country. For example, the Department for Work and Pensions is responsible for the operation of the social security benefit system throughout Great Britain. In order to provide more information on the geographic division of expenditure than is available from departmental spending data, an annual exercise is carried out to collect data on expenditure by country, covering outturn years only. In this exercise departments are asked to allocate, where possible, expenditure to England, Scotland, Wales or Northern Ireland. The figures therefore include a wider coverage of expenditure than that for which the Secretaries of State for Scotland, Wales and Northern Ireland are directly responsible.

8.4 As in previous years the analysis focuses on expenditure on services (see Appendix F for a definition). Expenditure on services is divided into identifiable and non-identifiable expenditure. Identifiable expenditure is that which can be recognized as having been incurred on behalf of a particular population. Non-identifiable expenditure is that which is deemed to be incurred on behalf of the United Kingdom as a whole (e.g. defence expenditure and overseas aid). Wherever possible, expenditure that is in theory identifiable has been allocated by some means or other. Where precise accounting information on identifiable expenditure is not available, allocation is based on other available indicators; for example, allocation of administration costs in the same proportions as the corresponding programme expenditure.

8.5 The data presented in this section was collected in the autumn of 2002 and is therefore not entirely consistent with other figures in this publication and individual departmental reports. It does, however, provide an indication of the distribution by country of expenditure on each main function. All data is on cash basis.

⁽¹⁾ Regional analysis of public expenditure includes some estimated outturn data for local authorities where final outturn was not available.

8.6 Table 8.1 shows identifiable expenditure on services by country for a 5 year period from 1997–98 to 2001–02. (A longer run series of the data is planned to be published on the HM Treasury web site in the future. The longer run series will represent the full run of years for which data have been collected and published in PESA and its predecessor publications. Past data have been adjusted so as to put the numbers on a consistent basis with the latest data in this publication as regards the coverage of identifiable expenditure and the definition of expenditure on services. However, some of the adjustments made to previous published data are very approximate; this needs to be borne in mind when using the data series to study trends over a long time period, and in particular in looking at year-on-year movements in earlier years.)

8.7 Tables 8.2 through to 8.6 give fuller details of identifiable spending by country, broken down by broad function, for each of the five years for which data were collected in the latest exercise. The five years are 1997–98 through to 2001–02. Table 8.7 has a further breakdown of identifiable expenditure for 2001–02 only, showing, for Scotland, Wales and Northern Ireland, the relative contributions of the devolved administrations and of UK departments to spending under each functional head. This table also includes a functional breakdown of non-identifiable expenditure.

8.8 Table 8.8 provides a breakdown by programme of non-identifiable expenditure on services that has not been allocated to a specific country. In this year's PESA the table has been expanded to cover the full five years covered in this year's territorial analysis exercise.

REGIONAL ANALYSIS OF PUBLIC EXPENDITURE

8.9 An analysis of spending by English region was undertaken during the winter of 2002. The exercise covers the four years 1998–99, 1999–00, 2000–01 and 2001–02 (last year's exercise focused on three years only). The data presented here is consistent with that in Tables 8.1 to 8.7, (i.e. expenditure on services that can be identified as being incurred for the benefit of the relevant population).

8.10 The regional analysis exercise further apportions the England totals from the country tables between the composite regions. In accordance with other government publications of regional statistics, expenditure has been apportioned to Government Office Regions.

8.11 Table 8.9 shows identifiable expenditure on services by English region for a 4 year period from 1998–99 to 2001–02. (As for the equivalent table for spending by country (Table 8.1), a longer run series of the data is planned to be published on the HM Treasury web site in the future. The longer run series will represent the full run of years for which data have been collected and published in PESA and its predecessor publications. Because of a change in regional boundaries used in these data collection exercises in the mid-1990s, it is not possible to present long run data series at the full disaggregation of the nine Government Office Regions. Instead, a six-region breakdown is used, with the current North East and North West regions being combined in a single "North and North West" region, and the current Eastern, London and South East regions being combined into a single "South East and East Anglia" region.)

8.12 All past data in this table have been adjusted so as to put the numbers on a consistent basis with the latest data in this publication as regards the coverage of identifiable expenditure and the definition of expenditure on services. As with the equivalent table for spending by country (Table 8.1), some of the adjustments to previous data are very approximate. Indeed, because of the narrower coverage of identifiable expenditure for regional spending analyses up until two years ago, the adjustments that need to be made to past regional spending data are on the whole larger than those that need to be made to past data on identifiable spending by country. The need for caution when using and interpreting the time series is correspondingly greater than for the equivalent series by country.

8.13 Tables 8.10 through to 8.13 present fuller details of identifiable expenditure by region, broken down by function, for the four years for which data were collected in the latest exercise (1998–99, 1999–2000, 2000–01 and 2001–02).

8.14 The coverage of this years exercise has been set to ensure all identifiable England expenditure can be allocated to a region. This follows the practice of last year. The main benefit of this approach is to allow direct comparisons between expenditure per head in the regions of England and that in the countries of the UK. Exercises in earlier years had shown separately an amount of identifiable expenditure that was unallocated between regions – that is, expenditure identified from the country analysis as being incurred for the benefit of the English population, but not further allocated to a specific region.

8. ANALYSIS OF PUBLIC EXPENDITURE BY COUNTRY AND REGION

Table 8.1 Total identifiable expenditure on services by country 1997–98 to 2001–02

	cash, £ million			resources, £ million	
	1997–98	1998–99	1999–2000	2000–01	2001–02
England	193,971	199,912	210,555	222,978	246,138
Scotland	24,901	25,699	26,724	29,065	32,026
Wales	13,801	14,335	14,741	15,561	17,052
Northern Ireland	9,279	9,648	10,067	10,462	11,175
Total identifiable expenditure	241,953	249,594	262,089	278,067	306,391
Non-identifiable expenditure ⁽²⁾	35,386	39,593	40,655	47,170	47,012
Total expenditure on services	277,339	289,187	302,744	325,236	353,402

	£ per head				
	1997–98	1998–99	1999–2000	2000–01	2001–02
England	3,936	4,039	4,232	4,460	5,005
Scotland	4,861	5,019	5,221	5,746	6,324
Wales	4,715	4,888	5,019	5,282	5,874
Northern Ireland	5,553	5,750	5,996	6,217	6,616
Total identifiable expenditure	4,101	4,214	4,406	4,659	5,207
Non-identifiable expenditure ⁽²⁾	600	669	683	790	799
Total expenditure on services	4,700	4,883	5,089	5,449	6,006

(1) Figures contained in tables in this chapter will differ from those presented in other chapters in this publication and individual departmental reports due to timing differences in the collection of the data.

(2) Also included in the "Non-identifiable" cell for social protection are tax credits – WFTC/DPTC. See footnote 2 of Table 8.8.

8. ANALYSIS OF PUBLIC EXPENDITURE BY COUNTRY AND REGION

Table 8.2a Identifiable expenditure on services, by country, 1997–98

	cash, £ million					As a percentage of United Kingdom identifiable expenditure			
	England	Scotland	Wales	Northern Ireland	United Kingdom	England	Scotland	Wales	N Ireland
Education	29,997	4,058	1,887	1,462	37,403	80	11	5	4
Health and personal social services	43,642	5,751	3,077	1,760	54,230	80	11	6	3
Roads and transport	7,707	984	459	201	9,351	82	11	5	2
Housing	2,708	475	297	238	3,718	73	13	8	6
Other environmental services	6,420	955	684	236	8,294	77	12	8	3
Law, order and protective services	13,610	1,551	775	1,069	17,006	80	9	5	6
Trade, industry, energy and employment	4,437	952	480	501	6,370	70	15	8	8
Agriculture, fisheries, food and forestry	2,346	1,044	286	421	4,098	57	25	7	10
Culture, Media and Sport	3,413	350	324	87	4,175	82	8	8	2
Social Protection	78,076	8,738	5,443	3,186	95,443	82	9	6	3
Miscellaneous expenditure ⁽¹⁾	1,615	42	89	117	1,864	87	2	5	6
Total	193,971	24,901	13,801	9,279	241,953	80	10	6	4

Table 8.2b Identifiable expenditure on services, by country, per head, 1997–98

	£ per head					Index (United Kingdom identifiable expenditure=100) ⁽²⁾			
	England	Scotland	Wales	Northern Ireland	United Kingdom	England	Scotland	Wales	N Ireland
Education	609	792	645	875	634	96	125	102	138
Health and personal social services	886	1,123	1,051	1,054	919	96	122	114	115
Roads and transport	156	192	157	120	158	99	121	99	76
Housing	55	93	101	143	63	87	147	161	226
Other environmental services	130	186	234	141	141	93	133	166	100
Law, order and protective services	276	303	265	640	288	96	105	92	222
Trade, industry, energy and employment	90	186	164	300	108	83	172	152	278
Agriculture, fisheries, food and forestry	48	204	98	252	69	69	294	141	363
Culture, Media and Sport	69	68	111	52	71	98	97	156	74
Social Protection	1,584	1,706	1,860	1,907	1,618	98	105	115	118
Miscellaneous expenditure ⁽¹⁾	33	8	30	70	32				
Total	3,936	4,861	4,715	5,553	4,101	96	119	115	135

(1) Expenditure includes the costs of the central administration of the offices of the Secretaries of State of the territorial departments.

(2) An index of miscellaneous expenditure is not included since the administration costs of departments other than the Scottish Office, Welsh Office and the Northern Ireland departments are not separated from the functional expenditure. Such an index would therefore have little meaning.

8. ANALYSIS OF PUBLIC EXPENDITURE BY COUNTRY AND REGION

Table 8.3a Identifiable expenditure on services, by country, 1998–99

	cash, £ million					As a percentage of United Kingdom identifiable expenditure			
	England	Scotland	Wales	Northern	United	England	Scotland	Wales	N Ireland
				Ireland	Kingdom				
Education	31,369	4,159	1,938	1,509	38,974	80	11	5	4
Health and personal social services	46,351	6,017	3,245	1,856	57,470	81	10	6	3
Roads and transport	7,217	937	453	202	8,810	82	11	5	2
Housing	2,612	508	321	238	3,679	71	14	9	6
Other environmental services	6,381	985	684	242	8,292	77	12	8	3
Law, order and protective services	14,020	1,576	799	1,074	17,469	80	9	5	6
Trade, industry, energy and employment	4,605	967	498	515	6,585	70	15	8	8
Agriculture, fisheries, food and forestry	2,445	1,116	347	446	4,354	56	26	8	10
Culture, Media and Sport	4,000	404	418	126	4,949	81	8	8	3
Social Protection	79,125	8,983	5,525	3,312	96,945	82	9	6	3
Miscellaneous expenditure ⁽¹⁾	1,786	46	107	129	2,069	86	2	5	6
Total	199,912	25,699	14,335	9,648	249,594	80	10	6	4

Table 8.3b Identifiable expenditure on services, by country, per head, 1998–99

	£ per head					Index (United Kingdom identifiable expenditure=100) ⁽²⁾			
	England	Scotland	Wales	Northern	United	England	Scotland	Wales	N Ireland
				Ireland	Kingdom				
Education	634	812	661	899	658	96	123	100	137
Health and personal social services	936	1,175	1,106	1,106	970	97	121	114	114
Roads and transport	146	183	155	121	149	98	123	104	81
Housing	53	99	109	142	62	85	160	176	228
Other environmental services	129	192	233	144	140	92	137	167	103
Law, order and protective services	283	308	273	640	295	96	104	92	217
Trade, industry, energy and employment	93	189	170	307	111	84	170	153	276
Agriculture, fisheries, food and forestry	49	218	118	266	74	67	297	161	361
Culture, Media and Sport	81	79	143	75	84	97	95	171	90
Social Protection	1,599	1,754	1,884	1,974	1,637	98	107	115	121
Miscellaneous expenditure ⁽¹⁾	36	9	37	77	35				
Total	4,039	5,019	4,888	5,750	4,214	96	119	116	136

(1) Expenditure includes the costs of the central administration of the offices of the Secretaries of State of the territorial departments.

(2) An index of miscellaneous expenditure is not included since the administration costs of departments other than the Scottish Office, Welsh Office and the Northern Ireland departments are not separated from the functional expenditure. Such an index would therefore have little meaning.

8. ANALYSIS OF PUBLIC EXPENDITURE BY COUNTRY AND REGION

Table 8.4a Identifiable expenditure on services, by country, 1999–00

	cash, £ million					As a percentage of United Kingdom identifiable expenditure			
	England	Scotland	Wales	Northern Ireland	United Kingdom	England	Scotland	Wales	N Ireland
Education	32,975	4,293	2,026	1,593	40,887	81	10	5	4
Health and personal social services	50,462	6,473	3,477	2,018	62,430	81	10	6	3
Roads and transport	7,204	835	425	208	8,672	83	10	5	2
Housing	1,893	575	211	236	2,915	65	20	7	8
Other environmental services	6,873	1,293	781	261	9,207	75	14	8	3
Law, order and protective services	15,117	1,687	859	1,100	18,763	81	9	5	6
Trade, industry, energy and employment	5,193	863	434	497	6,986	74	12	6	7
Agriculture, fisheries, food and forestry	2,388	1,112	327	401	4,228	56	26	8	9
Culture, Media and Sport	4,353	147	388	138	5,026	87	3	8	3
Social Protection	82,199	9,355	5,673	3,466	100,694	82	9	6	3
Miscellaneous expenditure ⁽¹⁾	1,899	91	141	150	2,281	83	4	6	7
Total	210,555	26,724	14,741	10,067	262,089	80	10	6	4

Table 8.4b Identifiable expenditure on services, by country, per head, 1999–00

	£ per head					Index (United Kingdom identifiable expenditure=100) ⁽²⁾			
	England	Scotland	Wales	Northern Ireland	United Kingdom	England	Scotland	Wales	N Ireland
Education	663	839	690	949	687	96	122	100	138
Health and personal social services	1,014	1,265	1,184	1,202	1,049	97	120	113	115
Roads and transport	145	163	145	124	146	99	112	99	85
Housing	38	112	72	140	49	78	229	147	287
Other environmental services	138	253	266	155	155	89	163	172	100
Law, order and protective services	304	329	293	655	315	96	104	93	208
Trade, industry, energy and employment	104	169	148	296	117	89	144	126	252
Agriculture, fisheries, food and forestry	48	217	111	239	71	68	306	156	336
Culture, Media and Sport	87	29	132	82	84	104	34	157	98
Social Protection	1,652	1,827	1,932	2,064	1,693	98	108	114	122
Miscellaneous expenditure ⁽¹⁾	38	18	48	89	38				
Total	4,232	5,221	5,019	5,996	4,406	96	118	114	136

(1) Expenditure includes the costs of the central administration of the offices of the Secretaries of State of the territorial departments.

(2) An index of miscellaneous expenditure is not included since the administration costs of departments other than the Scottish Office, Welsh Office and the Northern Ireland departments are not separated from the functional expenditure. Such an index would therefore have little meaning.

8. ANALYSIS OF PUBLIC EXPENDITURE BY COUNTRY AND REGION

Table 8.5a Identifiable expenditure on services, by country, 2000–01

	resources, £ million					As a percentage of United Kingdom identifiable expenditure			
	England	Scotland	Wales	Northern	United	England	Scotland	Wales	N Ireland
				Ireland	Kingdom				
Education	35,780	4,451	2,215	1,716	44,162	81	10	5	4
Health and personal social services	54,171	6,877	3,710	2,170	66,928	81	10	6	3
Roads and transport	7,497	916	467	226	9,105	82	10	5	2
Housing	2,025	660	222	232	3,140	65	21	7	7
Other environmental services	7,900	1,653	791	266	10,611	74	16	7	3
Law, order and protective services	16,363	1,902	947	1,094	20,306	81	9	5	5
Trade, industry, energy and employment	5,833	1,087	550	449	7,919	74	14	7	6
Agriculture, fisheries, food and forestry	2,909	1,351	416	519	5,195	56	26	8	10
Culture, Media and Sport	4,463	415	232	118	5,228	85	8	4	2
Social Protection	83,789	9,554	5,783	3,481	102,606	82	9	6	3
Miscellaneous expenditure ⁽¹⁾	2,248	199	230	190	2,867	78	7	8	7
Total	222,978	29,065	15,561	10,462	278,067	80	10	6	4

Table 8.5b Identifiable expenditure on services, by country, per head, 2000–01

	£ per head					Index (United Kingdom identifiable expenditure=100) ⁽²⁾			
	England	Scotland	Wales	Northern	United	England	Scotland	Wales	N Ireland
				Ireland	Kingdom				
Education	716	880	752	1,019	740	97	119	102	138
Health and personal social services	1,083	1,360	1,259	1,290	1,121	97	121	112	115
Roads and transport	150	181	158	134	153	98	119	104	88
Housing	41	131	75	138	53	77	248	143	262
Other environmental services	158	327	269	158	178	89	184	151	89
Law, order and protective services	327	376	321	650	340	96	111	94	191
Trade, industry, energy and employment	117	215	187	267	133	88	162	141	201
Agriculture, fisheries, food and forestry	58	267	141	309	87	67	307	162	355
Culture, Media and Sport	89	82	79	70	88	102	94	90	80
Social Protection	1,676	1,889	1,963	2,068	1,719	97	110	114	120
Miscellaneous expenditure ⁽¹⁾	45	39	78	113	48				
Total	4,460	5,746	5,282	6,217	4,659	96	123	113	133

(1) Expenditure includes the costs of the central administration of the offices of the Secretaries of State of the territorial departments.

(2) An index of miscellaneous expenditure is not included since the administration costs of departments other than the Scottish Office, Welsh Office and the Northern Ireland departments are not separated from the functional expenditure. Such an index would therefore have little meaning.

8. ANALYSIS OF PUBLIC EXPENDITURE BY COUNTRY AND REGION

Table 8.6a Identifiable expenditure on services, by country, 2001–02

	resources, £ million					As a percentage of United Kingdom identifiable expenditure			
	England	Scotland	Wales	Northern	United	England	Scotland	Wales	N Ireland
				Ireland	Kingdom				
Education	40,107	4,992	2,587	1,771	49,457	81	10	5	4
Health and personal social services	60,196	7,658	3,934	2,320	74,108	81	10	5	3
Roads and transport	9,577	1,136	514	246	11,473	83	10	4	2
Housing	3,036	836	248	173	4,293	71	19	6	4
Other environmental services	8,642	1,862	877	298	11,680	74	16	8	3
Law, order and protective services	18,651	2,219	1,068	1,184	23,121	81	10	5	5
Trade, industry, energy and employment	6,169	1,062	563	485	8,279	75	13	7	6
Agriculture, fisheries, food and forestry	3,760	1,746	537	671	6,714	56	26	8	10
Culture, Media and Sport	4,566	176	273	70	5,086	90	3	5	1
Social Protection	88,979	10,163	6,131	3,723	108,996	82	9	6	3
Miscellaneous expenditure ⁽¹⁾	2,454	176	321	233	3,184	77	6	10	7
Total	246,138	32,026	17,052	11,175	306,391	80	10	6	4

Table 8.6b Identifiable expenditure on services, by country, per head, 2001–02

	£ per head					Index (United Kingdom identifiable expenditure=100) ⁽²⁾			
	England	Scotland	Wales	Northern	United	England	Scotland	Wales	N Ireland
				Ireland	Kingdom				
Education	816	986	891	1,048	841	97	117	106	125
Health and personal social services	1,224	1,512	1,355	1,374	1,260	97	120	108	109
Roads and transport	195	224	177	146	195	100	115	91	75
Housing	62	165	86	102	73	85	226	117	140
Other environmental services	176	368	302	177	199	89	185	152	89
Law, order and protective services	379	438	368	701	393	97	112	94	178
Trade, industry, energy and employment	125	210	194	287	141	89	149	138	204
Agriculture, fisheries, food and forestry	76	345	185	398	114	67	302	162	348
Culture, Media and Sport	93	35	94	42	86	107	40	109	48
Social Protection	1,809	2,007	2,112	2,204	1,853	98	108	114	119
Miscellaneous expenditure ⁽¹⁾	50	35	111	138	54				
Total	5,005	6,324	5,874	6,616	5,207	96	121	113	127

(1) Expenditure includes the costs of the central administration of the offices of the Secretaries of State of the territorial departments.

(2) An index of miscellaneous expenditure is not included since the administration costs of departments other than the Scottish Office, Welsh Office and the Northern Ireland departments are not separated from the functional expenditure. Such an index would therefore have little meaning.

Table 8.7 Identifiable expenditure⁽¹⁾: Total expenditure on services⁽²⁾ analysed by country and function, 2001–02

	Identifiable expenditure										resources, £ million				
	England			Scotland			Wales			Northern Ireland			Total	Non Identifiable ^(5 & 6)	United Kingdom
	Total	Scottish Executive ⁽³⁾	Other	Total	National Assembly for Wales ⁽⁴⁾	Other	Total	Northern Ireland Office	Ireland Executive	Other ⁽⁵⁾					
Education	40,107	4,992	0	2,587	2,496	91	1,771	0	1,771	0	49,457	9	49,466		
Health and personal social services	60,196	7,658	1	3,934	3,933	0	2,320	0	2,320	0	74,108	224	74,331		
Roads and transport	9,577	1,136	174	514	429	85	246	8	237	8	11,473	15	11,487		
Housing	3,036	836	150	248	248	0	173	0	173	0	4,293	0	4,293		
Other environmental services	8,642	1,862	-403	877	829	49	298	9	289	9	11,680	17	11,697		
Law, order and protective services	18,651	2,219	213	1,068	0	1,068	1,184	55	974	155	23,121	9	23,131		
Defence													24,040		
Overseas services													5,017		
Trade, industry, energy and employment	6,169	1,062	458	563	265	298	485	465	465	20	8,279	2,988	11,267		
Agriculture, fisheries, food and forestry	3,760	1,746	1,150	537	231	306	671	375	375	296	6,714	323	7,037		
Culture, Media and Sport	4,566	176	-111	273	89	183	70	31	31	39	5,086	1	5,087		
Social Protection	88,979	10,163	10,163	6,131	6,131	6,131	3,723	3,723	3,723	0	108,996	7,667	116,662		
Miscellaneous expenditure ⁽⁶⁾	2,454	176	23	321	289	32	233	32	200	0	3,184	6,703	9,887		
Total	246,138	32,026	11,818	17,052	8,810	8,243	11,175	1,006	9,640	528	306,391	47,012	353,402		

(1) Figures contained in tables in this chapter will differ from those presented in other chapters in this publication and individual departmental reports due to timing differences in the collection of the data.

(2) Excluding privatisation proceeds, general government debt interest and accounting adjustments which are not allocated to territories.

(3) Includes the Scotland Office.

(4) Includes the Wales Office.

(5) Included in the "Non-identifiable" cell are net payments to EC Institutions and expenditure associated with general maintenance of government, such as tax collection and population registration. See Table 8.8.

(6) Also included in the "Non-identifiable" cell for social protection are tax credits – WFTC/DPTC. See footnote 2 of Table 8.8.

8. ANALYSIS OF PUBLIC EXPENDITURE BY COUNTRY AND REGION

Table 8.8 Non-identifiable expenditure by programme, 1997–98 to 2001–02

	cash, £ million			resources, £ million	
	1997–98	1998–99	1999–2000	2000–01	2001–02
Defence and overseas services	23,809	25,796	26,143	28,983	29,045
BSE related expenditure	862	458	344	121	176
Science and technology	1,862	1,955	1,925	2,077	2,313
BNFL	432	466	477	518	591
British Coal Corporation	51	6	1	0	0
Net medical payments to European Economic Area countries ⁽¹⁾	163	127	171	206	224
Records, registrations and surveys	46	39	40	42	46
War pensions and pensions paid to UK nationals abroad	1,906	2,435	2,531	2,758	2,667
Net payments to EC institutions	2,153	3,590	2,806	3,697	771
Cabinet Office	59	85	174	206	251
Parliament and associated expenditure	337	363	368	352	357
Office for National Statistics	95	97	101	146	194
Tax collection and funding for Bank of England ⁽²⁾	2,880	3,063	4,566	6,974	9,010
Civil service superannuation	91	87	78	68	57
Security and intelligence services	704	686	704	760	829
Smaller programmes	-64	340	227	262	483
Total	35,386	39,593	40,655	47,170	47,012

(1) Mainly fees for the treatment of UK nationals abroad.

(2) Includes tax credit payments in excess of an individual's tax liability.

8. ANALYSIS OF PUBLIC EXPENDITURE BY COUNTRY AND REGION

Table 8.9 Total identified expenditure by region, 1998–99 to 2001–02

Region	cash, £ millions		resources, £ million	
	1998–99	1999–00	2000–01	2001–02
North East	11,673	12,505	13,191	14,566
North West	29,855	31,514	33,272	36,256
Yorkshire & Humber	20,274	21,022	23,387	25,569
East Midlands	15,707	16,683	17,631	19,442
West Midlands	21,191	22,268	23,516	25,908
South West	18,494	19,737	20,921	22,768
Eastern	19,609	20,791	22,237	23,901
London	34,038	35,910	37,075	42,192
South East	29,070	30,127	31,747	35,537
Total	199,912	210,555	222,978	246,138
				£ per head
	1998–99	1999–00	2000–01	2001–02
North East	4,507	4,845	5,119	5,787
North West	4,332	4,580	4,826	5,386
Yorkshire & Humber	4,020	4,165	4,624	5,148
East Midlands	3,768	3,981	4,190	4,657
West Midlands	3,974	4,173	4,408	4,919
South West	3,774	3,999	4,205	4,615
Eastern	3,647	3,837	4,073	4,430
London	4,736	4,929	5,027	5,870
South East	3,632	3,729	3,912	4,438
Total	4,039	4,232	4,460	5,005

Table 8.10a Identifiable expenditure, by region and function, 1998–99

	cash, £ million									Total England
	North East	North West	Yorkshire and Humberside	East Midlands	West Midlands	South West	Eastern	London	South East	
Education	1,690	4,533	3,154	2,547	3,520	2,906	3,214	5,120	4,686	31,369
Health and personal social services	2,546	6,608	4,821	3,645	4,830	4,268	4,540	8,255	6,837	46,351
Roads and transport	347	819	535	542	642	687	840	1,565	1,240	7,217
Housing	122	420	227	87	127	-10	118	1,321	200	2,612
Other environmental services	402	832	635	517	714	581	674	1,044	982	6,381
Law, order and protective services	777	2,005	1,365	1,031	1,406	1,231	1,283	2,979	1,942	14,020
Trade, industry, energy and employment	384	828	456	311	464	406	413	672	671	4,605
Agriculture, fisheries, food and forestry	53	297	312	239	273	242	319	272	440	2,445
Culture, Media and Sport	254	617	357	280	393	323	369	830	577	4,000
Social Protection	4,996	12,580	8,262	6,374	8,650	7,718	7,668	11,657	11,222	79,125
Central administration and miscellaneous	102	315	151	135	172	143	171	324	274	1,786
Total	11,673	29,855	20,274	15,707	21,191	18,494	19,609	34,038	29,070	199,912

Table 8.10b Identifiable expenditure per head, by region and function, 1998–99

	£ per head									Total England
	North East	North West	Yorkshire and Humberside	East Midlands	West Midlands	South West	Eastern	London	South East	
Education	652	658	625	611	660	593	598	712	585	634
Health and personal social services	983	959	956	874	906	871	844	1,149	854	936
Roads and transport	134	119	106	130	120	140	156	218	155	146
Housing	47	61	45	21	24	-2	22	184	25	53
Other environmental services	155	121	126	124	134	118	125	145	123	129
Law, order and protective services	300	291	271	247	264	251	239	414	243	283
Trade, industry, energy and employment	148	120	90	75	87	83	77	94	84	93
Agriculture, fisheries, food and forestry	20	43	62	57	51	49	59	38	55	49
Culture, Media and Sport	98	90	71	67	74	66	69	116	72	81
Social Protection	1,929	1,826	1,638	1,529	1,622	1,575	1,426	1,622	1,402	1,599
Central administration and miscellaneous	39	46	30	32	32	29	32	45	34	36
Total	4,507	4,332	4,020	3,768	3,974	3,774	3,647	4,736	3,632	4,039

Table 8.1 Ia Identifiable expenditure, by region and function, 1999–00

	cash, £ million									
	North East	North West	Yorkshire and Humberside	East Midlands	West Midlands	South West	Eastern	London	South East	Total England
Education	1,778	4,785	3,351	2,685	3,703	3,102	3,564	5,397	4,612	32,975
Health and personal social services	2,790	7,283	5,224	3,873	5,180	4,604	4,915	9,131	7,462	50,462
Roads and transport	375	849	493	545	633	731	860	1,519	1,198	7,204
Housing	54	261	128	55	103	102	49	1,007	132	1,893
Other environmental services	465	1,102	337	603	740	543	633	1,348	1,101	6,873
Law, order and protective services	842	2,155	1,463	1,115	1,516	1,322	1,392	3,201	2,111	15,117
Trade, industry, energy and employment	491	947	596	377	539	430	420	698	696	5,193
Agriculture, fisheries, food and forestry	92	273	309	240	261	221	353	255	383	2,388
Culture, Media and Sport	317	588	412	330	408	364	388	924	620	4,352
Social Protection	5,185	13,006	8,552	6,712	8,992	8,146	8,024	12,060	11,523	82,199
Central administration and miscellaneous	115	265	158	147	192	172	191	370	289	1,900
Total	12,505	31,514	21,022	16,683	22,268	19,737	20,791	35,910	30,127	210,555

Table 8.1 Ib Identifiable expenditure per head, by region and function, 1999–00

	£ per head									
	North East	North West	Yorkshire and Humberside	East Midlands	West Midlands	South West	Eastern	London	South East	Total England
Education	689	695	664	641	694	628	658	741	571	663
Health and personal social services	1,081	1,058	1,035	924	971	933	907	1,253	924	1,014
Roads and transport	145	123	98	130	119	148	159	208	148	145
Housing	21	38	25	13	19	21	9	138	16	38
Other environmental services	180	160	67	144	139	110	117	185	136	138
Law, order and protective services	326	313	290	266	284	268	257	439	261	304
Trade, industry, energy and employment	190	138	118	90	101	87	77	96	86	104
Agriculture, fisheries, food and forestry	36	40	61	57	49	45	65	35	47	48
Culture, Media and Sport	123	86	82	79	77	74	72	127	77	87
Social Protection	2,009	1,890	1,694	1,602	1,685	1,650	1,481	1,656	1,426	1,652
Central administration and miscellaneous	45	38	31	35	36	35	35	51	36	38
Total	4,845	4,580	4,165	3,981	4,173	3,999	3,837	4,929	3,729	4,232

Table 8.12a Identifiable expenditure, by region and function, 2000–01

	resources, £ million									
	North East	North West	Yorkshire and Humberside	East Midlands	West Midlands	South West	Eastern	London	South East	Total England
Education	1,905	5,129	3,725	2,934	3,943	3,341	3,777	5,622	5,406	35,781
Health and personal social services	2,960	7,873	5,516	4,102	5,490	5,128	5,262	9,873	7,967	54,171
Roads and transport	446	853	587	578	660	701	846	1,671	1,153	7,497
Housing	21	277	156	71	107	115	65	1,122	90	2,025
Other environmental services	503	1,231	874	664	785	713	772	1,247	1,112	7,900
Law, order and protective services	881	2,336	1,593	1,212	1,612	1,462	1,586	3,334	2,347	16,363
Trade, industry, energy and employment	547	1,060	672	403	608	478	484	786	795	5,833
Agriculture, fisheries, food and forestry	80	264	508	355	339	234	609	186	334	2,909
Culture, Media and Sport	290	565	729	289	483	406	393	747	561	4,463
Social Protection	5,410	13,368	8,826	6,856	9,280	8,156	8,224	12,001	11,668	83,789
Central administration and miscellaneous	148	317	203	168	209	187	217	485	314	2,248
Total	13,191	33,272	23,387	17,631	23,516	20,921	22,237	37,075	31,747	222,978

Table 8.12b Identifiable expenditure per head, by region and function, 2000–01

	£ per head									
	North East	North West	Yorkshire and Humberside	East Midlands	West Midlands	South West	Eastern	London	South East	Total England
Education	739	744	736	697	739	672	692	762	666	716
Health and personal social services	1,149	1,142	1,090	975	1,029	1,031	964	1,339	982	1,083
Roads and transport	173	124	116	137	124	141	155	227	142	150
Housing	8	40	31	17	20	23	12	152	11	41
Other environmental services	195	179	173	158	147	143	141	169	137	158
Law, order and protective services	342	339	315	288	302	294	290	452	289	327
Trade, industry, energy and employment	212	154	133	96	114	96	89	107	98	117
Agriculture, fisheries, food and forestry	31	38	100	84	64	47	112	25	41	58
Culture, Media and Sport	113	82	144	69	91	82	72	101	69	89
Social Protection	2,099	1,939	1,745	1,629	1,739	1,639	1,506	1,627	1,438	1,676
Central administration and miscellaneous	57	46	40	40	39	38	40	66	39	45
Total	5,119	4,826	4,624	4,190	4,408	4,205	4,073	5,027	3,912	4,460

Table 8.13a Identifiable expenditure, by region and function, 2001-02

	resources, £ million								Total England	
	North East	North West	Yorkshire and Humberside	East Midlands	West Midlands	South West	Eastern	London		South East
Education	2,220	5,731	4,193	3,284	4,368	3,593	3,951	6,799	5,968	40,107
Health and personal social services	3,294	8,606	5,974	4,623	6,297	5,610	5,851	10,874	9,067	60,196
Roads and transport	388	1,020	750	686	810	705	957	2,738	1,522	9,577
Housing	170	477	280	80	181	188	17	1,419	225	3,036
Other environmental services	564	1,319	923	689	878	792	831	1,413	1,234	8,642
Law, order and protective services	1,045	2,685	1,768	1,403	1,823	1,642	1,722	3,873	2,690	18,651
Trade, industry, energy and employment	594	1,091	803	465	654	498	473	821	769	6,169
Agriculture, fisheries, food and forestry	167	433	568	387	401	329	554	363	558	3,760
Culture, Media and Sport	304	575	674	297	468	397	402	871	579	4,566
Social Protection	5,666	13,991	9,421	7,343	9,810	8,795	8,919	12,437	12,597	88,979
Central administration and miscellaneous	153	327	215	185	218	220	225	584	328	2,454
Total	14,566	36,256	25,569	19,442	25,908	22,768	23,901	42,192	35,537	246,138

Table 8.13b Identifiable expenditure per head, by region and function, 2001-02

	£ per head								Total England	
	North East	North West	Yorkshire and Humberside	East Midlands	West Midlands	South West	Eastern	London		South East
Education	882	851	844	787	829	728	732	946	745	815
Health and personal social services	1,309	1,278	1,203	1,107	1,196	1,137	1,085	1,513	1,132	1,224
Roads and transport	154	152	151	164	154	143	177	381	190	195
Housing	68	71	56	19	34	38	3	197	28	62
Other environmental services	224	196	186	165	167	160	154	197	154	176
Law, order and protective services	415	399	356	336	346	333	319	539	336	379
Trade, industry, energy and employment	236	162	162	111	124	101	88	114	96	125
Agriculture, fisheries, food and forestry	66	64	114	93	76	67	103	51	70	76
Culture, Media and Sport	121	85	136	71	89	80	74	121	72	93
Social Protection	2,251	2,078	1,897	1,759	1,863	1,782	1,653	1,730	1,573	1,809
Central administration and miscellaneous	61	49	43	44	41	45	42	81	41	50
Total	5,787	5,386	5,148	4,657	4,919	4,615	4,430	5,870	4,438	5,005

APPENDIX A CONVENTIONS AND ECONOMIC ASSUMPTIONS

A.1 This appendix gives details of the various conventions used for the figures presented in this publication.

ROUNDING CONVENTIONS

A.2 The figures in this publication are generally shown to the nearest £1 million, except that the figures for the main spending aggregates – DEL, AME, and TME – and the DEL Reserve and AME Margin are rounded to the nearest £100 million from 2003–04 onwards.

REAL TERMS

A.3 A number of the tables in this publication give figures in real terms. Real terms figures are the cash outturns or plans adjusted to a constant price level by excluding the effect of general inflation as measured by the GDP deflator at market prices. The real terms figures in this publication are given in 2001–02 prices.

2002–2003 ESTIMATED OUTTURN

A.4 The estimated outturns for individual departments for 2002–03 are based on the latest information available from departments. The estimated outturns for resource and capital DEL for 2002–03 include an allowance for shortfall reflecting the difference between the sum of individual departments' estimates of outturn and the Treasury's overall assessment.

DATA IN TABLES

A.5 In this edition of PESA all budgeting data, plans and outturns are presented in resource terms. Consistent data on a resource basis are only available back to 1998–99. As a result most of the tables that show plans or projections to 2005–06 cover a period of eight years, from 1998–99 to 2005–06.

A.6 For most of the tables that do not show plans years, for example most of the public sector spending tables in Chapter 3, tables for this edition of PESA cover a period of six years, from 1997–98 to 2002–03. In these tables the first three years, to 1999–2000, use cash data, and the last three years, from 2000–01, use resource data, with a break in series between the cash and resource years. In a few cases, for example **Table 4.5**, data is shown over nine years, from 1997–98 to 2005–06, with the first three years using cash data and the last six years resource data. All tables indicate whether data are cash or resource.

A.7 One exception to the foregoing general rules as regards use of cash and resource data is data for local authorities expenditure, which are only available on a cash basis. However Central Government support to local authorities is presented in Chapter 6 on the same mixed cash and resource basis as other central government expenditure.

A.8 It is not possible to look at trends over a longer period by simply comparing figures in successive public expenditure publications as such figures are not always on a consistent basis due to changes in coverage and classification changes. This publication presents a number of summary analyses incorporating data for earlier years adjusted to current definitions to show trends over a longer period.

ECONOMIC ASSUMPTIONS

A.9 The following economic assumptions underlie the figures in this publication.

- (a) Income related social security benefits are uprated annually in April in line with the change in the Rossi (a modified measure of inflation based on the Retail Prices Index) in the year up to the previous September. Other non income-related benefits are also uprated in April, but in line with the change in the Retail Prices Index over the same period. The uprating factors used for the projections in this publication were Rossi, 2 per cent for 2003–04; 2½ per cent for 2004–05; and 2 per cent for 2005–06; for the RPI, 2½ per cent for 2003–04; 2½ per cent for 2004–05; and 3 per cent for 2005–06.
- (b) UK claimant unemployment is assumed to rise slowly from recent levels of 0.93 million to 1.03 million in 2005–06, consistent with the average of independent forecasts.
- (c) Further details on economic assumptions can be found in the April 2003 Financial Statement and Budget Report, (HC500), paragraph C.24.

ECONOMIC GROWTH AND INFLATION

A.10 General inflation as measured by the GDP deflator is forecast to be 2¾ per cent in 2003–04, and 2½ per cent in 2004–05 and 2005–06.

A.11 GDP is projected to rise 2¼ per cent in 2003–04; 3¼ per cent in 2004–05, and 3 per cent in 2005–06.

APPENDIX B COVERAGE OF THE ACCOUNTING ADJUSTMENTS IN THE BUDGETING PRESENTATION OF TME

NEED FOR ACCOUNTING ADJUSTMENTS

B.1 The national accounts, produced by the Office for National Statistics (ONS), follow international guidelines and provide a widely accepted framework for analyzing the economic activity of the country. Total Managed Expenditure (TME) is drawn from national accounts.

B.2 Since 2001–02, Government departments have been accounting for, and budgeting for, their spending in resource terms. Resource accounting is based on generally accepted accounting practice (GAAP). This differs in several ways to national accounts. Also the requirements of national accounts and the control regimes defined for the management of public expenditure (DEL and AME) are different; and sometimes other factors lead to an alternative approach – for example issues of data availability and incentive frameworks.

B.3 So a number of adjustments are needed to relate DEL and AME (departmental and other) (see Appendix E) to TME. These adjustments are shown in Table 1.13. They are listed below and grouped according to the main categories in that table. The operator (ie “add” or “subtract”) describes the adjustment needed to derive TME from DEL plus departmental and other AME.

CHANGES SINCE PESA 2002–03

B.4 The budgeting presentation of TME in Table 1.1 follows the full resource budgeting regime introduced in SR2002. The equivalent table in PESA 2002–03 followed SR2000 budgeting (it appears in this year’s PESA as Table 1.16). Changes to the accounting adjustments since PESA 2002–03 mostly reflect the new budgeting regime.

B.5 In general, under SR2002 budgeting rules, the creation, change in, and release of provisions is in DEL, and the actual expenditure funded by the release of provisions is also in DEL (offset by the release of provisions). National accounts does not record provisions but instead records the actual expenditure funded by the release of provision. Under SR2000 budgeting, actual expenditure funded by the release of provisions was in DEL, and the movements in provision were in AME. So a new accounting adjustment is needed to either remove the negative non-cash entry for the release of provisions, or to add the expenditure funded by the release of provisions, (the same amount). For a few types of provisions, (such as nuclear decommissioning) the provisions remain in AME (as was the case under SR2000 budgeting) and so there is no need for this new adjustment in those cases.

Under SR2002 budgeting rules the profit/loss on sale of capital assets is recorded as resource expenditure, but in national accounts it is capital. So there is a need for a current to capital accounting adjustment.

The budgeting treatment of public corporations changed between SR2000 and SR2002. National accounts treatment was unchanged, so this led to a number of changes to the accounting adjustments.

Under SR2002, most receipts of interest and dividends are recorded in DEL. In national accounts such receipts are revenue and not netted-off TME. An accounting adjustment is needed to remove the interest and dividends in DEL.

B.6 There are a number of other changes to accounting adjustments from PESA 2002–03 that do not derive from the new budgeting regime. Certain tax credits previously recorded in the accounting adjustments are now recorded as departmental in AME. These have been removed from the accounting adjustments.

Since 2002–03 central government departments have been able to net off in DEL 50 per cent of the receipts they obtain from EU funded research projects. This income also forms part of the EU net contributions line in AME so has to be added back in the accounting adjustments.

Government guarantees part of the borrowing of Network Rail. To reflect the benefit of this to the company, ONS in national accounts impute a subsidy. This needs to be added in the accounting adjustments because the imputed subsidy is not in departmental budgets. Note that ONS impute an interest receipt to offset the subsidy in the fiscal balances.

From 2003–04 the adoption of the accounting standard FRS17 will require pension schemes preparing separate scheme statements under Chapter 15 of the Resource Accounting Manual to reflect the accruing pension costs of scheme members. A provision for the present value of the scheme liabilities is recognised on the balance sheet and this will then be used to meet future pension costs. The introduction of FRS17 in budgets is being treated as a classification change – which means that figures for earlier years have been restated as if FRS17 had applied.

The resource accounting treatment, and the budgeting treatment presented in AME, score any increase in liabilities accrued in the period less contributions received from employers, employees and inward transfers. The actual benefits payable to scheme members are charged directly to the balance sheet and offset in budgets by the release of the provision. National accounts do not recognise the accruing increases to liabilities as a cost; what scores is the actual benefits in the period they are paid to recipients. A new accounting adjustment is required this year therefore.

LIST OF THE ACCOUNTING ADJUSTMENTS

Non-trading capital consumption

- (i) Add the value of general government non-trading capital consumption (i.e. depreciation) as measured by ONS for national accounts. This applies to central and local government. In the category below for non-cash items in RAB, the depreciation and impairments included in central government departmental resource budgets, as measured by departments, are deducted. ONS expect to start using the depreciation figures produced by departments in national accounts in Blue Book 2004.

VAT Refunds

- (ii) Add VAT refunded to central government departments in respect of contracted out services for non-business purposes, and VAT refunds to local authorities in respect of all non-business activities. DEL and locally financed expenditure are measured net of these VAT refunds, but in TME the expenditure is recorded including the VAT paid.

- (iii) Add VAT refunds paid to NHS trusts in respect of contracted out services in connection with activities that are non-business for VAT purposes. TME records these refunds as subsidies to NHS.
- (iv) Add VAT refunds paid to the BBC, ITN, and to free public museums, in respect of non-business activities. These are treated as subsidies in TME.
- (v) Add VAT refunds paid to DIY house builders. These are treated as capital grants in TME.

EC Contributions

- (vi) Deduct the customs duties, agricultural and sugar levies, and part of VAT paid to the institutions of the European Communities. National accounts treats these payments as payments direct from UK citizens and businesses to the EC; so they are excluded from government income and expenditure in national accounts. Similarly, receipts from the EU in respect of agricultural subsidies, research grants, investment grants, European social fund grants, and other EC schemes, are treated as payments direct from the EC to UK citizens and institutions, and so are not recorded as government expenditure in national accounts. In practice these payments are routed through government departments, and thus included in DELs, and in the AME line for expenditure under the Common Agricultural Policy (CAP). Other AME includes a line for the net UK contribution to the EC. This equals payments to the EC (duties, levies and VAT, and the GNP-based contribution), less receipts from the EC in respect of the schemes just described. The line therefore removes EC-funded spending in DEL and under the CAP. To arrive at TME it is necessary to make a further adjustment by removing the duties levies and VAT recorded in the net contribution line.
- (vii) Add receipts from EU funded research projects that are netted-off in DEL. These are 50 per cent of the total receipts for eligible projects.

Tax Credits

- (viii) Add payments of certain tax credits which score as government expenditure in national accounts but are not included as expenditure in departmental AME. This includes: Mortgage Interest Relief, Life Assurance Premium Relief, Private Medical Insurance Premium Relief, Vocational Training Relief (part up to 1998–99; all from 1999–00), Working Families Tax Credit and Disabled Persons Tax Credit (from 1999–00), Research and Development Tax Credit (from 2001–02), payments of transitional relief to charities formerly entitled to receive tax credits on dividends, and the new scheme for tax relief on clearing contaminated land. National accounts treat such tax credits as public expenditure rather than as adjustments to tax receipts. In departmental AME the amounts of these tax credits paid in excess of any tax liability (for example amounts paid to non-tax payers) is recorded as expenditure. So an accounting adjustment is needed for the amounts treated as expenditure in national accounts but not recorded as expenditure in AME

The national accounts treatment of the new tax credits (Working Tax Credit and the Child Tax Credit) will differ from the treatment for the existing ones. Amounts given to a household that are below its total tax liability will be netted-off tax, amounts given in excess of a household's tax liability will be treated as public expenditure. This new treatment has been anticipated in the figures for 2003–04 when the new tax credits begin. No accounting adjustments will be needed for these tax credits since they are included in departmental AME on the same basis as national accounts.

Adjustments for pensions accounted for under FRS17

As detailed above the costs in AME in respect of pensions are measured as the increase in the liabilities held by pension schemes. The adjustments to get from the costs in AME are as follows:

- (a) Remove increases to the liabilities arising from current and past service costs, employee and employer additional contributions, and group and individual transfers into the scheme scored in the net public sector pensions line.
- (b) Remove increases to the liabilities arising from the unwinding of the discount rate that is scored in the other non-cash items in AME.
- (c) Add in the expenditure charged directly to the liability on the scheme balance sheet. Typically this will be cash transfers for members' continuing pensions, lump sums, spouses' benefits and similar payments, and bulk and individual transfers out of the scheme.

Adjustments for local authorities

- (ix) Deduct licence fees that are treated as revenue in the calculation of locally financed expenditure in AME, but are netted-off expenditure in national accounts.
- (x) Add subsidies paid to LA trading bodies. These are deducted from the figure for the operating surplus of LA trading bodies, one of the revenue items in the calculation of locally financed expenditure, but are included as LA expenditure in national accounts.
- (xi) Deduct capital grants paid by local authorities to public corporations since these are a flow within the public sector that adds to locally financed expenditure but the capital expenditure they finance is in the line for Public Corporation's Own Financed Capital Expenditure (PCOFCE). This mainly concerns payments by the Transport for London.
- (xii) Deduct local authority receipts of investment grants from private sector developers. Investment grants from private sector developers and the institutions of the European Union are included in the definition of locally financed expenditure, since they are income sources outside central government, but they are netted-off in TME so have to be deducted somewhere else in AME. The investment grants from the EU are deducted in the line for the net EU contribution which leaves the grants from private developers which have to be deducted in the accounting adjustments.
- (xiii) Add the difference between the amounts recorded by ONS, and amounts recorded in budgets, for central government grants to LAs. The difference here is defined as the amount recorded by ONS less the amount recorded

by Treasury. This adjustment is needed because outturn for locally financed expenditure is measured in terms of national accounts' data, but the presentation of TME in terms of DEL plus AME uses grants recorded by Treasury in DEL and AME.

Other accounting adjustments affecting local authorities are included in other categories such as the addition of VAT refunds and national accounts' depreciation, and the removal of intra-public sector interest flows and financial transactions.

Adjustments for Public Corporations

Under the resource budgeting regime for the 2002 Spending Review, a department's resource budget includes certain items in respect of each of its public corporations. In most cases these items are:

- (a) subsidies and capital grants paid by the department to public corporations;
- (b) loans given by the department to public corporations – either voted or from NLF;
- (c) dividends (including equity withdrawals) and interest received from public corporations;
- (d) a capital charge on the loans and public dividend capital invested in public corporations.

For most public corporations, these items score in DEL, but for self-financing public corporations (SFPCs) they score in departmental AME (except for subsidies and grants, which are always in DEL).

TME includes the first item only, so the last three items have to be deducted.

TME includes PC capital expenditure, and interest and dividends paid by PCs to the private sector. Other AME includes public corporations' own-financed capital expenditure, that is, capital expenditure less CG grant and loan finance for it. So the deduction of loans is effected in Other AME.

NHS trusts and the Forestry Enterprise are PCs that have a different budgeting treatment. Their profit/loss and actual capital expenditure scores in budgets rather than grants and loans given, and the trust debt remuneration actually received. This profit has to be removed in the accounting adjustments. Crown Estate is also different: subsidies to it score in departmental AME and the dividend it pays is outside budgets.

So the adjustments needed are

- (xiv) Add interest and dividend receipts from PCs that are counted (-vc) in DEL or (for SFPCs) in departmental AME.
- (xv) Add interest paid by public corporations to the private sector and abroad – because property income paid by the public sector to the rest of the economy is in TME, but not in departmental budgets.
- (xvi) Add to current expenditure the depreciation recorded in the accounts of NHS trusts. The prices paid by the Department for Health (DH) for the services of NHS trusts cover the full economic costs of those services so it includes an amount to cover depreciation. This is an amount retained by trusts to fund capital expenditure. The charges paid by DH for NHS services

is in resource DEL. NHS trusts' capital expenditure is in DH capital DEL. So the capital expenditure funded by current income is in a sense counted twice in DEL. An adjustment is made to current DEL to remove this double counting. (Note that the profit/loss in DEL is recorded after depreciation). The amount is added to the accounting adjustments to undo the adjustment made to DEL, since the “double counting” is in TME. The adjustment also applies to health DEL in the devolved administrations.

- (xvii) Add the capital expenditure of local authority public corporations that is not funded by grants from local authorities, nor from borrowing supported by credit approvals. Typically this will be the capital expenditure of local authority airports since such borrowing does not require credit approvals and does not score in ODPM's DEL.
- (xviii) Add receipts from public corporations of interest, dividends and equity withdrawals, that are netted-off in DEL or departmental AME. (Note that central government interest paid to public corporations is netted-off in the main CG debt interest line.)

The adjustment to remove capital charges included in DEL is one of the adjustments for non-cash items included below (see xxxiv).

Intra General Government Sector Debt Interest

- (xix) Deduct debt interest paid by local authorities to central government.
- (xx) Add LA debt interest ultimately financed by CG housing subsidy.

TME is consolidated public sector expenditure; so it records only those distributive transactions that are paid outside the public sector. Payments of grants and interest that are within the public sector do not score in TME. So it is necessary to deduct any interest payments to the public sector included in DEL or the debt interest figures in AME in other AME, and add back any interest receipts from the private sector netted-off in departmental budgets.

Local authority expenditure is the sum of central government support in DEL and departmental AME, plus locally financed expenditure, and accounting adjustments relevant to local authorities. Local authority expenditure includes local authority debt interest (LADI) most of which is paid to central government. TME includes only LADI paid to the private sector. In the adjustments it is therefore necessary to subtract LADI paid to central government and public corporations.

There is one further complication. Central government subsidies paid to local authority housing revenue accounts do not count as CG support for LAs; neither do they count as locally financed expenditure. So LA debt interest financed by housing subsidy (through the payment to LAs of the full HRA surplus) has to be added into the accounting adjustments, in order to provide a measure of total LA expenditure in line with TME.

Financial Transactions in DEL and AME

TME measures the current and capital expenditure of the public sector, as defined by national accounts. This excludes expenditure on the acquisition of financial assets since in national accounts these are classified as financial transactions, not capital expenditure. Departmental budgets include the net acquisition of certain types of financial assets. These are assets acquired for policy purposes rather than cash flow management – sometimes called “net lending” or “policy lending”. Typically it refers to transactions in shares and lending to businesses and individuals. The specific adjustments are described below.

- (xxi) Deduct loans, net of repayments of loans, to the private sector and overseas that score in DEL and departmental AME. (Net lending to public corporations is already adjusted for in Other AME, through the public corporations own-financed capital expenditure line.)
- (xxii) Deduct the net acquisition of private sector company securities that score in DEL and departmental AME.
- (xxiii) Deduct the measure of the subsidy and bad debt element of student loans that scores in DEL – because national accounts treat all lending to students as a financial transaction outside TME, but departmental budgets regards part of the lending as grants to reflect the low interest charged and likelihood of bad debts.
- (xxiv) Deduct the profit/loss on the sale of shares and other financial assets recorded in DEL or departmental AME. This profit/loss is a financial transaction in national accounts and so outside TME.

Adjustments for expenditure financed by receipts

- (xxv) Add receipts of certain taxes imposed by departments, including licences imposed by the utility regulators such as OFGEM and OFTEL, which are netted-off in DEL but not in TME because all taxes and tax-like licences are treated as revenue in national accounts.
- (xxvi) Add certain fines imposed by departments that are netted-off in DEL but not in TME because all fines are treated as revenue in national accounts.
- (xxvii) Add penalties collected by local authorities in respect of certain parking and vehicle emissions offences which are netted-off in locally financed expenditure but not in TME because all penalties are treated as revenue in national accounts.
- (xxviii) Add those receipts of current donations which are netted-off in DEL but not in TME because all current donations are treated as revenue in national accounts.
- (xxix) Add those receipts of current compensation which are netted-off in DEL but not in TME because all current compensation is treated as revenue in national accounts.
- (xxx) Add receipts of rent of land since these are netted-off in DEL but not in TME because rent of land, along with other property income, is treated as revenue in national accounts.
- (xxxi) Add receipts of dividends and interest netted-off in DEL or departmental AME but not in TME because dividends, along with other property income, are treated as revenue in national accounts.
- (xxxii) Add expenditure by the Financial Services Authority, net of any sales of services. FSA is outside departmental budgets and is mainly financed by levies of the financial services industry, which are treated as revenue in national accounts.

Non-cash items in RAB

- (xxxiii) Deduct depreciation recorded in departmental budgets (see non-trading capital consumption above).
- (xxxiv) Deduct the cost of capital charge, movements in provisions, notional audit fee, and other non-cash items recorded in departmental budgets but not in national accounts. If the non-cash items relating to the release of provision are not deducted in that step it is necessary to add back **expenditure funded by the release of provisions** (except where the provisions remain in AME under SR2002 budgeting).

Accruals recording in RAB

- (xxxv) Subtract a figure equal to accruals minus cash as recorded under RAB in departmental budgets, and add a figure equal to accruals minus cash as recorded in national accounts. Both national accounts and RAB record expenditure on an accruals basis. Before 2001 the national accounts accruals were estimated using a variety of methods depending on the type of transaction. This is because, in many cases, there were no actual sources of accrued data. Under RAB accrued data have become available for central government expenditure. ONS started using the RAB accruals data from the summer of 2001.
- (xxxvi) Add the purchase of stocks, and subtract the sales of stocks, National accounts treats purchases and sales of stocks as capital expenditure. Under RAB purchases and sales of stocks are cash adjustments. RAB records as expenditure and income only the consumption of stocks or the production of goods for stocks.

Other accounting adjustments

- (xxxvii) **Finance leases:** add the capital value of assets and deduct the principal element of repayments on finance leases taken out by central government before 1 April 1996; and do the same for any central government finance lease or transaction that is in substance borrowing taken out after 1 April 1996 and which is exceptionally treated in DEL as though it was an operating lease.
- (xxxviii) **Privatisation programme** (applies to outturn years only): add current and capital expenditure on privatisations which is borne outside DEL.
- (xxxix) **DfID loan write-offs:** Deduct the costs of interest forgone by the Department for International Development in respect of debts forgiven under Retrospective Terms Adjustments arrangements which forms part of DfID's DEL but is not in TME.
- (xl) **PC grants to LAs:** deduct current grants to local authorities by public corporations financed by subsidies from general government. The subsidies are in DEL (outside support for LAs) and the LA expenditure is also in locally financed expenditure. In national accounts this is treated as a central government grant to local government and so does not add to TME.

- (xli) **Loan guarantees:** add the imputed subsidies for loan guarantees included in national accounts.
- (xlii) **ECGD debt write-offs:** add the UK government's top-up to the loan write-offs to heavily indebted poor countries agreed by the Paris Club. This top-up represents a gift rather than a forced write-off during the normal course of ECGD's business so is recorded as a capital transfer in national accounts.
- (xliii) **Reconciliation with ONS:** add, for outturn years, the residual difference between TME as measured by ONS for national accounts and as measured by Treasury sources. Differences can arise because of differences in the timing and sources of data.

ADJUSTMENTS AFFECTING THE SPLIT BETWEEN CURRENT AND CAPITAL EXPENDITURE

B.6 These adjustments have no impact on the sum of current and capital expenditure, and so are not shown in Table 1.13. They do however affect the split of total TME into current and capital expenditure.

- (a) Expenditure on military equipment that only has a military purpose, and is capital under GAAP rules, is recorded as capital expenditure in departmental budgets but treated as current expenditure in national accounts.
- (b) Departmental budgets record all expenditure on capital grants to local authorities as capital expenditure including those funded by the EC. This expenditure has to be deducted in moving to TME since it is regarded in national accounts as the EC's own expenditure, not UK Government's. It is deducted through the net EU contribution line in AME, but this is all treated as current expenditure. So to record government's own capital expenditure correctly it is necessary to have an adjustment that subtracts EC funded capital grants to LAs from total capital expenditure, and adds that amount to current expenditure.
- (c) The Department for International Development (DfiD) writes-off certain debts owed to it. This is recorded in DfiD's resource budget DEL since bad debts are recorded in the operating statement in resource accounts. In national accounts, writing off a debt is treated as a capital transfer. So it is necessary to have an adjustment to add DfiD write-offs to capital expenditure, and remove from current expenditure, for the TME split.
- (d) Under RAB, the resource budget includes the profit/loss, relative to book value, when capital assets are sold. National accounts records all of the sale price as a capital receipt. So it is necessary to have an adjustment that removes the profit/loss from current expenditure and adds it to capital expenditure. (Sign convention: if an asset were sold at a profit relative to book value this accounting adjustment would increase current expenditure (relative the amount recorded in budget) and reduce capital expenditure.)

NOTE ON CONSOLIDATION IN TOTAL MANAGED EXPENDITURE

B.7 Interest and dividend payments and receipts within the public sector are consolidated out. So TME scores only the public sector's interest and dividend payments to the private sector and overseas. The same is also true of other transfer payments such as current grants and capital grants, and rent.

B.8 The same is not true for transactions in goods and services and subsidies between general government and public corporations: these are not consolidated. General Government's purchases of services from, and subsidies to, public corporations and trading bodies score as public sector current expenditure. The public corporations' and trading bodies' receipts of these payments forms part of their Gross Trading Surplus which is on the revenue side of the public accounts.

APPENDIX C DEPARTMENTAL GROUPINGS

C.1 A number of tables in this publication present analyses by department. It is not possible to show figures for all individual government departments separately and so departments are grouped together in these analyses, broadly on the basis of Ministerial responsibilities. These groupings are set out below.

Title	Departments included
Education and Skills	Department for Education and Skills Office for Standards in Education
Health	Department of Health Food Standards Agency
Transport	Department for Transport Strategic Rail Authority Office of the Rail Regulator
Office of the Deputy Prime Minister	Office of the Deputy Prime Minister (except Local Government)
Local Government	Local Government – mainly block and transitional grants to English local authorities, the Greater London Authority, and Regional Development Agencies
Home Office	Home Office Charity Commission
Lord Chancellor's Departments	Lord Chancellor's Department Public Records Office Northern Ireland Court Service Land Registry
Attorney General's Departments	Crown Prosecution Service Serious Fraud Office Treasury Solicitor's Department
Defence	Ministry of Defence
Foreign and Commonwealth Office	Foreign and Commonwealth Office
International Development	Department for International Development
Trade and Industry	Department of Trade and Industry British Trade International Office of Fair Trading Office of Gas and Electricity Markets Office of Telecommunications Postal Services Commission Export Credits Guarantee Department
Environment, Food and Rural Affairs	Department of Environment, Food and Rural Affairs

	Forestry Commission Office of Water Services
Culture, Media and Sport	Department for Culture, Media and Sport
Work and Pensions	Department of Work and Pensions
Scotland	Scotland Office Scottish Executive and its departments Crown Office General Register Office for Scotland Registers of Scotland National Archives of Scotland
Wales	Wales Office National Assembly for Wales
Northern Ireland Office	Northern Ireland Office
Northern Ireland Executive	Northern Ireland Departments
Chancellor's Departments	HM Treasury Office for National Statistics National Savings Government's Actuary's Department HM Customs and Excise Inland Revenue Office of Government Commerce
Cabinet Office	Cabinet Office Central Office of Information House of Commons House of Lords National Audit Office Electoral Commission Privy Council Office Security and Intelligence Services Office of the Parliamentary Commissioner for Administration and Health Service Commissioners for England

MACHINERY OF GOVERNMENT CHANGES

Departmental groupings are on the basis of current departmental boundaries and names. There were some machinery of Government changes announced in 2002 leading to the creation of the Department for Transport (DfT) and the Office of the Deputy Prime Minister (ODPM). As a result of these changes, there are a number of differences between the departmental groupings used here and those used in PESA 2002–03. Departmental groupings are on the basis of current departmental boundaries and names. The changes do not change the total DEL over all departments. In all the tables in PESA the changes have been taken back in time to show what the spending of each department would have been had the new allocation of functions existed then. The main changes are shown below.

Department	Changes
ODPM	From DTLR Local Government Housing
DfT	From DTLR Transport
DTLR	No longer exists

APPENDIX D PUBLIC CORPORATIONS

D.1 This appendix groups current public corporations according to the departmental groups used in the statistical tables. Public corporations marked with an “S” are self financing public corporations; those marked with an “T” are trading funds; those with an “N” are NDPBs.

Departmental Group	Agency
Health	Medicines Control Agency (T) NHS Trusts (England) Estates Directorate
Transport	British Waterways Board Driving Standards Agency (T) Civil Aviation Authority Vehicle Inspectorate Driver and Vehicle Licensing Agency London Underground ⁽¹⁾
Office of Deputy Prime Minister	Queen Elizabeth II Conference Centre (T) Ordnance Survey
Local Government	Audit Commission Fire Service College
Home Office	Forensic Science Service
Lord Chancellor’s Departments	HM Land Registry (T)
Defence	Defence Science and Technology Laboratories Hydrographic Office (T) Meteorological Office (T) QinetiQ (S) NAAFI
Foreign and Commonwealth Office	BBC World Service
International Development	Commonwealth Development Corporation (S)
Trade and Industry	Companies House (T) Patent Office (T) British Nuclear Fuels Limited (S) Royal Mail (formerly Consignia) (S)
Environment, Food, and Rural Affairs	Covent Garden Market Authority Forestry Enterprise British Waterways Board

(1) See notes at end

Culture, Media and Sport	The Tote(s) Royal Parks Agency Historic Royal Palaces Agency British Broadcasting Corporation (S) Channel 4 (S) Welsh Channel 4
Work and Pensions	Remploy
Scotland	Caledonian MacBrayne Highlands and Islands Airports NHS Trusts Scotland Scottish Water Authorities
Wales	Welsh Development Agency NHS Trusts Wales
Northern Ireland (Office)	Laganside HSS Trusts NI Housing Executive NI Public Trust Port Authorities NI Transport Holding Company
Chancellor's Departments	Royal Mint (S) Crown Estate (S) Financial Service Authority Office of Government Commerce
Cabinet Office	Central Office of Information

Former public corporations reporting to central government departments not listed in table: Docklands Light Railway is now a public corporation reporting to Transport for London – a local authority.

The National Air Traffic Services is now a public private partnership classified to the private sector.

London Underground Limited will transfer to Transport for London (part of the GLA) during 2003.

Former PCs that are now part of central government include: Commission for New Towns, Housing Action Trusts, English Partnerships, Welsh Development Agency, Scottish Enterprise, Highland and Islands Enterprise, Scottish Homes.

APPENDIX E PUBLIC EXPENDITURE BUDGETING AND CONTROL AGGREGATES: DEPARTMENTAL EXPENDITURE LIMITS AND ANNUALLY MANAGED EXPENDITURE

E.1 This Appendix describes the budgeting and control regime under full resource budgeting (RAB stage 2) that was introduced for the 2002 Spending Review (SR2002). The key aggregates are Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME). DEL is split into resource and capital, and AME is split into Departmental and Other AME. DEL plus AME plus accounting adjustments together sum to Total Managed Expenditure (TME), an aggregate drawn from national accounts.

See last year's PESA for explanation of the previous budgeting rules (RAB stage 1) introduced for the 2000 Spending Review (SR2000), and under which spending was controlled in 2001–02 and 2002–03.

RESOURCE ACCOUNTING AND BUDGETING

E.2 Since 2001–02 departmental budgets have been set and monitored in resource terms, and Parliament votes resources as well as cash in the Supply Estimates. There are separate departmental budgets for resources and for capital expenditure. A transitional resource budgeting regime (RAB stage 1) was introduced in SR2000, and set budgets for 2001–02 to 2003–04. Full resource budgeting (RAB stage 2) was introduced in SR2002, which set budgets for 2003–04 to 2005–06.

Resource Budget

E.3 Under resource budgeting, current expenditure in DEL is called resource DEL – a title that reflects the fact that it now measures total resources consumed by a department. Resource DEL and Resource Departmental AME is known as a department's resource budget.

E.4 Resource accounts measure expenditure when it accrues rather than when the cash is spent. Resource budgets include non-cash costs such as depreciation, provisions and charges for bad debts in accordance with Generally Accepted Accounting Practice (GAAP).

E.5 The annual resource cost to departments of the assets it uses to deliver services is included in resource budgets. This cost is in the form of charges for capital consumed in that year (depreciation) and the opportunity cost of tying up capital in these assets (the cost of capital charge). The cost of capital charge is now 3.5 per cent of the net assets (fixed capital and financial assets, net of financial liabilities and provisions) employed by each department. (It was formerly 6 per cent. The reduction from 6 to 3.5 per cent was made for 2003–04, but has been treated as a classification change. Numbers are therefore presented as if a 3.5 per cent charge has always applied).

E.6 Resource budgets include the department's transactions with public corporations sponsored by the department (as recorded in resource accounts), and grants to local authorities. Resource budgets include capital grants to public corporations and the private sector, but capital DEL includes capital grants to local authorities (this is a temporary measure).

E.7 The resource budget is split into DEL and AME. The sum of departmental resource budgets is reconciled to public sector current expenditure (part of TME from national accounts) in Table 1.5.

Capital Budget

E.8 The capital budget is also split into DEL and AME components. The sum of departmental capital budgets is reconciled to public sector net investment in Table 1.6.

Two stage approach

E.9 Resource budgeting was introduced in two stages. In the transitional stage 1, introduced for SR2000, most of the non-cash items of resource budgets – such as depreciation, cost of capital charges and provisions – were included in AME rather than DEL. Most of these non-cash items moved into DEL for SR2002; there were some other changes to the budgeting regime to align it better with resource accounts. For example capital grants are now resource rather than capital and the budgeting for public corporations follows the resource accounting treatment.

Resource budgeting: some points to note

E.10 Both resource and capital budgets, and both DEL and AME, include costs as they are incurred – they measure accruals. They do not include prepayments for goods and services not consumed in that year but will include resources consumed but paid for later. Stock consumption scores in the resource budget while spending on adding to stocks does not.

E.11 Defence fighting equipment with no civilian use (sometimes called Single Use Military Equipment) is treated as capital expenditure, but national accounts treat it as current.

E.12 The resource expenditure of the Department for Health is adjusted to avoid counting twice the capital expenditure of NHS trusts that is financed by charges for services paid by the department. The adjustment equals the depreciation recorded in the accounts of NHS trusts.

E.13 The whole expenditure of non-departmental public bodies (NDPBs) is recorded as if it were the department's own expenditure, rather than recording just the grant paid to the NDPB. This remains a difference with the accounting treatment which just records the grant-in-aid.

DEPARTMENTAL EXPENDITURE LIMITS

E.14 Approximately 58 per cent of public expenditure (TME) by value is in DEL under full resource budgeting. But because AME includes a small number of large programmes, by far the majority of public expenditure programmes are in DEL. The programmes that are in AME are set out later in this section.

E.15 DELs are set for three years in a Spending Review. They represent firm plans for departmental spending that can only be increased in exceptional circumstances with Treasury's agreement through a claim on the DEL reserve. Departments can carry forward unspent DEL from one year to the next within the three year period. SR2002 set firm spending plans for 2003–04 to 2005–06.

E.16 DEL includes all running costs expenditure of Government departments and most of their other purchases of services. It includes grants and subsidies paid, including capital grants to public corporations and the private sector. For the FCO and DFID it includes an attributed share of the EC's expenditure on overseas aid and on the Common Foreign and Security Policy.

E.17 Capital DEL includes expenditure on fixed capital assets, capital grants to local authorities and the acquisition of certain financial assets acquired or sold for policy reasons. Capital DEL is net of the book value of receipts from the sale of capital assets. The profit/loss on asset sales is in resource DEL so that it aligns with the recording in the operating cost statement in resource accounts.

E.18 Capital DEL generally includes loans on the basis of new loans issued less repayments of loan principal, but part of public lending to students is treated as a grant in resource DEL on the basis of an assessment of the subsidy implied in the low interest rate charged and the bad debt provision that is needed. Actual lending to students is outside budgets.

E.19 DEL is net of certain receipts, mainly payments for services, asset sales, dividends, interest, rent of land, and also certain levies and fines where the Chief Secretary to the Treasury has given specific agreement for a department to retain in their DEL.

E.20 DEL includes a Reserve to meet unexpected needs, and the unallocated provision for the Invest to Save Budget, a challenge fund. When sums are allocated, from either Reserve or ISB, individual departments' DELs are increased and the Reserve/ISB lines reduced by the same amounts. Two other challenge funds, the Capital Modernisation Fund and the Policy Innovation Fund, have now been discontinued.

E.21 Non-Departmental Public bodies. DEL includes the expenditure of most non-departmental public bodies classified to the central government sector. The actual expenditure of NDPBs is recorded, rather than just the grant-in-aid from the parent department and the Reserve/ISB lines reduced by the same amounts.

E.22 Central Government Support for Local Authorities. DEL scores current and capital grants to local authorities. Capital DEL includes supported credit approvals (capital allocations in Scotland) given to local authorities by central government departments; they give the local authority permission to borrow to fund capital expenditure. More information on local authorities is in chapter 6.

E.23 Public Corporations. For most public corporations, DEL scores

- subsidies and capital grants paid to the public corporation by the department (resource DEL);
- dividends and interest received from the public corporation, and equity withdrawals (resource DEL);
- loans given to the public corporation, voted or NLF (capital DEL);
- a capital charge in respect of the department's loans and PDC invested in a public corporation.

E.24 For self-financing public corporations everything except the first item is in departmental AME rather than DEL.

NHS trusts and Forestry Enterprise have a different budgeting treatment. For them, DEL includes their operating profit/loss and their capital expenditure.

E.25 More information on the scoring of public corporations is given in Chapter 7.

ANNUALLY MANAGED EXPENDITURE⁽¹⁾

E.26 This part describes the components of AME, which may be divided into:

- Departmental AME, including non-cash items;
- Locally Financed Expenditure;
- Central Government debt interest;
- PC own-financed capital expenditure;
- Net payments to European Communities institutions.

The last four are collectively termed “Other AME”. There are also a substantial number of accounting adjustments, in order that DEL and AME spending should sum to TME.

Departmental Annually Managed Expenditure

E.27 Departmental AME programmes are set out in departmental reports, and are identified under this heading in Estimates. A programme is included in AME if it cannot reasonably be subject to firm three-year limits – as DEL is. Typically this is where the programme expenditure is demand-led, volatile, and is large in relation to the size of the department. But those are neither necessary nor sufficient conditions for inclusion in AME. Discretionary new spending programmes are always in DEL except where a special case can be made to demonstrate that treatment as AME is likely to deliver better control of expenditure.

E.28 The main programmes in Departmental AME are:

- Social Security Benefits;
- Tax credits classified as expenditure by Treasury following OECD guidelines;
- Housing Revenue Account Subsidies;
- Common Agricultural Policy expenditure funded by the EU;
- Net Public Service Pensions;
- National Lottery.

E.29 Other expenditure in Departmental AME includes:

- Export Credits Guarantee Department (part);
- Valuation Office – Beneficial Portion Payments;
- Some purchases of assets under finance leases since 1 April 1996;
- Redundancy Payments Scheme;
- Older Workers Employment Credit;
- Expenditure of certain levy-funded bodies;
- Acceptances of artworks in lieu of Inheritance Tax.

⁽¹⁾ The following section describes the components of AME, as set out in the budgeting presentation of AME under full resource budgeting (RAB Stage 2). The presentation under SR2000 budgeting (RAB Stage 1) differs in certain aspects, and is fully described in Appendix E of PESA 2002–03.

APPENDIX E PUBLIC EXPENDITURE BUDGETING AND CONTROL AGGREGATES: DEPARTMENTAL EXPENDITURE LIMITS AND ANNUALLY MANAGED EXPENDITURE

E.30 Under full resource budgeting (RAB stage 2) most non-cash costs are now in DEL. However, some non-cash items have remained in AME. These include:

- Cost of capital charge for the road network;
- Movement in provisions for nuclear decommissioning liabilities.

E.31 Social Security Benefits. Includes payments of social security and National Insurance benefits by the Department for Work and Pensions and the DSS (Northern Ireland). It includes central government support for certain social security benefits paid by local authorities, eg Housing Benefit. It also includes central government support for local authorities' payments of Council Tax Benefit.

E.32 Tax credits. Tax credits paid to households that are classified as public expenditure under OECD guidelines followed by Treasury in calculation of total taxes. Mainly tax credit payments to non-taxpayers, or otherwise in excess of total tax liability.

E.33 Housing Revenue Account Subsidies. Includes in England and Wales Housing Element subsidy paid to local authority council housing and central government support for local authorities' payments of Rent Rebates. In Scotland includes Housing Support Grant.

E.34 Common Agricultural Policy. Includes expenditure on the CAP in UK funded by the EU.

E.35 Net Public Service Pensions. This line comprises payments in respect of public sector occupational pensions schemes less relevant receipts. The main examples are the schemes for the civil service, armed forces, teachers and NHS staff.

E.36 The main unfunded public service pension schemes, following Financial Reporting Standard 17, report any increase in liabilities accrued in the period less contributions received from employers, employees and inward transfers. This line does not include an amount for the unwinding of the discount rate on the liability (which scores elsewhere in AME). For some small un-funded schemes information is not available on an FRS17 basis and these schemes report the difference between the cash paid out during the year and any contributions received.

E.37 Cash transfers for members' continuing pensions, lump sums, spouses' benefits and similar payments, and bulk and individual transfers out are all charged directly to the balance sheet.

E.38 Relevant receipts include employers' contributions (including accruing superannuation liability charges paid by departments to the Principal Civil Service Pension Scheme), employees' contributions for ordinary pensions (including widows'/widowers' pensions) and for added years and receipts of bulk and individual transfers in.

E.39 In addition, grants outside DEL to enable NDPBs in the central government sector with their own pay as you go pension schemes to make bulk transfer payments are recorded in this AME line.

E.40 Note that this line does not cover:

- pensions with a real pensions fund, eg local authority and most public corporations' pensions;
- the main police and fire pensions, which are run by local authorities;
- pensions of some NDPBs and other offices in the central government sector which operate their own pay-as-you-go pensions schemes – although the

intention is that these will eventually be recorded in the same way as the main schemes; and

- the increase in the liability due to the unwinding of the discount rate, which is scored under 'non cash' items (see E.42 below). The increase in the liability due the unwinding of the discount scores in non-cash items because there is no cost of capital credit recognised on the liability in scheme accounts, this credit would normally offset the increase. Therefore to score the just the increase without the credit would distort the numbers.

E.41 National Lottery. Expenditure on the six good causes funded from the proceeds of the National Lottery is in this line: the arts, sport, heritage, charities, projects to mark the Millennium and the New Opportunities Fund. This line also includes expenditure funded by the National Endowment for Science, Technology and the Arts, which had been set up by a grant from the National Lottery Distribution Board.

E.42 Non-cash items in AME. Consists of:

- non-cash items that have remained in AME, and not moved into DEL, under full resource budgeting, in particular the cost of capital charge for the road network and provisions for nuclear decommissioning liabilities;
- an amount in respect of the increase in the liability of pensions schemes due to the unwinding of the discount. (NB. FRS 17 scoring of public services pensions is being introduced in departmental accounts and budgets from 2003–04, but as a classification change for budgets – which means that figures for earlier years have been recalculated as if FRS 17 had applied).

Other AME

E.43 Locally Financed Expenditure. This line comprises the following items:

- Local Authority Self Financed Expenditure (LASFE) in the UK;
 - expenditure financed from the product of the Scottish Non Domestic Rate;
- and
- central government expenditure financed from the product of Northern Ireland Regional Rates (NIRR).

E.44 NIRR are set by the central government in Northern Ireland. The product is not hypothecated to financing specific expenditure. By convention it is treated in PESA as locally financed central government expenditure. The whole of the product of NIRR is treated as a transfer from AME into DEL. AME also records – as a payment for a service reducing TME – the element of NIRR that represents receipts of water charges.

E.45 LASFE is that part of total local authority expenditure not met by central government support. Its largest single financing component is the product of the Council Tax. Other components include the surplus in trading activities, interest receipts, investment grants from the EU, use of reserves and borrowing.

E.46 Net Payments to European Community Institutions. This line is mainly made up of the following components:

Import duties

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plus Agricultural & sugar levies

plus VAT contribution

plus GNP-based contribution (including payments to EC budget reserves)

less the UK's abatement

less receipts from the EC that come to or pass through government

less European Coal & Steel Community receipts

less receipt reflecting the cost of collecting tariffs & levies

plus net lending to the European Investment Bank

less attributed aid and Common Foreign & Security Policy, which are in DEL

E.47 Public Corporations' Own-Financed Capital Expenditure. This line comprises the capital expenditure of public corporations net of any capital grants or loans given by a PC's parent department. Excludes NHS trusts and Forestry Enterprise which have a different budgeting regime.

E.48 Central Government Debt interest. All interest paid to other parts of the public sector is now excluded from this line – a change from last year's PESA so the corresponding accounting adjustment is no longer needed. The capital uplift on index-linked gilts is scored as interest at the time it accrues. This line includes the amortisation of discounts/premia on gilts at issue.

AME Margin and Accounting Adjustments

E.49 AME Margin. The AME Margin is an allowance for estimating changes.

E.50 Accounting adjustments are described in Appendix B.

TOTAL MANAGED EXPENDITURE

E.51 TME is an aggregate drawn from national accounts. It covers the current and capital expenditure of the public sector, net of some receipts. So it includes expenditure of central and local government and also of public corporations. TME excludes grants and interest payments between parts of the public sector – it is a consolidated measure. TME does not include financial transactions. So TME is the expenditure side of the equation that gives Public Sector Net Borrowing, the government's preferred measure of the fiscal stance.

E.52 TME equals DEL + AME + accounting adjustments

APPENDIX E PUBLIC EXPENDITURE BUDGETING AND CONTROL AGGREGATES: DEPARTMENTAL EXPENDITURE LIMITS AND ANNUALLY MANAGED EXPENDITURE

E.53 In addition, TME may be expressed as the sum of:

- Public Sector Current Expenditure
- Public Sector Net Investment
- Public Sector Depreciation

APPENDIX F EXPENDITURE ON SERVICES

F.1 The tables in Chapters 3 and 4, which show public expenditure disaggregated by function and by economic category, and the tables in Chapter 8, which show public expenditure by country and by region, all focus on total **expenditure on services**. This is a definition of expenditure that is consistent with TME⁽¹⁾ but excludes certain items. It excludes debt interest payments, the net public sector pensions line in the standard AME table (see eg Table 1.3) and most of the accounting adjustments in Other AME.

Alternatively, building up from the components of TME, expenditure of services is equal to DEL plus Departmental programmes in AME (but not non-cash items), (see Appendix E), except for Net Public Service Pensions, plus Net Payments to EC Institutions, plus Locally Financed Expenditure plus certain accounting adjustments in Other AME.

F.3 In more detail, **Expenditure in Services** is defined as:

- spending in Departmental Expenditure Limits (except non-cash items)
- + spending in Departmental AME (except non-cash items)
- net public service pensions
- + net payments to EC Institutions
- + locally financed expenditure
- + public corporations' own-financed capital expenditure
- + accounting adjustments to remove all debt interest flows from DEL and AME
- + accounting adjustments to deduct financial transactions from DEL and AME, except for the subsidy and bad debt element of student loans
- + accounting adjustments to remove the dividends and interest paid by public corporations recorded in DEL and AME (and profit/loss, where included)

F.4 Alternatively, expenditure on services can be defined in terms of the current and capital expenditure of spending sectors as:

Central government own current expenditure in DEL, other than debt interest and non-cash items

- + Central government own current expenditure in Departmental AME, other than debt interest and public service pensions (net of receipts) and non-cash items
- + Central government subsidies to public corporations
- + Subsidy and bad debt element of student loans
- + Local authorities current expenditure, other than debt interest
- + Central government gross capital expenditure (net of asset sales)
- + Local authorities gross capital expenditure (net of asset sales)
- + Public corporations gross capital expenditure (net of asset sales).

⁽¹⁾ Total Managed Expenditure (TME) is a measure of public sector expenditure drawn from components in national accounts produced by the Office of National Statistics (ONS).

APPENDIX G GLOSSARY OF TERMS

Within an explanation of a term, words in bold are themselves explained elsewhere in the glossary.

Accounting adjustments are certain items of expenditure that account for the difference between TME and the sum of DEL, **Departmental AME** and **Other AME** (see Appendix E, paras E.26 ff). TME is drawn from national accounts. However there are certain components in **national accounts** which are not included in the **resource and capital budgets** that form the basis of planning and control of departmental spending under resource budgeting, and there are some items in resource budgeting aggregates that are not part of TME. These items form the accounting adjustments and include the non-cash items in resource accounts; certain VAT refunds to public bodies; net contributions to the EC; tax credits; and adjustments for **public corporations**, interest, **financial transactions** and some types of receipts (Appendix B has full details).

Accruing Superannuation Liability Charges (ASLCs) are payments made by all government departments to departments paying public sector occupational pensions. The payments represent an actuarial assessment of the accruing discounted future cost of public expenditure on pensions, arising from the current employment of staff. They are included in DEL.

Administration costs – the gross costs of a department's administration. It includes the pay of civil servants and members of the Armed forces engaged in support activities, and all associated expenditure such as accommodation, travel, and training. It excludes programme expenditure, which is procurement of goods and services delivered directly to the public (such as the purchase of services from NHS trusts), and transfer payments such as social security and subsidies.

Aggregate External Finance (AEF) is central government support for expenditure on local authority main services. It comprises **Revenue Support Grant (RSG)**; distribution of **national non-domestic rate (NNDR)** receipts; and various specific and special grants which fund part of the current expenditure on a specific service or activity. AEF does not include central government support for rent allowances or mandatory student awards; nor does it include the cost of VAT refunded to local authorities on their non-business operations.

Annually Managed Expenditure (AME) is spending included in **Total Managed Expenditure** which does not fall within **Departmental Expenditure Limits (DELs)**. Expenditure in AME is generally less predictable and controllable than expenditure in DEL. **Departmental AME** is spending in AME which is scored in departmental budgets.

AME Margin is an unallocated margin on total AME spending included for prudential reasons.

Appropriation accounts reported outturn expenditure on a cash basis in the previous financial year for each **Vote**. Under resource accounting, from 2000-01 they were replaced by **Resource Accounts**.

Appropriations in aid are departmental receipts that are retained by departments and used to offset related expenditure. Typically they are receipts arising from the sale of goods and services.

Assets can be either financial or non-financial.

Financial assets include monetary gold, bank deposits, IMF Special Drawing Rights, loans granted, bonds, shares, accounts receivable, and the value of the government's stake in public corporations.

Non-financial assets consist of fixed capital (such as buildings and vehicles); stocks; land and valuables.

Basic Credit Approvals (BCAs) are given by central government to local authorities and represent the amounts that each local authority is allowed to borrow to finance capital expenditure. BCAs are not linked to any specific service.

Billion – a thousand million

The **Blue Book** is a publication by ONS that presents **national accounts**.

Capital consumption is also called **depreciation** and represents the amount of fixed capital used up each year.

Capital Budget is that part of DEL that covers **capital expenditure**. It includes gross capital formation, net acquisition of land and the net acquisition of **financial assets** acquired for policy purposes (net lending). The capital budget includes capital grants to local authorities (treated as resource expenditure in accounts and **Estimates**) and military capital equipment treated as current in **national accounts**.

Capital expenditure can be understood in several ways.

In **national accounts** capital expenditure is usually understood to mean capital formation, the net acquisition of land, and expenditure on capital grants.

Capital formation is expenditure, net of sales, on fixed assets (such as buildings, vehicles and machinery) and net stock building, and can be measured gross or net of **depreciation**. Fixed assets are assets that can be used repeatedly to produce goods and services and generally last more than one year. Sometimes a minimum cost threshold (say £1,000) is applied to further define capital assets. There are some borderline cases: for example in national accounts all assets with a purely military use are defined as current; but assets that can be used for civil and military purposes count as capital. Certain types of significant computer software development are treated as capital expenditure.

Net investment is public sector capital expenditure, as defined above, net of depreciation.

Under **resource accounting**, and in various presentations of local authority finances, capital expenditure also includes loans that are given and the net acquisition of shares. In other words it includes the net acquisition of financial assets that are acquired for policy reasons rather than managing the government's funds. Such policy lending also generally scores in DEL, in the capital budget, but is removed in TME in the accounting adjustments.

Some presentations of the capital expenditure of central government, and capital DELs, include **credit approvals** given to local authorities.

Capital expenditure includes the value of assets acquired under finance leases.

In-house development of assets such as computer software and databases can be capitalised in government accounting provided certain conditions are met. It is sometimes called “own account capital formation”

Capital grants (also called investment grants) are payments given by government conditional on the recipient using the funds for capital formation (for example: building a school or factory or buying a milking machine). Capital grants are also used in national accounts to record debt write-off by government. In such cases two transactions are recorded: a capital grant from government to the debtor; and the repayment of debt by the debtor. Capital grants are treated as current expenditure in resource accounts and Estimates. Under full resource budgeting, capital grants to public corporations and the private sector are included in the resource budget, but capital grants to local authorities remain under the capital budget.

The **Capital Modernisation Fund (CMF)** was a challenge fund from which departments could bid for provision to support capital projects aimed at improving the quality of public service delivery (see also **Invest to Save Budget**). The CMF was not allocated to any specific department when public expenditure was being planned. The CMF was discontinued in the 2003 Budget, and the remaining unallocated amounts were removed from DEL.

Central Government is a sector in **national accounts**. It comprises Parliament; government departments and their executive agencies; the devolved assemblies of Scotland and Wales; Northern Ireland departments; government funds such as the **National Loans Fund**; the foreign exchange official reserves; non-departmental public bodies; and various other public bodies that are controlled and mainly financed by central government. Central Government does not include **public corporations**, nor does it include some non-profit institutions that receive significant government funding – such as universities, further education colleges, and housing associations – this is because they are not considered to be controlled by government and so belong in the private sector.

Classification changes are changes in the way items of public expenditure are recorded, rather than an actual change in the amount of cash spent or resources consumed. Classification changes can increase or decrease the recorded level of public expenditure.

The **Code for Fiscal Stability** set out the fiscal policy framework and gave it a statutory basis in the 1998 Finance Act. It has five principles: transparency, stability, responsibility, fairness and efficiency.

The **Comprehensive Spending Review (CSR)**, which reported in July 1998 and set spending plans for the three years 1999–00 to 2001–02, was the first new style Spending Review and replaced the system of annual Public Expenditure Surveys.

Consolidated Fund is the Government’s main account with the Bank of England. Most of central government’s expenditure is financed from this fund, and most taxes and other receipts are paid into it.

Consolidated Fund Extra Receipt (CFER) is a receipt by a government department that it has to pay into the **Consolidated Fund** rather than keep to help finance its own expenditure. For example, most fines levied by Crown Courts are treated this way.

The **Control Total** was the principal aggregate measure for public expenditure budgeting and control used over the period from 1993 to 1999. It covered around 85 per cent of public spending. It was replaced as a budgeting and control measure by **DEL** and **AME** from 1999–00.

Cost of capital charge is an annual non-cash charge applied to each department's budget. It is now 3.5% of the net assets of the department and is used to make departments aware of the full cost of holding assets. Up until now, the charge has been levied at a rate of 6%, but was reduced to 3.5% with effect from 2003–04. This change in rate was effected as a **classification change**, and therefore back years data have been reworked as if the charge had been at 3.5% throughout.

Credit approvals are given by central government to local authorities and represent the amounts that each local authority is allowed to borrow to finance capital expenditure. There are two types Basic Credit Approvals (BCAs) – for any sort of capital expenditure) – and Supplementary Credit Approvals (SCAs) – for particular projects or services. Supported credit approvals are those where current grants to LAs are increased to finance the borrowing. Unsupported credit approvals carry no promise of future government support and score in AME.

Criminal Justice System – part of the work of the legal departments.

Cross departmental reviews were established in SR2000. They concern policies that cannot be delivered by a single government department or agency.

Current Budget is current expenditure included in DEL under cash budgeting.

Current expenditure on goods and services is the sum of expenditure on pay, and related staff costs, plus spending on goods and services. It is net of receipts from sales. It excludes capital expenditure, but includes expenditure on equipment that can only be used for military purposes since that is counted as current expenditure. It differs from final consumption in that capital consumption is not included.

Departmental AME is spending that is outside of DEL, but included in departmental budgets. Main categories include social security benefits, housing subsidies, common agricultural policy spending and tax credits.

Departmental Expenditure Limits (DELs) are firm plans for three years for a specific part of a department's expenditure. In general the DEL will cover all running costs and all programme expenditure, except in certain cases where spending is included in departmental AME because it cannot reasonably be subject to close control over a three year period. DELs are divided into current and capital budgets. Under full resource budgeting (RAB Stage 2), DEL also includes most non-cash items such as depreciation, cost of capital charges, and provisions.

Departmental Investment Strategy (DIS) is a statement by each department setting out its long term strategic plans for investment, the condition and suitability of its existing asset base, and the systems that will ensure value for money in delivery.

Departmental running costs are now called administration costs and the gross costs of a department's administration. It includes the pay of civil servants and members of the Armed forces engaged in support activities, and all associated expenditure such as accommodation, travel, and training. It excludes programme expenditure, which is procurement of goods and services delivered directly to the public (such as the purchase of services from NHS trusts), and transfer payments such as social security and subsidies.

Departmental Unallocated Provision (DUP) is an amount that a department keeps within its budget to meet unplanned increases in spending, and so does not allocated to any particular programme at the start of a year.

Depreciation is also termed **capital consumption**. TME includes public sector capital expenditure gross of the depreciation of capital assets used to produce non-market services. Public sector net investment deducts an aggregate charge for all depreciation (market and non-market) from gross capital spending.

The **Economic and Fiscal Strategy Report (EFSR)** was first published by HM Treasury in June 1998 and describes the Government's fiscal policy. It now appears together with the **Financial Statement and Budget Report (FSBR)** in a single Budget document published on Budget day (sometimes called the Red Book)

Economic Categories. These represent classifications in national accounts and are one of the categories used to collect data from government departments on their expenditure. The main categories in TME are:

- Pay
- Other current expenditure on goods and services
- Subsidies
- Current grants to the private sector
- Current transfers abroad
- Current grants to local authorities, includes distribution of non-domestic rates
- Net capital expenditure on assets
- Capital grants to local authorities
- Other capital grants

Employment Opportunities Fund (EOF) replaced Welfare to Work spending financed out of the windfall tax in the 2000 Spending Review, that was previously included in the 'Welfare to Work' DEL. The EOF was subsequently wound up and is no longer part of the budgeting regime.

End Year Flexibility (EYF) is the set of rules by which departments are allowed to carry forward unspent budget from one year to the next.

Estimates – see **Supply Expenditure**

The **European System of Accounts 1995 (ESA95)** is the system used by ONS for measuring and presenting UK **national accounts**. The system is compulsory for EU member states reporting economic statistics to the EU Commission. ESA95 is consistent with the earlier System of National Accounts 1993 (SNA93) which was developed by a number of international organisations and is being introduced throughout the world.

The **Exchange Equalisation Account (EEA)** is the government's account at the Bank of England that holds the official gold and foreign currency reserves.

External Finance limits (EFLs) were limits imposed by government on a public corporation's EFR under cash accounting. EFLs are no longer used.

The **External Finance Requirement (EFR)** of a public corporation was measured as the lending, specific subsidies and capital grants given to it by government; plus the corporation's borrowing from commercial sources and its run-down of financial assets such as bank deposits. Subsidies and capital grants that were generally available to all businesses (such as under the welfare to work programme or regional selective assistance) were not included as external finance but regarded as part of the corporation's internal resources. EFRs are no longer used for budgeting.

Excessive Deficit Procedure (EDP) is part of the **Maastricht Treaty**. It requires EU member states to keep their **general government net borrowing** below 3% of GDP and **general government gross debt** below 60% of GDP.

The **fiscal framework** is part of the government's policy for public finances and is based on the golden rule and the sustainable investment rule:

The **Financial Statement and Budget Report (FSBR)** is published each year by the Treasury on Budget day. It has been known as the Red Book. Since 1999 it has been published alongside the **Economic and Fiscal Strategy Report** in a single Budget document.

Financial transactions are payments and receipts relating to changes in holdings of financial assets or liabilities. Financial assets entitle their owners to unconditional financial claims on the units that have the liability (except for gold where there is no liability on another unit). Government's financial liabilities include Treasury Bills, British Government securities (gilts); loans received; deposits accepted for example in respect of National Savings; and accounts payable such as for goods received but not yet paid for. Government's financial assets include bank deposits; monetary gold; foreign currency held; bonds and shares owned; loans given; accounts receivable in respect of, for example, taxes accrued but not yet paid; public dividend capital and the value of government's other stakes in **public corporations**. Physical assets such as buildings and land are not financial assets. Transactions in some financial assets are undertaken to manage cash flows for example movements in bank deposits; but some are undertaken to further a policy such as lending to students or selling shares in public utilities. These types of financial transactions are sometimes called policy lending and if undertaken by a department are normally included in its DEL.

Fiscal Policy is the set of decisions made by government that determines the levels of taxes and public expenditure. See also the **Code for Fiscal Stability** and the **Fiscal Framework**.

General Government is the consolidated combination of the central and local government sectors in national accounts.

General Government Expenditure (GGE) is the consolidated sum of the current and capital expenditure, and net lending, of central and local government. It has now been superseded by TME as the Government's preferred measure of aggregate public expenditure.

The **Golden Rule** states that, on average over the economic cycle, the government will borrow only to invest and not to fund current expenditure. This means that, over the cycle, the **surplus on current budget** must not be negative. It is one of the Government's two fiscal rules underpinning its fiscal policy.

Grants are unrequited payments to individuals or bodies. In national accounts current grants to persons are called social benefits; and those to trading businesses are called subsidies. See also "**capital grants**".

Grants in aid are grants voted in **Estimates** to a particular organisation where any unspent amount at the end of the year does not have to be returned to the **Consolidated Fund**. Many NDPBs are funded this way.

Gross Domestic Product (GDP) (at market prices) is the value of goods and services produced in the UK. "Gross" means there is no deduction for capital consumption (depreciation). Economic data are often quoted as a percentage of GDP to give an indication of trends through to time and to make international comparisons easier.

The **Guaranteed Export Finance Corporation (GEFCO)** is a body that refinances Export Credit Guarantee Department (ECGD) loans to exporters. Its borrowing and lending count as part of central government's in national accounts.

The **Housing Revenue Account (HRA)** is the aggregation of the current income and expenditure of local authority social housing provision. The surplus of income (including rent rebates and subsidies paid by other parts of government) over expenditure is treated as a trading surplus on the revenue side of the aggregate local government account. This means that the current expenditure of local authority housing departments is not included in TME. The cost of rent rebates and subsidies are included in TME; they are within the AME lines for social security benefits and HRA subsidies.

The **Invest to Save Budget (ISB)** is a challenge fund from which departments can bid for provision to support extra capital expenditure. It is within DEL but not allocated to any department at the planning stage. It is allocated to projects that involve different parts of the public sector working together to improve service delivery and cut costs.

Local Authority Self-Financed Expenditure (LASFE) is aggregate local government expenditure, less its receipts of government grants including distribution of NNDR in England and Wales. It represents local government expenditure financed from local resources such as council tax, borrowing, trading surpluses, investment income, and use of reserves.

Locally Financed Expenditure (LFE) is LASFE plus expenditure financed by non-domestic rates in Scotland and Northern Ireland Regional Rates (NIRR).

Local Government is a sector in national accounts. It comprises all local authorities in the UK including county councils, London boroughs, metropolitan districts; parish councils, police and fire authorities, residuary bodies, passenger transport authorities, Transport for London; and the elected Assembly for London.

National Accounts: this is a statistical system that represents the UK's economic transactions. The system provides a number of key economic statistics including **Gross Domestic Product (GDP)**, consumers' expenditure, the balance of payments with the rest of the world, and the public sector balances used in the **Code for Fiscal Stability**.

National Health Service (NHS) Trusts are public corporations that sell health services to regional health authorities, GP fund holders and other health service procurement bodies.

National Non-domestic rates (NNDR) is a tax that contributions towards the cost of local government services paid by the occupiers of non-domestic property, principally businesses. The bill for a property depends on its rateable value and the poundage. The poundage is set by central government at a common rate over Great Britain – sometimes called the Uniform Business rate (UBR). Most NNDR is collected from businesses by local authorities and then paid into a central government pool. Some large businesses with national activity (such as utility companies) pay directly into the pool (the Central List); government departments (the Crown List) also pay directly into the pool through what are called Contributions in Lieu of Rates (CILOR). The pool is distributed back to local authorities in proportion to their population and is scored in expenditure as a central government grant to local authorities. This grant is in DEL for England and Wales, but in Other AME (Locally Financed Expenditure) for Scotland.

NHS Trust Debt Remuneration is the interest paid to central government by NHS trusts in respect of the debt assumed by Trusts when first established and taking ownership of their capital assets.

The **National Insurance Fund** is the statutory fund into which all National Insurance contributions are paid and from which expenditure on contributory social security benefits is met.

The **National Loans Fund (NLF)** is a Government account with the Bank of England set up under the National Loans Fund Act 1968. All government borrowing and nearly all lending transactions are handled through this fund.

Nationalised industries were a subset of public corporations which included the Post Office, London Transport and the privatised utilities. The term is no longer used.

The **National Lottery Distribution Fund (NLDF)** is a central government fund that receives a proportion of national lottery ticket sales (treated as a tax in national accounts) and distributes money to good causes (treated as central government expenditure in AME).

Net lending has two meanings.

In national accounts it is the balance of the capital and financial accounts and is often quoted with sign reversed as “net borrowing” – which is sometimes called the government deficit.

In this publication net lending is more likely to mean lending by government net of any repayments of previous lending. It includes transactions in shares – so for example privatisation receipts count as negative net lending. Government lends to students, some industries such as aerospace, public corporations, local authorities, to some overseas governments and to some international bodies that supply foreign aid.

New tax credits are the Working Tax Credit and Child Tax Credit. They replace existing personal tax credits from 2003–04. New tax credits score as **TME** (Departmental AME), when the amount paid exceeds the tax liability of the household, but as negative tax when the amount paid is less than or equal to the tax liability of the household.

Non-cash items refer to various notional transactions that appear in the **operating cost statement** under RAB. (The unwinding of the discount on public sector pension scheme liabilities under **FRS17** is also included under non-cash items in AME.) Under full resource budgeting (RAB Stage 2), most non-cash items are in DEL, but some are in AME (including the interest charge on public sector pension scheme liabilities).

Operating Cost Statement

This is the statement in departmental resource accounts that shows the current income and expenditure of the department on an accruals basis. It is similar to the profit and loss statement in commercial accounts.

Outturn and **estimated outturn** describe expenditure actually incurred, or estimated on the basis of actual expenditure to date.

Non-Departmental Public Bodies (NDPBs) are generally central government bodies with day to day autonomy in their management and financial matters, and usually funded through grant in aid. A list can be found in the Cabinet Office publication “Public Bodies”.

The **Office for National Statistics (ONS)** is the government department that produces many official statistics such as the national accounts. ONS decides classification issues for national accounts.

Pay includes salaries, employers’ National Insurance Contributions, and accruing pension costs (actual or imputed).

The **Private Finance Initiative (PFI)** is a system for providing capital assets for the provision of public services whereby, typically, the private sector designs, finances, builds, and maintains infrastructure, and other fixed capital assets, and then operates those assets to sell services to the public sector. In most cases the capital assets are accounted for on the balance sheet of the private sector operator.

Privatisation proceeds are the receipts from the sale of shares, other securities and debt, in public corporations that were sold as part of the privatisation programme. The proceeds are recorded as negative net lending. A corporation is said to be privatised when it is no longer controlled by government: in such cases it is classified to the private sector.

Public corporations are publicly controlled trading bodies with substantial financial independence from central and local government, including the powers to borrow and to maintain reserves. To be classed as trading they must receive the majority of their income from sales into a market, rather than grant funding from government. They include Royal Mail; National Health Service Trusts; central government trading funds such as the Meteorological Office and Companies House; and broadcasters such as BBC and Channel Four.

Public Dividend Capital (PDC) is a form of long-term government finance for some **public corporations**. The government receives a return in the form of dividends rather than fixed interest payments. It suits corporations that are profitable but whose profits vary from year to year depending on trading conditions.

Public expenditure is spending by public bodies. The definition of aggregate public expenditure most frequently used in this publication is **Total Managed Expenditure (TME)**. There are alternative definitions of total public expenditure such as **General Government Expenditure (GGE)** and General Government total outlays as used by the European Statistical Office (Eurostat). These three measures are all shown in ONS's **Blue Book**.

Public Expenditure Survey (PES) was the annual review of public expenditure plans conducted each autumn up until 1996, and which reported in the autumn statement (up to 1992) and then in the Budget from 1993 to 1996. They have now been replaced by the less frequent **Spending Reviews** which set firm plans for three years ahead. The most recent Spending Review reported in July 2000 and set spending plans for the years 2001–04.

Public Private Partnerships (PPPs) are arrangements whereby, typically, the public sector and private sector form joint ventures to improve the efficiency of public sector operations. They can be classified in national accounts to either the public or private sectors depending on who has the most control over the PPP.

The **Public Sector** comprises general government and public corporations.

Public sector current expenditure:

is the sum of the current expenditure of general government and some property income (interest and rent) paid by public corporations to the private sector and abroad;

does not include expenditure incurred in producing goods and services for sale. (The surplus of sale receipts over operating costs for **public corporations**, and for general government bodies that produce goods and services for sale, is scored as a public sector receipt and does not affect the expenditure measure);

is net of certain receipts such as: grants within the public sector; interest flows within the public sector; receipts of contributions to public sector occupational pension schemes; receipts of grants from abroad including the EU abatement;

includes non-trading capital consumption. This is the **depreciation** of the fixed assets of public bodies that mostly produce goods and services that are not sold (so it excludes those assets used to produce goods and services for sale: this applies to the all assets of **public corporations** and some general government assets notably local authority housing).

Public sector net investment is public sector **capital expenditure** less **depreciation**.

Public Sector net borrowing is the difference between public sector receipts and expenditure as measured by **national accounts**. It also equals the net balance of the public sector's net acquisition of financial liabilities less its acquisition of financial assets. Negative net borrowing is sometimes called **net lending**. Data imprecision means that the different ways of measuring net borrowing never give exactly the same answer. The difference is called the statistical discrepancy in **ESA95** (it used to be called the balancing item).

Public Sector Net Debt is the sum of the public sector's financial liabilities at nominal value, less its liquid financial assets.

The **Public Sector Surplus on Current Budget** is the difference between the public sector's current receipts (including capital taxes) and its current expenditure (including **depreciation**). It is the key fiscal balance underlying the operation of the **Golden Rule**.

Public Service Agreements (PSA) were first published in 1998 following the **Comprehensive Spending Review**, and set, for each department, explicit aims, objectives and targets to be achieved with the funding provided.

Real terms figures are amounts adjusted for the effect of general price inflation as measured by the GDP market price deflator.

Receipts from fees and charges. General Government final consumption in national accounts, and departmental expenditure for budgeting purposes, are measured net of receipts from certain fees and charges such as sales of publications and medical prescription charges. To be treated in this way two conditions must hold:

- a) there is a clear and direct link between the payment of the fee and the supply of goods or services to the payer of the fee (for this purpose, the supply of a service can include testing an ability, eligibility or quality);
- b) the size of the payment is related to the cost of supplying the goods and services, such that the government is not exploiting a monopoly function to raise revenue. If the receipts do exceed the cost significantly the payments are treated as taxes. In some cases the payment is split between a sale and a tax.

There are a few receipts which in national accounts are not netted off public expenditure but which are netted off in departmental expenditure budgets from either **DEL** or departmental **AME**.

Receipts taken into account (RTIA) are local authority receipts from asset sales that are used in the calculation of the credit approval given to the authority.

Request for Resources replaced votes in the Estimates presented to Parliament that ask for permission for departments to spend. They show the resources required by each department based on **RAB**, rather than cash, concepts.

The **Reserve** is an amount within **DEL**, not allocated to departmental programmes, which provides a margin to cover policy changes, new initiatives, unexpected events, and revisions to some demand led programmes. The **AME margin** is a similar concept within **AME**.

Resource accounting is the accounting system used to record expenditure in departmental accounts. It applies generally accepted accounting practice (**GAAP**) to departmental transactions. Spending is measured on an accruals basis.

Resource budget is the sum of a department's resource **DEL** and resource **AME**. It is the budget for current expenditure on an accruals basis.

Resource budgeting is the budgeting regime based on resource accounting introduced for the spending plans set in the 2000 Spending Review and which has been used for in-year spending control from 2001–02. It is derived from resource accounting rules, but there are a few differences in treatment between resource accounts and resource budgets.

Resource outturn is the actual expenditure corresponding to approval for expenditure voted in a Request for Resources.

Revenue Support Grant (RSG) was called the **rate support grant** up to 1990. It is an unhypothecated current grant from central government to local authorities.

Running cost receipts are departmental receipts arising from charging other departments or outside bodies for activities whose cost fall within the ambit of departmental administration costs.

Self-financing public corporations are a group of public corporations that are usually profitable, trading largely with the private sector, and not essentially regulatory in nature. Central government support, other than grants and subsidies, scores in the sponsoring department's **departmental AME**, rather than in their **DEL**. They include British Nuclear Fuels Limited, The Tote, Commonwealth Development Corporation, Royal Mail, QinetiQ, Channel Four Television, Crown Estates and Royal Mint. For budgeting purposes the BBC is treated as a self-financing public corporation.

Service Delivery Agreements (SDA) are published by departments and set out in detail how **PSAs** will be delivered, including operational plans and modernisation commitments.

Spending sectors are from a recording system that identifies which sector is making the expenditure and how it scores in public expenditure aggregates.

Spending Reviews set **DELs** and plans for **AME** for the following three years. They have replaced the annual **PES**, and are held at less frequent intervals. The first was the **CSR** in 1998. **SR2000** reported in July 2000 and set spending plans for the years 2001–04. The most recent, **SR2002**, reported in July 2002, and set plans for 2003–06.

Standing Services are payments for certain services that Parliament has decided by statute should be met directly from the **Consolidated Fund** (eg, salaries and pensions of judges).

Stock-building (also known as the net acquisition of inventories) is the value of the physical increase in stocks, and in government accounts relates mainly to agricultural stocks held by the Intervention Board.

Subsidies are payments by government and the EU to trading businesses to help pay for current costs. For example: payments to farmers under the EU's Common Agricultural Policy; payments to train operating companies to run less profitable services; and payments to banks to help them fund export finance.

Supplementary Credit Approvals are given by central government to local authorities and represent the amounts that each local authority is allowed to borrow to finance specific capital expenditure projects

Supply expenditure is expenditure financed by money voted by Parliament in the annual **Supply Estimates**: also termed **Voted in Estimates**.

The **Sustainable investment rule** is one of the two fiscal rules underpinning the Government's fiscal policy and states that public sector net debt as a proportion of GDP will be held at a stable and prudent level.

Total Managed Expenditure is a definition of aggregate public spending derived from national accounts. It is the consolidated sum of current and capital expenditure of central and local government, and public corporations. TME is the sum of DEL and AME.

Trading bodies are publicly owned trading businesses.

Public corporations are trading bodies.

There are also some trading bodies which are closely integrated within **general government** and do not have enough independence to be classified as a **public corporation**. They are not able to hold reserves, as distinct from working balances, and they are required to account for their expenditure annually. Their **capital expenditure** is included in public expenditure measures, but their current expenditure and current receipts are including as a revenue item called gross trading surplus. In national accounts they are the market activity of non-market units. ECGD is the only Central Government example. In the local government sector, examples are housing, theatres and sports facilities.

Trading Funds have financing frameworks that allow them to establish reserves from trading surpluses and meet outgoings without the cash flows passing through votes. Generally they cover their costs from trading receipts. In **national accounts** they are treated as public corporations.

VAT refunds are given to departments in relation to payments for contracted out services to remove a disincentive to contracting out services which might otherwise have been performed in-house.

A **Vote** was an individual Supply Estimate. Under RAB, from 2001, votes have been replaced by **Requests for Resources**.

Welfare to Work was a spending programme covering current and capital expenditure on a wide range of social initiatives that was funded from receipts from the **windfall tax**.

Whole of Government Accounts (WGA) will be a set of consolidated financial statements, based on Generally Agreed Accounting Practice in the UK (UK GAAP), covering the whole of the UK public sector.

The **Windfall Tax** was levied on privatised utilities in December 1997 and 1998 raising £5.2 billion.

The **Working Families Tax Credit (WFTC)** and the **Disabled Persons Tax Credit (DPTC)** are adjustments to employee pay packets to give more pay to low earners. The payments are recorded as social benefit expenditure in **national accounts**, with the income tax being recorded gross. In the presentation of public expenditure in PESA, a distinction is made between tax credits that are less than or equal to the tax liability of the household, and tax credits that exceed the tax liability of the household. The latter score as Departmental AME; the former are included in the accounting adjustments. See also **new tax credits**, which replace WFTC and DPTC from 2003–04.



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