



Public Expenditure

Statistical Analyses 2001–02

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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 Supply Estimates (HC 348) and Departmental Reports (Cm 5102 to 5123). Further information on each government department's spending plans are available in the individual Departmental Reports. PESA includes analyses of public spending by function and economic category of expenditure, and by country and region, as well as full details of spending by department and grouped by budgetary control aggregates.

2000 SPENDING REVIEW AND RESOURCE BUDGETING

The 2000 Spending Review was the first to be conducted under resource accounting and budgeting, where resource and capital spending are measured when the resources are consumed, rather than when they are paid for. The government's spending plans from 2001-02 onwards are now set on a resource basis. Expenditure up until 2000-01 remains 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 typically 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 2001-02 are 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 six years 1998-99 to 2003-04. Provisional outturn in 2000-01 is also shown on a cash basis, with cash data going back to 1995-96. Where possible, some longer run analyses are given on a comparable basis, covering all nine years. Some key national accounts series are presented over a longer historical period.

CONSISTENCY WITH 2001 FSBR

Information in PESA 2001-02 is consistent with the fiscal projections and public spending plans set out in Annex C of the 2001 Financial Statement and Budget Report (Budget 2001, March 2001, HC 279), except in a few areas where later information is available and has been incorporated.

NATIONAL STATISTICS IN PESA

Most of the outturn data (to 1999-2000) in PESA 2001-02 now fall within the scope of National Statistics, following the launch of the new arrangements for National Statistics on 7 June 2000. 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 2000-01 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.

1. 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 (including the Employment Opportunities Fund), 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 1.9 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 1.10 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 (now "resource" under resource budgeting) 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, 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 2000 Spending Review, each department's AME also contains non-cash items such as depreciation and capital charges (see paragraph 1.11 below). These will be brought into DEL for future Reviews. Outside departments' budgets, other AME consists of net payments to the EC, locally financed expenditure, debt interest, and accounting and other adjustments. All AME projections for future years are based on cautious 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 each of the main spending departments' total DELs, followed by total DEL under the Employment Opportunity Fund (EOF) programme, and unallocated total DELs for the Invest to Save Budget (ISB); the Capital Modernisation Fund (CMF); and the DEL Reserve. Details of allocations of each of these central funds are shown in Table 1.10 to 1.12, discussed below.

1.9 Table 1.3 and 1.4 present the same information as in **Tables 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 **Table 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. **Table 1.8** shows the non-cash costs for each main department that are included in their Resource Budgets. These include a cost of capital charge in respect of the department's public corporations. (These public corporations are shown by department in Chapter 7.)

1.12 Capital Budgets, shown in **Table 1.6**, include all the capital spending of the public sector, including public corporations, NHS trusts, and non-departmental public bodies. **Table 1.9** shows the Capital Budget for each main department, including the capital spending of public corporations.

ALLOCATIONS FROM CENTRAL FUNDS: EOF, ISB, CMF

1.13 **Tables 1.10 to 1.12** give details of the respective allocations by department of the Employment Opportunities Fund, the Invest to Save Budget, and the Capital Modernisation Fund, [including the CMF allocations announced in the 2001 Budget]. Expenditure allocated from the EOF is contained in separate EOF DELs for each department, which records outturn spending under the Welfare to Work DEL (the EOF's budgeting predecessor), and spending plans within each department's EOF allocation. Outturn spending and allocations to departments for future years under the Invest to Save Budget and the CMF are included in individual departmental limits in **Tables 1.2, 1.4, 1.7 and 1.8**. The remaining unallocated spending from these funds in future years is shown in separate lines in **Tables 1.2 and 1.4**. Full details of individual departments' programmes under all these programmes are given in departmental reports.

SUPPLY EXPENDITURE

1.14 **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 2001-02: Summary Request for Resources (HC 348).

PUBLIC EXPENDITURE BY EACH SPENDING SECTOR

1.15 **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**.

1.16 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. Further analyses of local authority expenditure are presented in **Chapter 6**.

1.17 Public corporations expenditure is also split into DEL and AME, where all these DEL and AME components are included in departments' budgets. Departments' DELs include the profit or loss and capital expenditure of most public corporations, except for self-financing public corporations, whose profit or loss and capital expenditure are contained in departmental AME. The non-cash costs in AME in departments' Resource Budgets also include the cost of capital charge in respect of public

corporations. Further analyses for public corporations are presented in **Chapter 7**.

TME OUTTURN UNDER CASH BUDGETING

1.18 Table 1.16 is the cash budgeting equivalent of Table 1.1 and shows outturns from 1995-96 and estimated outturn for 2000-01 for Total DEL, AME and its main components, and TME in cash terms. **Table 1.17** shows outturns and estimated outturn for Current and Capital DEL by department over the same period on the same cash basis.

CONTENT OF THIS PUBLICATION

1.19 The organisation and content of this publication are reviewed annually. Any comments on the coverage or presentation should be sent to Philippa Todd at the following address:

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Table 1.17	Departmental Expenditure Limits - Current and Capital Budgets, 1995-96 to 2000-01 (cash basis)

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 4601) which were consistent with Budget 2000. The introduction of resource budgeting means that the comparisons are presented in two different ways (cash or resource) depending on 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, ie. changes in the way public expenditure is scored or re-allocation of functions between departments; and
- (ii) other changes, which are due to policy decisions or changes in forecasts of expenditure outside DEL.

CASH TABLES

2.3 **Tables 2.1, 2.2, 2.3 and 2.4** give data for 1999/2000 and 2000/2001. The previous plans and new plans are both presented on a cash basis (shows the figures as they would be without the impact of resource budgeting). Tables start with the plans in last year's PESA for each department and show the effect of classification and transfer changes (see definition below). Total DEL is also affected by the carry forward of under-spending. This is shown in table along with classification and transfer changes to give a column for "revised plans". This is a restatement of the old plans before the impact of any policy decisions to change spending plans or revisions to forecasts of future spending. The other changes column shows, for 1999-2000, the differences between the revised estimate and actual outturn expenditure. For 2000-2001 it shows the impact of decisions made to change departmental expenditure limits during the year and revised estimates of actual outturn.

2.4 **Table 2.1** shows changes to DEL by department; **Table 2.2** AME and TME; **Table 2.3** current DEL; and **Table 2.4** shows changes to capital budgets.

RESOURCE TABLES

2.5 **Tables 2.5, 2.6 and 2.7** give data on spending plans for 2001-02. This was the latest year shown in last year's PESA and was the final year for spending plans set in the 1998 Comprehensive Spending Review. It is the first year for spending plans set in the 2000 Spending Review (SR2000) announced in July 2000 (published as Cm 4807).

2.6 **Tables 2.5, 2.6 and 2.7** start by showing the cash spending plans in last year's PESA. The figures are adjusted to remove the extra resources for health announced in Budget 2000 which were included in the FSB and last year's PESA. In Tables 2.5, 2.6 and 2.7 in this PESA, the extra funds for health are included in the Spending Review column since the decision to increase health spending was part of the Spending Review process.

2.7 The second column shows the impact of the introduction of resource budgeting on the cash plans shown in last year's PESA. This explained in more detail in annex F.

2.8 The third column gives the impact of decisions made in SR2000. The fourth column shows the plans announced in SR2000. These are presented on a resource budgeting basis.

2.9 The fifth column shows transfer and classification changes. The sixth shows other changes arising from decisions made since SR2000 affecting spending plans, such as decisions made in Budget 2001. The final column shows the latest plans, on a resource budgeting basis, for 2001-02.

2.10 **Table 2.5** shows changes to resource and capital DEL and changes to AME. **Tables 2.6 and 2.7** show, respectively, changes to resource and capital DEL by department.

MAIN TRANSFER CHANGES AFFECTING CASH SPENDING PLANS

2.11 £15 million was initially provided from the Capital Modernisation Fund to the Inland Revenue in 2000-01 in respect of the Government Gateway Project. The scope of this programme has since expanded and become government-wide, so responsibility, and funding, to deliver the gateway for electronic services were transferred to the Cabinet Office.

2.12 £15m was transferred from DfEE to the Scottish Executive in 2000-01 to fund Open University students in Scotland

2.13 £15m was transferred from DfEE to DSS in 2000-01 to cover DSS's costs of participating in the ONE pilot testing ways of delivering integrated services to unemployed people.

2.14 £38m was transferred from DSS to the Immigration and Nationality Directorate of the Home Office in 2000-01 in respect of the costs of supporting certain asylum seekers through housing benefit following closure of a loophole in regulations

2.15 During SR2000 it was expected that certain responsibilities would transfer from DETR to DH from April 2001 as a result of the Children (Leaving Care) Act 2000. The funding for carrying out those responsibilities from 2001-02 was therefore transferred to DH. In the event, implementation of the Act was delayed by six months and the responsibilities are not due to transfer at the start of 2001-02 as envisaged. £110 million was transferred back from DH to fund the responsibilities which DETR have retained.

2.16 In SR2000 DETR was given £15m in 2001-02 to fund Post Office pilots on Government General Practitioner (GGP) and Internet Learning and Access Points (ILAP). At that time the emphasis was on the ILAP element (a DfEE responsibility). Since then the GGP element (a DTI responsibility) has become more important and so the funds and responsibility for the programmes were switched from DETR to DTI.

2.17 There was a transfer of DEL spending from DETR to the Scottish Executive for the Scotrail franchise which in future will be paid by the Scottish Executive rather than the Strategic Rail Authority. £112m was transferred in 2001-02, and similar amounts for the remainder of the spending review period.

2.18 Following the establishment of the National Treatment Agency for Substance Misuse on 1 April 2001, provision for the treatment of offenders will be transferred from the Home Office to the Department of Health. This transfer amounts to £35m, £49m and £49m over the years 2001-02 to 2003-04 respectively.

POLICY AND ESTIMATING CHANGES TO 2001-02 PLANS SINCE SPENDING REVIEW 2000

2.19 The 2001 Budget announced spending increases on health and education (£1 billion each over three years from 2001-02) and £¹/₃ billion over same period for tackling drugs. These increases are reflected in the resource DELs for DH, DfEE and Home Office, and consequent increases for Scotland, Wales, and Northern Ireland.

2.20 Capital DELs fell for DH and DfEE reflecting decisions to switch some spending from resource to capital.

2.21 The capital DEL of DETR falls £1.6 billion due to changes in the Major Repairs Allowance (MRA) scheme for funding

repairs to local authority housing. Previously local authorities had been given credit approvals to fund such repairs. From 2001-02 central government funding will be provided through extra housing revenue account subsidies and support for rent debates. This increases the AME lines for housing revenue account subsidies and locally financed expenditure.

2.22 There is a net switch of some planned spending in Scotland, Wales, and Northern Ireland from capital to resource. At the time of the spending review some assumptions had to be made about how the devolved assemblies would spend their allocations of central government funds; since then their plans have become clearer.

2.23 Planned social security spending increases due to pension increases announced in November 2000 Pre-Budget Report and to increases in maternity pay and child benefits announced in Budget 2001.

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Table 2.6	Resource Budget DEL, 2001-02 - changes since PESA 2000-01
Table 2.7	Capital Budget DEL, 2001-02 - changes since PESA 2000-01

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 All tables in this chapter are on a cash basis, except for Tables 3.7 and 3.8 where outturns and estimated outturns to 2000-01 are on a cash basis and plans from 2001-02 to 2003-04 are on a resource basis. All outturn data (to 1999-2000) in the tables in this chapter are National Statistics.

PUBLIC EXPENDITURE AGGREGATES

3.3 Table 3.1 shows trends in public expenditure over the years 1963-64 to 2003-04 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 1999-00 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 2000-01 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 1995-96 to 2000-01, 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, and expenditure on services 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 and interest and dividend payments of the trusts (part of public corporations' expenditure). But part of trusts' capital spending is funded out of their gross operating surpluses (the rest is financed by public dividend capital and loans), and thus in effect from trusts' revenues from charges for services. So there is an element of double counting of health expenditure in TME. This double counting has been removed in the measures of health spending presented in Tables 3.2 through to 3.5, though it remains in total expenditure of services (except for tables 3.2, 3.3 and 3.4) and in the figures for spending on health and personal social services by country and region presented in Chapter 8.

3.6 The different measures of public spending on health are discussed in more detail in a box in this chapter.

3.7 Table 3.2 shows a longer time series, from 1984-85 to 2000-01, 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.

Measures of Health Spending

Public spending on health services can be measured in a number of different ways. The Department of Health's annual report (Cm5103, Figure A9) shows gross NHS expenditure in the UK, 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 their interest and dividend payments to Government ("trust debt remuneration").

The measure of public spending on health shown in Table 3.5 is net of all income from charges, asset sales and trust debt remuneration. It is in effect a measure of public spending on health funded out of taxation and borrowing.

TME is a measure of total public sector spending. As well as Government's direct expenditure on health services, net of income, it also includes NHS trust' capital expenditure (trusts are classified as public corporations) and trust' interest and dividend payments. So as compared with the net health expenditure measure in Table 3.5, TME includes trust debt remuneration (see above) and capital spending financed out of trust' gross operating surpluses (rather than by public dividend capital and loans). These two items are shown in Table 3.5 as "adjustments to TME". The "total health and personal social services" line in Table 3.5 is on a TME basis.

The table below compares the key measures of public spending on health for 1999-2000 and 2000-01 in.

	1999-2000	2000-01
		£ million
Gross NHS expenditure (DH)	52,966	58,522
Total health spending (net) - PESA	48,562	54,051
Adjustments to TME	2,936	3,037
Of which: Trust debt remuneration	1,606	1,602
<hr/>		
Total health spending in TME	51,498	57,088
<hr/>		

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 the following economic categories:

- (i) Pay - pay and pension costs;
- (ii) Other current expenditure on goods and services - including general administrative expenses and purchases of other goods and services which are not of a capital nature;
- (iii) Subsidies - payments to producers designed to reduce their prices;
- (iv) Current grants to the private sector - including grants to persons, such as social security benefits, and grants towards the current expenditure of non-profit making bodies

outside the public sector;

(v) Current transfers abroad - including net payments to European Union institutions, payments from the UK's development assistance, subscriptions to international organisations and pensions paid to overseas residents;

(vi) Net capital expenditure on assets - comprising expenditure on new construction, the purchase of land, buildings and other physical assets, less proceeds from sales of similar assets and the value of net changes in the level of stocks;

(vii) Capital grants - grants to the private sector, nationalised industries and other public corporations;

(viii) Lending and other financial transactions - comprising net lending to the private sector and public corporations, net lending and investment abroad from the UK's Aid Programme.

As in Tables 3.2 to 3.5, debt interest payments, net public service pensions in AME and most accounting adjustments are not allocated by economic category and are shown separately.

CAPITAL SPENDING

3.9 Capital expenditure is undertaken by all levels of the public sector: ie. central and local government, and public corporations, including nationalised industries. **Table 3.7** gives a functional breakdown of the capital expenditure of central and local government and public corporations for outturn years (1995-96 to 2000-01), and for central government and public corporation spending for the plans years (2001-02 to 2003-04). The figures for central government and public corporation capital spending for 2001-02 onwards reflect departments' capital budgets and detailed decisions on the allocation of expenditure. A functional split of local authority capital 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.

3.10 Capital spending in Table 3.7 follows the national accounts definition which includes:-

- (i) gross domestic fixed capital formation, net of receipts for disposals,
- (ii) grants in support of capital spending by the private sector,
- (iii) the value of the physical increase in stocks (for central government, primarily agricultural commodity stocks).

ASSET SALES

3.11 **Table 3.8** shows actual and planned general government receipts from asset sales from 1995-96 through to 2003-04. Significant one-off items that are included in department spending totals are identified separately. These need to be taken into account in looking at trends in departmental spending.

Tables

Table 3.1	Public expenditure aggregates, 1963-64 to 2003-04
Table 3.2	Total Managed Expenditure by function, 1983-84 to 2000-01
Table 3.3	Total Managed Expenditure by function in real terms, 1983-84 to 2001-02
Table 3.4	Total Managed Expenditure by function as a percent of GDP, 1983-84 to 2001-02
Table 3.5	Total Managed Expenditure by (detailed) function, 1995-96 to 2000-01
Table 3.6	Total Managed Expenditure by economic category, 1995-96 to 2000-01
Table 3.7	Public Sector capital expenditure by spending sector and function, 1995-96 to 2003-04

Table 3.8 General government receipts from sales of assets, 1995-96 to 2003-04

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on this site.

5. Central Government Administration and Staffing

INTRODUCTION

5.1 This chapter sets out some details of expenditure on administration by central government departments subject to Treasury controls on administration costs, and on 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 2003-04. The data on staffing levels covers a period of nine years, starting in 1995-96, with projections going through to 2003-04.

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

GROSS ADMINISTRATIVE EXPENDITURE

5.3 Administration costs cover departments' current expenditure on staff, accommodation and equipment used in the administration of central government and the direct delivery of services by departments and their agencies. Examples are New Deal personal advisors who help people find work, the costs of IT needed for welfare reform and fraud reduction, prison officers and the processing of asylum applications. Expenditure is controlled during the year through accruals based administration costs limits, which are notified to Parliament in the Supply Estimates. The primary aim of administration costs control is to promote economical and efficient administration and service delivery in central government. This is largely achieved by containing gross administrative costs, though for certain executive agencies, operating in areas where expenditure and receipts vary in line with demand, net control limits may be set. Control limits for 2001-02 were announced in Supply Estimates 2001-02 : Summary Request for Supply (HC xx).

5.4 Table 5.1 sets shows gross administrative expenditure, outturn and plans, from 1998-99 to 2003-04 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 separate controls. Administrative expenditure is measured after eliminating double counting and offsetting VAT refunds on eligible contracted out services. The table compares plans for 2001-02 through to 2003-04 with outturn for 1998-99 and 1999-2000 and the estimated outturn for 2000-01. Expenditure is measured on a resource basis. Administration costs are expected to grow by an average of 0.5 per cent a year in real terms over the three years to 2003-04, while total spending in DEL will grow by 4.3 per cent in real terms a year.

5.5 Civil Departments' paybill outturns are published in the departmental reports, together with the related staff numbers. The total paybill for civil departments and MOD civilian staff will fall by an average of 0.2 per cent a year in real terms over the three years to 2003-04

CIVIL SERVICE STAFFING

5.6 Table 5.2 provides a summary of Civil Service staffing by department, starting in 1996-97 and with estimates for 2000-01 and plans for 2001-02 through to 2003-04. 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. The figures presented are average staff numbers for the financial year.

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

executives.

5.8 Figures on public sector staffing will also be published in the June 2001 edition of Economic Trends.

Tables

Table 5.1	Gross administrative expenditure by department, 1998-99 to 2003-04
Table 5.2	Staff of central government departments and devolved bodies, 1995-96 to 2003-04

6. Local authority expenditure

INTRODUCTION

6.1 This chapter describes central government support for local authorities from 1995-96 to 2003-04 and local authority expenditure for outturn years. 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 of the tables in this section.

6.2 All outturn and estimated outturn data in this chapter are on a cash basis. Plans for central government support are on a resource basis. All outturn data (to 1999-2000) in this chapter are 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 in this chapter is defined as central government support for local authorities within DEL and Departmental AME, plus locally financed expenditure in AME. **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. Total current and capital spending (including debt interest) by local authorities within TME in 1999-2000 and 2000-01 is estimated to be £85.4 billion and £91.1 billion respectively. Final outturn information for 1999-2000 local authority expenditure will not become available until later this year. Outturn figures and projections for the later years are set out in **Table 6.1**. **Table 6.2** sets out total local authority expenditure by department for 1995-96 to 2000-01. **Table 6.3** shows total local authority expenditure for the outturn years, broken down by country and economic category.

6.6 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, e.g. Revenue Support Grant, or related to specific services, e.g. police grant.

6.7 **Table 6.4** gives a departmental breakdown of central government support for current and capital expenditure by local authorities.

6.8 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

6.9 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.

6.10 In the Local Government settlement, the Government sets the level of Total Standard Spending (TSS) which represents the amount of spending by local government as a whole which the government is prepared to support through grants. For 2001-02, TSS in England will be £57.1 billion, and in Wales £3.5 billion. For Scotland, the equivalent figure, known as Government Supported Expenditure, will be £7.2 billion. The Government has also provided service breakdowns of TSS in England and GSE in Scotland, giving an indication of the level of spending on each main service which would be consistent with the overall figure. The actual allocation of spending between services is a matter for determination by local authorities. **Table 6.5** sets out Total Standard Spending and Government Supported Expenditure for 2001-02.

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 on a per capita basis;
- specific and special grants, which fund part of the current expenditure on a specific service or activity.

6.12 **Table 6.6** 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 6.7** shows current specific grants outside AEF by country, for the years 1995-96 to 2003-04. Grants outside of AEF are a mixture of support falling in DEL and Departmental AME.

CAPITAL EXPENDITURE

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

- central government support (see paragraph 6.16);
- 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 service from 1995-96 to 2000-01, is shown in **Table 6.8**. Local authority gross capital spending in the United Kingdom in 1999-2000 totalled £8.7 billion with offsetting receipts of £3.7 billion. In 2000-01 gross capital spending is expected to rise to £10.4 billion with offsetting receipts of £3.3 billion, giving net capital spending of around £7.1 billion. These estimates take account of the returns from local authorities on capital expenditure. **Table 6.9** shows local authority receipts within the United Kingdom, again by country and service. Tables 6.8 and 6.9 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 6.10** shows the component of this government support within the United Kingdom by country and by service. Table 6.10 includes financial transactions which score in the DEL capital budget.

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.

Table 6.1	Financing of local authority expenditure in the United Kingdom, 1995-96 to 2003-04
Table 6.2	Local authority current and capital expenditure in the United Kingdom by department, 1995-96 to 2000-01
Table 6.3	Local authority expenditure in the United Kingdom by country and economic category, 1995-96 to 2000-01
Table 6.4	Central government support for local authorities in the United Kingdom by department, 1995-96 to 2003-04
Table 6.5	Total Standard Spending for 2001-02 by country and main service block
Table 6.6	Aggregate External Finance in Great Britain by country and grant, 1995-96 to 2003-04
Table 6.7	Current specific grants outside Aggregate External Finance in the United Kingdom by country and grant, 1995-96 to 2003-04
Table 6.8	Local authority gross capital expenditure in the United Kingdom by country and service, 1995-96 to 2000-01
Table 6.9	Local authority capital receipts in the United Kingdom by country and service, 1995-96 to 2000-01
Table 6.10	Central government capital support for local authorities in the United Kingdom by country and service, 1995-96 to 2003-04

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. Tables give the public expenditure statistics.

7.2 Data in Tables 7.1 to 7.3 are on a resource basis. Data in Table 7.4 are on a cash basis. Outturn 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 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: Post Office, British Nuclear Fuels, Channel Four, Royal Mint, National Air Traffic Services, Commonwealth Development Corporation, Crown Estates, and the Tote. 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.

7.5 Self-financing public corporations, and trading funds are identified by footnotes in the tables.

RECENT DEVELOPMENTS

7.6 National Air Traffic Services (NATS) is expected to become a Public Private Partnership (PPP) during 2001 and will be

classified as a private company in national accounts since Government will hold only 49 per cent of the shares; the private sector partner will have 46 per cent and employees 5 per cent. There are also plans to set up PPPs in the private sector for the Commonwealth Development Corporation and the Defence Evaluation and Research Agency.

7.7 London Transport is moving from being a public corporation sponsored by a central government department (DETR) to a public corporation that will be controlled by Transport for London - a local authority, part of the Greater London Authority.'

THE CORPORATE CONTROL FRAMEWORK

7.8 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

7.9 The following transactions of PCs are included in departmental budgets:

- Subsidy paid to the PC by the Department (in resource DEL, except for the subsidy paid to Crown Estates which is in AME);
- Capital charge on the net assets of the PC (in resource AME during stage 1 of resource budgeting)
- The PC's profit/loss. A loss adds to expenditure within the department's resource budget; a profit reduces it.
- The PC's capital expenditure. This includes spending on fixed capital assets and financial assets, net of sales, and net of any capital grants received from outside the public sector.

The last two items are in AME if it is an SFPC, otherwise they are in DEL.

PUBLIC CORPORATIONS IN NATIONAL ACCOUNTS

7.10 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.

7.11 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.

7.12 Note that the impact of public corporations on departmental budgets differs from their impact on TME. The adjustments needed to go from DEL plus Departmental AME to TME, in respect of PCs, are included in the Accounting and Other Adjustments line (see **Table 7.1** in this Chapter and Appendix B for an explanation of the accounting adjustments).

Tables

7.13 Table 7.1 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).

7.14 Table 7.2 shows the contributions of PCs to resource budget DELs, by department. This is made up of subsidies paid by the department to PCs, and the profit/loss of PCs sponsored by the department (excluding SFPCs because they score in AME).

7.15 Table 7.3 shows the contributions of PCs to capital budget DELs; and gives figures for each department and each PC. This contribution is the capital expenditure of all PCs that are not SFPCs. 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 also shows the aggregate impact of SFPCs on departmental AME.

7.16 Table 7.4 presents data according to the old cash based budgeting regime. It shows the impact of public corporations on DEL and departmental AME from 1995-96 to 2000-01. The impact is mainly external finance.

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

Tables

Table 7.1	Public corporations' contributions to Budgets and TME, 1998-99 to 2003-04
Table 7.2	Public corporations' contributions to Resource Budget DEL, 1998-99 to 2003-04
Table 7.3	Public corporations capital expenditure, 1998-99 to 2003-04
Table 7.4	Public corporations' contributions to budgets and TME, 1995-96 to 2000-01 (cash)

8. Analysis of public expenditure by country and region

INTRODUCTION

8.1 This section presents analyses of public expenditure outturn¹ by country and region. For these purposes expenditure is allocated to a specific country or region to reflect the relative benefits incurred by the respective populations.

8.2 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 and the Welsh Assembly. This means that in several areas expenditure is planned on a national basis rather than by country. For example, the Department of Social Security 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 Total Managed Expenditure (TME) on services (under the cash budgeting regime). TME 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 2000 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. Table 8.1 summarises total managed expenditure for the years 1995-96 to 1999-00. Fuller details of each of the five years covered in the 2000 analysis are given in Tables 8.2 to 8.6. Table 8.7 gives a further breakdown of 1999-00 identifiable expenditure and also shows the non-identifiable elements by function.

8.6 Table 8.8 provides a breakdown by programme of the non-identified expenditure that has not been allocated to a specific country.

REGIONAL ANALYSIS OF PUBLIC

EXPENDITURE

8.7 An analysis of spending by English region was undertaken during the winter of 2000. The exercise covers the years 1998-99 and 1999-00, where previous exercises have focused on a single year only (last years exercise looked at 1997-98 data). The data presented here is consistent with that in tables 8.1 to 8.7, (i.e. total managed expenditure on services that can be identified as being incurred for the benefit of the relevant population).

8.8 The regional analysis exercise further apportions the England total between the composite regions. In accordance with other government publications of regional statistics, expenditure has been apportioned to Government Office Regions, although for the purposes of this exercise Merseyside has been subsumed within the North West.

8.9 Tables 8.9 to 8.12 present identifiable total managed expenditure for the years 1998-99 and 1999-00, including spending per head data.

8.10 Previous years exercises have identified seperately an amount of expenditure that is unallocated between region - 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. The coverage of this years exercise has been widened to ensure all identifiable England expenditure can be allocated to a region, thereby negating the need for an unallocated column. The main benefit of this approach is to allow comparisons between expenditure per head in the regions of England and that in the countries of the UK.

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

Tables

Table 8.1	Identifiable Total Managed Expenditure by country, 1995-96 to 1999-2000
Table 8.2a	Identifiable Total Managed Expenditure, 1995-96
Table 8.2b	Identifiable Total Managed Expenditure per head, 1995-96
Table 8.3a	Identifiable Total Managed Expenditure, 1996-97
Table 8.3b	Identifiable Total Managed Expenditure per head, 1996-97
Table 8.4a	Identifiable Total Managed Expenditure, 1997-98
Table 8.4b	Identifiable Total Managed Expenditure per head, 1997-98
Table 8.5a	Identifiable Total Managed Expenditure, 1998-99
Table 8.5b	Identifiable Total Managed Expenditure, per head 1998-99
Table 8.6a	Identifiable Total Managed Expenditure, 1999-2000
Table 8.6b	Identifiable Total Managed Expenditure per head, 1999-2000
Table 8.7	Total expenditure on services analysed by country and function, 1999-2000
Table 8.8	Non-identified expenditure on services by programme, 1999-2000
Table 8.9	Identifiable Total Managed Expenditure by region and function, 1998-99
Table 8.10	Identifiable Total Managed Expenditure per head by region and function, 1998-99
Table 8.11	Identifiable Total Managed Expenditure by region and function, 1999-2000
Table 8.12	Identifiable Total Managed Expenditure per head by region and function, 1999-2000

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, with the following exceptions:

- (i) figures for the main spending aggregates - DEL, AME and TME are rounded to the nearest £100 million from 2000-2001 onwards;
- (ii) the DEL Reserve, the AME Margin and allowances for shortfall are rounded to the nearest £100 million from 2000-2001 onwards;
- (iii) figures for locally financed expenditure, and within that local authorities' self-financed expenditure, and for accounting and other adjustments in AME, and within that other accounting adjustments, are rounded to the nearest £100 million from 2000-2001;
- (iv) figures in the tables covering years before 1995-96 are rounded to the nearest £100 million;

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 1999-2000 prices.

2000-2001 ESTIMATED OUTTURN

A.4 The estimated outturns for individual departments for 2000-2001 are based on the latest information available from departments. The estimated outturn for resource DEL for 2000-2001 includes an allowance for shortfall of [£] billion reflecting the difference between the sum of individual departments' estimates of outturn and the Treasury's overall assessment. Similarly, the estimated outturns for local authority expenditure in 1999-2000 (for which actual outturn figures are not yet available) and 2000-01 include an allowance for shortfall representing the difference between the totals budgeted for by local authorities and the Treasury's latest estimates.

DATA IN TABLES

A.5 This is the first time when spending plans in PESA have been presented in resource terms. Consistent data on a resource basis is only available back to 1998-99, the first year for which departments have produced resource accounts. As a result, most of the tables which show plans or projections to 2003-04 cover a period of six years, from 1998-99 to 2003-04. The norm in past editions of PESA has been to cover a period of nine years, with five years outturns, one year estimated outturn and three years plans.

A.6 For those tables which do not show plans years, for example most of the public sector spending tables in Chapter 3, tables for this edition of PESA are in line with previous practice, and cover a period of six years, from 1995-96 to 2000-01. These

tables are on a cash basis. As in previous volumes, certain of these tables cover a longer period, back to 1984-85. All data in such tables are cash.

A.7 Finally there are a few tables, for example Table 4.5 showing central government own expenditure by function, which show nine years data, six years cash and three years resource, with a break in series between outturns/estimated outturns and plans. All tables indicate whether the data is in £ million cash or £ million resources.

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, for Rossi, 11/2 per cent in 2001-02, 21/4 per cent in 2002-03, and 21/4 per cent in 2003-04; for the RPI, 13/4 per cent for 2001-02, 2.75 per cent for 2002-03 and 21/2 per cent for 2003-04.

(b) The level of unemployment (excluding students and those temporarily stopped work) is assumed to grow from recent levels of 1.03 million to 1.06 million in 2003-04. This does not represent the Government's view of the prospects for unemployment. It is instead a deliberately cautious approach for the purpose of the public spending projections. This planning assumption has been audited by the National Audit Office. (See the NAO Report: Audit of Assumptions for the March 2000 Budget, published as HC348).

(c) Further details on economic assumptions can be found in the March 2001 Financial Statement and Budget Report, (HC279), paragraph C19.

ECONOMIC GROWTH AND INFLATION

A.10 General inflation as measured by the GDP deflator is forecast to be 13/4 per cent in 2000-01, and 21/2 per cent for each year from 2001-02 to 2003-04.

A.11 GDP at market prices (money GDP) is projected to rise 21/4 per cent per year over the years 2001-02 to 2003-04.

Appendix B Coverage of the Accounting and Other Adjustments in AME

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 From 2001-02 onwards, Government departments will account for and budget 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 various identified programme lines in AME (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 programme AME.

CHANGES SINCE PESA 2000-01

B.4 Under the revised presentation of AME budgets adopted for the 2000 Spending Review, the accounting adjustments no longer include items within Departmental AME that are not separately identified in Table 1.3. Instead these are now included in that table in the line "other programme expenditure" in Departmental AME. They are listed in Appendix E.

B.5 Most of the changes to the accounting adjustments are a result of the move to resource budgeting. Other changes include: spending to satisfy certain DTI obligations following the privatisation of the coal industry which are regarded as a cost of the privatisation process and so outside DTI's budget; and the introduction of some new tax credits treated as expenditure - for R&D, free museums, and clearing up contaminated land.

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 included in central government departmental resource budgets, as measured by departments, is deducted. ONS will consider using the depreciation figures produced by departments once there is a reasonable back series of figures available for analysis, and a suitable moment arises to revise national accounts.

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 Local Authority Self-Financed Expenditure (LASFE) 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 other current grants to NHS trusts but, like subsidies, they are not consolidated in calculating TME and so add to TME.

(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. So DELs, and the AME line for expenditure under the Common Agricultural Policy (CAP), include EC expenditure in the UK. Other programme expenditure in AME also 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 the 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, which is what this adjustment does.

Tax Credits

(vii) Add payments of certain tax credits which score as government expenditure in national accounts. Includes: Mortgage Interest Relief, Life Assurance Premium Relief, Private Medical Insurance Premium Relief, Vocational Training Relief (part up to 1998-99; all from 1999-2000), Working Families Tax Credit and Disabled Persons Tax Credit (from 1999-2000), 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. Note that this adjustment also includes the voted "public expenditure" income tax tax credits paid to non-taxpayers, since these are not within DEL.

Adjustments for local authorities

(viii) Deduct license fees that are treated as revenue in the calculation of LASFE, but are netted-off expenditure in national accounts.

(ix) 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 LASFE, but are included as LA expenditure in national accounts.

Adjustments for Public Corporations

Note that the accounting adjustments for public corporations have changed significantly because of the introduction of resource budgeting. Under resource budgeting, a department's budget includes certain items in respect of each of its public corporations. These items are:

(a) Subsidies paid by the department to the public corporation;

- (b) the net capital expenditure of the public corporation on fixed capital assets and stocks;
- (c) capital grants received by the public corporation from outside the department (this reduces expenditure scored against a department's budget);
- (d) net acquisitions of certain types of financial assets (loans and shares) by the public corporation;
- (e) the profit/loss of the public corporation after depreciation and before interest and dividend payments and receipts (a profit is deducted from the spending within a department's budget, a loss adds to it);
- (f) a capital charge on the net assets of the public corporation.

TME includes the first three items only. So the last three items have to be deducted in the accounting adjustments. The fourth item is included within the category of adjustments for financial transactions (see below), and the sixth appears in the category of non-cash adjustments.

The adjustment for profit/loss is needed because in national accounts the operating surplus of public corporations is recorded as revenue and not included in TME. A large component of the public corporations' profit within DEL relates to NHS trusts. Health budgets record this profit rather than the trust debt remuneration actually received.

So the adjustments needed are

- (x) Add of the profits made by public corporations sponsored by central government departments (or the deduction of losses in cases where losses are made).
- (xi) 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.
- (xii) Subtract payments of interest by central government to public corporations - because total central government debt interest is recorded in another line in AME and the amount paid within the public sector has to be consolidated out.
- (xiii) Deduct from capital expenditure the net acquisitions of financial assets by public corporations that are included within the capital expenditure of public corporations in departmental budgets. These are financial transactions outside TME.
- (xiv) Add to current expenditure the capital expenditure of NHS trusts that is funded from retained operating income. This operating income is mainly from charges paid by health authorities buying the services of NHS trusts, and is in the current DEL of health departments. The NHS trusts' capital expenditure is in capital DEL of health departments. 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 undue the adjustment made to DEL.
- (xv) 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 DETR's DEL.
- (xvi) Some public corporation capital expenditure is not recorded in departmental budgets. This has to be added in the accounting adjustments. For example the creation of artistic originals by the BBC and C4 is recorded as public corporations capital expenditure for national accounts, but in budgets is an operating cost affecting profit rather than capital.

Intra General Government Sector Debt Interest

- (xvii) Deduct central government debt interest paid to local authorities.

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 the debt interest figures in AME, and add back any interest receipts from the private sector netted-off in departmental budgets.

Local authority expenditure in the relevant lines in DEL (central government grants to local government) and AME (locally financed expenditure) includes most local authority debt interest (LADI) including most of that paid to central government and public corporations; TME includes all, and only, LADI paid to sectors other than the public sector. In the adjustments it is therefore necessary to subtract LADI paid to central government and public corporations (other than LADI ultimately funded by central government Housing Subsidy (Housing Element) (HS)) and add LADI ultimately funded by HS and paid to sectors outside the public sector.

Note that central government interest paid to public corporations was subtracted in the category for public corporation adjustments.

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 liquidity 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.

(xviii) Deduct loans, net of repayments of loans, to public corporations, the private sector and overseas that score in DEL and departmental AME.

(xix) Deduct the net acquisition of private sector company securities that score in DEL and departmental AME.

(xx) 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.

Adjustments for expenditure financed by receipts

(xxi) Add receipts of certain taxes imposed by departments, including licenses 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 licenses are treated as revenue in national accounts.

(xxii) Add certain fines imposed by departments which are netted-off in DEL but not in TME because all fines are treated as revenue in national accounts.

(xxiii) Add penalties collected by local authorities in respect of certain parking and vehicle emissions offences which are netted-off in LASFE but not in TME because all penalties are treated as revenue in national accounts.

(xxiv) 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.

(xxv) 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.

(xxvi) 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.

(xxvii) Add receipts of dividends netted-off in DEL but not in TME because dividends, along with other property income, are treated as revenue in national accounts.

(xxviii) 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.

(xxix) Subtract expenditure by levy funded NDPBs. Most of these are agricultural bodies. The expenditure is recorded in departmental budgets and is financed by tax-like levies. The adjustment is needed because a necessary revision to national accounts has not yet been implemented, but will be in this year's Blue Book.

Non-cash items in RAB

(xxx) Deduct depreciation recorded in departmental budgets (see non-trading capital consumption above).

(xxxi) 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.

Accruals recording in RAB

(xxxii) Subtract a figure equal to accruals minus cash as recorded under RAB in departmental budgets, and to add a figure equal to accruals minus cash as recorded in national accounts. Both national accounts and RAB record expenditure on an accruals basis. The national accounts accruals are estimated using a variety of methods depending on the type of transaction. This is because, in many cases, there are no actual sources of accrued data. Under RAB accrued data become available for central government expenditure. ONS plan to start using the RAB accruals data from the summer of 2001.

(xxxiii) 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

(xxxiv) **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.

(xxxv) **Privatisation programme** (applies to outturn years only): add current and capital expenditure on privatisations which is borne on the privatisation programme and so is not in DEL.

(xxxvi) **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.

(xxxvii) **PC grants to LAs:** deduct current grants to local authorities by public corporations financed by subsidies from general government. In national accounts this is treated as a central government grant to local government and so does not add to TME.

(xxxviii) **Reconciliation with ONS:** add, for outturn years, the residual difference between TME as measured by ONS for national accounts and 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 tables 1.7. 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 in nature, 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 as capital expenditure including that which is 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 expenditure 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.

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: 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 Employment	Department for Education and Employment Office for Standards in Education
Health	Department of Health Food Standards Agency
Environment Transport and Regions Department of the Environment,	Transport and the Regions (except local government and regional policy) Office of Passenger Rail Franchising Office of the Rail Regulator Office of Water Services
Local Government	Department of the Environment, Transport and the Regions - 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

Trade and Industry	Office of Fair Trading
	Office of Gas and Electricity Markets
	Office of Telecommunications
	Postal Services Commission
	Export Credits Guarantee Department
Agriculture Fisheries and Food	Ministry of Agriculture, Fisheries and Food
	Intervention Board
Culture, Media and Sport	Forestry Commission
	Department for Culture, Media and Sport
Social Security	Department of Social Security
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	Northern Ireland Office
Northern Ireland Executive Chancellor's Departments	Northern Ireland Departments
	HM Treasury
	Office for National Statistics
	National Savings
	Governments Actuary's Department
	HM Customs and Excise
	Inland Revenue
	National Investment and Loans Office
	Registry of Friendly Societies
	Office of Government Commerce
	Cabinet Office
	Central Office of Information
	House of Commons
	House of Lords
	National Audit Office
	Electoral Commission
Cabinet Office	Privy Council Office
	Security and Intelligence Services
	Office of the Parliamentary Commissioner for Administration
	and Health Service Commissioners

for England



Appendix D Executive Agencies

D.1 This appendix groups the current Executive Agencies according to the departmental groups used in the statistical tables. Agencies marked with an asterisk are government departments. The other agencies are all parts of departments or are trading funds and are classified as public corporations.

Departmental Group	Agency
Education and Employment	Employment Service
Health	Medicines Control Agency
	Medical Devices Agency
	Food Standards Agency*
	NHS Estates
	NHS Pensions Agency
Environment, Transport and the Regions	Driver and Vehicle Licensing Agency
	Driving Standards Agency
	Highways Agency
	Maritime Coastguard Agency
	Vehicle Certification Agency
	Vehicle Inspectorate
	Ordnance Survey
	Planning Inspectorate
	Queen Elizabeth II Conference Centre
Home Office	Fire Service College
	Forensic Science Service
	HM Prison Service
	UK Passport Agency
Lord Chancellor's Departments	Court Service
	HM Land Registry*
	Public Record Office*
	Public Trust Office
	Northern Ireland Court Service
Attorney General's Departments	Crown Prosecution Service*
	Serious Fraud Office*
	Treasury Solicitor's Department*
Defence	Army Base Repair Organisation
	Army Base Storage and Distribution Agency
	Armed Forces Personnel Administration Agency
	Army Personnel Centre
	Army Technical Support Agency

Army Training and Recruiting Agency
Defence Analytical Services Agency
Defence Animal Centre
Defence Bills Agency
Defence Clothing and Textiles Agency
Defence Codification Agency
Defence Communications Services Agency
Defence Dental Agency
Defence Estates Organisation
Defence Evaluation and Research Agency
Defence Intelligence and Security Centre
Defence Postal and Courier Service Agency
Defence Secondary Care Agency
Defence Transport and Movements Executive
Defence Vetting Agency
Disposal Sales Agency
Duke of York's Royal Military School
Hydrographic Office
Joint Air Reconnaissance Intelligence Centre
Logistics Information Systems Agency
Medical Supplies Agency
Defence Medical Training Organisation
Meteorological Office
Military Survey
Ministry of Defence Police
Naval Aircraft Repair Organisation
Naval Bases and Supply Agency
Naval Manning Agency
Naval Recruiting and Training Agency
Pay and Personnel Agency
Queen Victoria School
RAF Logistic Support Services
RAF Maintenance Defence Agency
RAF Personnel Management Agency
RAF Signals Engineering Establishment
RAF Training Group Defence Agency
Ships Support Agency
Service Children's Education
Special Procurement Service
Wilton Park Conference Centre
Companies House
Employment Tribunals Service
Insolvency Service
National Weights and Measures Laboratory

Foreign and Commonwealth Office
Trade and Industry

Agriculture, Fisheries and Food	Patent Office
	Radiocommunications Agency
	Centre for Environment , Fisheries and Aquaculture Science
Culture, Media and Sport Social Security	Central Science Laboratory
	Farming and Rural Conservation Agency
	Intervention Board*
	Meat Hygiene Service
	Pesticides Safety Directorate
	Veterinary Laboratories Agency
	Veterinary Medicines Directorate
	Royal Parks Agency
	Social Security Child Support Agency
	Social Security Benefits Agency
Scotland	Social Security Contributions Agency
	Social Security Information
	Technology Services Agency
	Social Security War Pensions Agency
	Fisheries Research Services
	Forestry Research Agency
	Forest Enterprises
	Historic Scotland
	Registers of Scotland
	Scottish Agriculture Science Agency
Wales	Scottish Court Service
	Scottish Fisheries Protection Service
	Scottish Office Pensions Agency
Northern Ireland (Office)	Scottish Prison Service
	Scottish Records Office
	Student Awards Agency for Scotland
Northern Ireland (Departments)	CADW (Welsh Historic Monuments)
	Compensation Agency
	Forensic Science Agency of Northern Ireland
	Prison Service
	Business Development Service
	Construction Service
	Driver and Vehicle Licensing (NI)
	Driver and Vehicle Testing Agency
	Environment and Heritage Service
	Forest Service of Northern Ireland
	Government Purchasing Agency
	Health Estates
	Industrial Research and Technology Unit
	Land Registers of Northern Ireland

Northern Ireland Child Support Agency
Northern Ireland Statistics and Research
Agency

Ordnance Survey of Northern Ireland
Planning Service
Public Record Office (NI)
Rate Collection Agency
Rivers Agency
Roads Service
Social Security Agency (NI)
Training and Employment Agency (NI)
Valuation and Lands Agency
Water Service

Chancellor's Departments

HM Customs and Excise*
Office for National Statistics*
Debt Management Office
Inland Revenue*
National Savings*
Royal Mint

Cabinet Office

Valuation Office
Central Computer and
Telecommunications Agency

Central Office of Information*
Civil Service College
Government Car and Despatch Agency
Debt Management Office
Securities Facilities Executive

Appendix E Public Expenditure Budgeting and Control Aggregates: Departmental Expenditure Limits and Annually Managed Expenditure

E.1 This Appendix describes the two main budgeting and control aggregates: Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME). It shows how they relate to Total Managed Expenditure (TME), an aggregate drawn from national accounts. It also explains changes arising following the adoption of resource budgeting for the 2000 Spending Review.

RECENT CHANGES: RESOURCE ACCOUNTING AND BUDGETING

E.2 The move to Resource Accounting and Budgeting (RAB) has been the source of many changes in definitions and measurement since PESA 2000-2001. From 2001-02 departmental budgets will be set and monitored in resource terms, and Parliament will vote resources as well as cash in the Supply Estimates. A major change is the creation of separate departmental budgets for resources and capital expenditure.

Resource Budget

E.3 Under resource budgeting, current DEL has been renamed resource DEL - a title that better reflects the fact that it now measures total resources consumed by a department.

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

E.5 A change from cash budgeting is that the annual 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 resources in these assets (the cost of capital charge). The cost of capital charge is 6 per cent of the net assets (fixed capital and financial assets net of financial liabilities and provisions) employed by each department.

E.6 Resource budgets include the accruing profit/loss of the public corporations sponsored by the department, and grants to local authorities.

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 There is a separate capital budget also split into DEL and AME components. Capital DELs are now closer to the coverage of public sector net investment (part of TME from national accounts) because they now include the capital expenditure of public corporations and non-departmental public bodies rather than just the grants paid to those bodies. The sum of

departmental capital budgets is reconciled to public sector net investment in Table 1.6.

Two stage approach

E.9 Resource budgeting is being introduced in two stages. In stage 1, in the 2000 Spending Review, most of the non-cash items of resource budgets - depreciation, cost of capital charges and provisions - were included in AME rather than DEL. It is the intention that, with expertise gained in managing these non-cash costs annually over the next two year, these non-cash items will be moved into DEL for the next Spending Review. Two non-cash costs are already scored in DEL; capital charges on the civil estate (mostly central government offices) and notional audit fees.

Specific changes arising from resource budgeting

E.10 Both resource and capital budgets, and both DEL and AME, will include:

- timing differences - budgets record costs as they are incurred. 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 The main changes affecting DELs under resource budgeting are:

- Defence fighting equipment is treated as capital expenditure rather than as resource (current);
- a notional capital charge is included for the civil estate. Unlike other capital charges these are in DEL from the start of RAB because departments have had experience of using them.
- the profit/loss and capital expenditure of public corporations are included rather than their external finance requirement;
- 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 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.

E.12 The main changes affecting AME are:

- the profit/loss and capital expenditure of self-financing public corporations are included rather than their external finance requirement;
- numerous non-cash items such as depreciation, cost of capital charge, movements in provision, and a charge for bad debts, and a notional audit fee are included in departmental AME.

DEPARTMENTAL EXPENDITURE LIMITS

E.13 About half of public expenditure by value is in DEL and half in AME. But because AME includes a small number of large programmes, most public expenditure programmes are in DEL. The programmes that are in AME are set out later in this section.

E.14 DELs are set for three years during a Spending Review. They represent firm plans for departmental spending that can only be changed in exceptional circumstances with Treasury's agreement. Departments can carry forward unspent DEL from one year to the next within the three year period. The latest Spending Review was concluded in July 2000 and set firm spending plans for the period 2001-2002 to 2003-04.

E.15 DEL includes all running costs expenditure of Government departments and most of their other purchases of services. It includes grants and subsidies paid to the private sector. For the FCO and DFID it includes an attributed share of the EC's expenditure on overseas aid and the Common Foreign and Security Policy.

E.16 Capital DEL includes expenditure on fixed capital assets, capital grants and the acquisition of certain financial assets acquired or sold for policy reasons. Capital DEL is net of the cash receipts from the sale of capital assets, including any profit/loss on sale relative to book value. In the next spending review it is expected that the profit/loss element will be moved to resource DEL so that it aligns with the recording in the operating cost statement in resource accounts.

E.17 DEL generally includes loans on the basis of new loans issued less repayments of loan principal, but the part of public lending to students is treated as a grant in 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.

E.18 DEL is net of certain receipts, mainly payments for services, asset sales, dividends, interest from NHS trusts and rent of land, and also certain levies and fines where the Chief Secretary to the Treasury has given specific agreement.

E.19 DEL includes a Reserve to meet unexpected needs, and the unallocated provisions for the three challenge funds - the Capital Modernisation Fund, the Invest to Save Budget and the Policy Innovation Fund. When sums are allocated, individual departments' DELs are increased.

E.20 Most of DEL is assigned to departments when it is spent. However, expenditure funded by the Windfall Tax was separate from Departmental DEL and controlled centrally as the Welfare to Work budget. This New Deal programme continues with new funding and is now known as the Employment Opportunities Fund (EOF).

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 now recorded, rather than just the grant-in-aid from the parent department.

E.22 Central Government Support for Local Authorities. DEL scores current and capital grants to local authorities, and credit approvals (capital allocations in Scotland). More information on local authorities is in chapter 6.

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

- subsidies paid to the public corporation by the department (resource DEL)
- profit/loss of the public corporation (resource DEL)
- capital expenditure of the public corporation (capital DEL)
- scores a capital charge in respect of the net assets of the corporation.

E.24 For self-financing public corporations the profit/loss and capital expenditure are included in AME.

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

ANNUALLY MANAGED EXPENDITURE

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
- Net payments to European Communities institutions
- Accounting adjustments

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 for DEL. Typically this is where the programme expenditure is demand-led and is large in relation to the size of the department, but those are neither necessary nor sufficient conditions for inclusion in AME and each case is considered on its merits after considering which control regime is likely to deliver the more rational decisions in spending.

E.28 The main programmes in departmental AME are:

- Social Security Benefits
- Housing Revenue Account Subsidies
- EU funding of Common Agricultural Policy

- Export Credits Guarantee Department (part - see below)
- Self-Financing Public Corporations' capital expenditure
- Net Public Service Pensions
- National Lottery

E.29 Other departmental expenditure in AME includes:

- Valuation Office - Beneficial Portion Payments;
- Purchases of assets under finance leases since 1 April 1996;
- Redundancy Payments Scheme;
- Older Workers Employment Credit;
- Advisors' fees for the British Nuclear Fuels Public/ Private Partnership;
- Expenditure of certain levy-funded bodies;
- Acceptances of artworks in lieu of Inheritance Tax;
- Profit/loss of self-financing public corporations;
- Certain costs in respect of asylum seekers.

E.30 In addition, for every spending programme, AME records the new non-cash items included under resource budgeting. These are:

- Depreciation
- Cost of capital charge (6 per cent) on the department's net assets
- Movement in provisions, charges for impairments and bad debts

E.31 It is expected that these will be included in DEL for the next Spending Review.

E.32 Social Security Benefits. Includes payments of social security and National Insurance benefits by the Department for Social Security 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.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, that is funded by the EU.

E.35 Export Credits Guarantee Department. Includes Fixed Rate Export Finance and other programmes treated as outside ECGD's trading account. It includes refinancing of export finance by Guaranteed Export Finance Corporation.

E.36 Self-Financing Public Corporations. This line comprises the capital expenditure of self-financing public corporations.

E.37 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.38 Pensions expenditure includes members' continuing pensions (including annual compensation payments), lump sums, spouses' benefits and similar payments, and bulk and individual transfers out.

E.39 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.40 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.41 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; and
- pensions of some NDPBs and other offices in the central government sector which operate their own pay-as-you-go pensions schemes.

E.42 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.

E.43 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.

Other AME

E.44 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
- expenditure financed from the product of Northern Ireland Regional Rates (NIRR).

E.45 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.46 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.47 Net Payments to European Community Institutions. This line is mainly made up of the following components:

Import duties

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.48 Central Government Debt interest is shown gross. Interest paid within central government is excluded. Interest paid to other parts of the public sector is included in this line, but deducted in the accounting adjustment since TME is a consolidated measure of public expenditure. 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.

E.49 Accounting and Other Adjustments. The contents of this line are described in Appendix B.

E.50 AME Margin. The AME Margin is an allowance for estimating changes.

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 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 DEL and AME have been defined to sum to TME.

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 Relationship between Public Expenditure Control Aggregates under Resource Budgeting with those under Cash Budgeting

BACKGROUND

F.1 The move to resource accounting fulfils a long standing Government commitment to move central government accounts, Supply Estimates and budgets from a cash to an accruals basis. The 2000 Spending Review (SR2000) was the first for which plans were set on a resource basis, and required the conversion of cash plans into resource plans.

F.2 Under the old system, public spending was planned and controlled in cash terms. Cash payments and receipts were scored in the year they were made or received. Under resource accounting, what counts is when resources are consumed, not when they are paid for. So resource budgets record costs when stocks are consumed or produced (rather than bought or sold); provisions to meet expected future payments in respect of benefits already received; and the costs of using capital assets (depreciation and a cost of capital charge).

F.3 The move to resource accounting does not change the fiscal aggregates and balances. Total Managed Expenditure (TME), public sector current expenditure, and net investment will continue to be measured on a basis consistent with the internationally recognised standards for national accounts. The measurement of performance against the fiscal rules will continue to be reported by the Office for National statistics (ONS).

F.4 TME can be derived from departmental expenditure reported on a resource basis. This is done through a series of accounting adjustments (see Table 1.13 for data and explanation in Appendix B). The adjustments replace certain resource accounting concepts that are not applicable in national accounts.

F.5 Annex E describes in more detail the new resource budgeting framework under RAB.

CHANGES IN HOW EXPENDITURE IS RECORDED UNDER RESOURCE BUDGETING

F.6 Tables 2.4 to 2.7 show how, for 2001-02, departmental expenditure reported under resource budgeting differs from the previous cash totals.

F.7 Both resource and capital budgets are affected by timing differences - resource accounting scores costs as they are incurred not when the cash is paid.

F.8. Changes affecting the resource budget include capital charges. These are:

- a charge for the depreciation of assets used by each department
- a charge on capital employed by the department. The cost of capital charge is 6% of the assets, net of liabilities, on the department's balance sheet.

F.9 Other changes affecting the resource budget are the inclusion of provisions, charges for bad debts, and notional audit fees.

F.10 Resource budgets record Non-Departmental Public Bodies (NDPBs) as if they were part of the department. So the full detail of their expenditure is within budgets, including the non-cash costs such as capital charges and expenditure financed by NDPBs non-government sources of income. Under cash recording only the grants given to NDPBs were reported.

F.11 Resource budgets under RAB include subsidies paid to public corporations. The resource budget of a department includes the profit/loss of any public corporations it sponsors. A profit reduces expenditure within budget, and a loss increases it. The resource DELs of health departments are reduced by the amount of NHS trusts profit retained for capital expenditure - to avoid overstating health expenditure when resource and capital budgets are added. Chapter 7 explains more about how public corporations are recorded under RAB.

F.12 Capital budgets now include the capital expenditure of public corporations sponsored by the department. Under cash, the external finance requirement was recorded instead.

F.13 Under resource accounting, fighting equipment is scored as capital and recorded in MOD's capital budget. In national accounts this is recorded as current expenditure and was treated like that in cash budgeting.

F.14 Under stage 1 of resource budgeting, AME records the non-cash charges (except capital charges on civil estate which go in DEL); and capital DEL records the profit/loss on sale of capital assets. Under stage 2 of resource budgeting these are all expected to be in resource DEL.

F.15 The table below shows the magnitude of the differences between cash and resource plans for the year 2001-02. The figures are consistent with the tables in chapter 2 that describe the differences between current spending plans and those reported in last year's edition of this publication which were on a cash basis.

CHANGES TO DEPARTMENT BUDGET PLANS 2001-02

£ million

Resource DEL

Cash plans reported in PESA 2000-01.	181,752	
Resource budgeting changes:	-4,696	
of which		
timing changes		416
defence fighting equipment		-3,457
capital charges on civil estate		246
adjustments for public corporations		-281
adjustments for NDPBs		85
NHS Trusts adjustment		-1,479
other		-229
Resource budget DEL - before SR2000 changes	177,056	

Capital budget DEL

Cash plans reported in PESA 2000-01	17,777	
Budgeting changes	5,677	
of which:		
timing adjustments		13
defence fighting equipment		3,457

adjustments for public corporations	2,217
NDPB adjustments	6
other	-16
Capital budget DEL before SR2000 changes	23,454

Departmental Annually Managed Expenditure

Cash plans reported in PESA 2000-01	199,529
Non-cash costs:	
Depreciation	7,860
Cost of capital charges	13,242
Provisions and other charges	281
Self financing public corporations	1,301
Other	44
Total changes in departmental AME	22,166
Departmental AME before SR2000 changes	221,695

Appendix G Expenditure on services

G.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**. The definition of expenditure on services can be described as public sector expenditure on services, and as such is consistent with the use of TME - a total public sector aggregate - as the main measure of total public spending in this volume.

G.2 Expenditure on services differs from TME in that 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.

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

spending in Departmental Expenditure Limits

- + spending in Departmental in AME (except non-cash items)
- net public service pensions
- + net payments to EC Institutions
- + locally financed 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 profit/loss of public corporations recorded in DEL and AME
- + accounting adjustments to remove non-cash items recorded in DEL and AME. Such items arise from the introduction of accruals recording.

G.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

- + 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).
-

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 within **AME** that account for the difference between **TME** and the sum of **DEL**, the specific categories of **departmental AME** shown in table 1.3, and other identified programme lines in **AME** shown in table 1.3 such as debt interest and lottery expenditure. **TME** is drawn from national accounts. However there are certain components in **national accounts** which are not included in the control regimes for the management of public expenditure; and there are some items in the control regimes 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 of 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 Programmes** in 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 report outturn expenditure on a cash basis in the previous financial year for each **Vote**. Under resource accounting they are being 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 (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.

The **Capital Modernisation Fund (CMF)** is a challenge fund from which departments can bid for provision to support capital projects aimed at improving the quality of public service delivery (see also **Invest to Save Budget**). The CMF is not allocated to any specific department when public expenditure is being planned. It is allocated to departments that propose innovative capital projects.

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 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 1999-2000 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% of public spending. It was replaced as a budgeting and control measure by **DEL** and **AME** from 1999-2000.

Cost of capital charge is an annual non-cash charge applied to each department's budget. It is 6% of the net assets of the department and is used to make departments aware of the full cost of holding assets.

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.

Criminal Justice System - 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 self-financing public corporations.

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 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.

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 of 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 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
- Credit approvals
- Lending and other financial transactions

Employment Opportunities Fund (EOF) includes most Welfare to Work spending that has up to now been financed out of the windfall tax and included in the 'Welfare to Work' DEL.

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 and have been replaced by the including a public corporations' capital expenditure, profit/loss, payments of subsidies and a capital charge on its assets.

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. 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 capital **DEL** but not allocated to any department at the planning stage. It is allocated to capital expenditure 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. 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 new elected assembly for London.

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.

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 are a subset of public corporations which includes the Post Office and London Transport. Many former nationalised industries are now in the private sector such as businesses supplying gas, electricity, and water, mining

coal and rail services and telecommunications.

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.

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 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 the AME line for Locally Financed Expenditure in Scotland.

Non-cash items in AME include various notional transactions that appear in the **operating cost statement** under RAB and which are recorded in AME for the period of Spending Review 2000, rather than in DEL.

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 included nationalised industries

such as London Underground and the Post Office; 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 to 2004.

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 replace 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 which will henceforth be 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 adopted for the spending plans set in the 2000 Spending Review. It is derived from resource accounting rules, but there are several 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. Their external finance scores in the sponsoring department's **departmental AME**, rather than in their **DEL**. They include British Nuclear Fuels Limited, the BBC, National Air Traffic Services, The Tote, Commonwealth Development Corporation, the Post Office, 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 a 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. The most recent was SR2000 which reported in July 2000 and set spending plans for the years 2001 to 2004.

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).

Stockbuilding (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** is an individual Supply Estimate. Under RAB, from 2001, votes are replaced by **Requests for Resources**.

Welfare to Work is a spending programme covering current and capital expenditure on a wide range of social initiatives that is funded from receipts from the **windfall tax**. Most Welfare for Work spending is now in the **Employment Opportunities Fund** (EOF), and will continue to be financed out of the windfall tax for as long as receipts last.

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 cash based presentations of public finances they are netted-off gross income tax.

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Table 5.1 Gross administrative expenditure^{1,2,3} by department, 1998-99 to 2003-04

	resources, £ million					
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
	outturn	outturn	estimated	plans	plans	plans
			outturn			
Departmental Expenditure Limits						
Department for Education and Employment	1,168	1,198	1,329	1,450	1,498	1,470
Department of Health ⁴	287	277	404	414	422	430
Department of the Environment, Transport and the Regions	828	889	974	1,027	1,113	1,152
Home Office	2,220	2,143	2,481	2,726	2,854	2,965
Legal Departments	508	550	673	679	679	689
Attorney General's Departments	256	256	277	308	315	325
Foreign and Commonwealth Office	629	585	649	636	665	676
Department for International Development	59	70	71	68	75	80
Trade and Industry ⁵	426	521	572	545	561	565
Ministry of Agriculture, Fisheries and Food	524	489	502	504	493	554
Department of Culture, Media and Sport	30	34	31	32	32	32
Department of Social Security	2,871	3,020	3,335	3,573	3,863	3,853
<i>Of which: funded by the Welfare</i>						
Modernisation Fund				237	726	678
Scotland and Advocate General	3	3	7	7	7	7
Office of the Secretary of State for Wales	5	3	3	3	2	2
Northern Ireland Office	198	201	274	136	146	146
Chancellor of the Exchequer's Departments:						
Inland Revenue	2,055	2,213	2,462	2,564	2,708	2,725
Customs and Excise	789	789	862	925	955	960
Others	358	368	436	477	421	410
Cabinet Office	505	694	555	566	578	611
Departmental totals ⁶	13,721	14,307	15,896	16,638	17,388	17,654
Less estimated IT PFI capital ⁷	66	107	131	206	335	440
Total gross expenditure on civil departments						
Administration Costs	13,655	14,200	15,765⁹	16,432	17,053	17,214
Administration costs paybill⁸	10,408	10,826	11,529	11,824	12,134	12,333
<i>Of which MOD Civilian paybill</i>	<i>2,267</i>	<i>2,241</i>	<i>2,263</i>	<i>2,277</i>	<i>2,291</i>	<i>2,294</i>

(1) Administration costs include the costs of service delivery where this is carried out by central government staff and equipment.

(2) Excludes intra and inter-departmental receipts paid from administration costs.

(3) Excludes administration costs of devolved bodies.

(4) From April 2000, Department of Health includes the Food Standards Agency. Total administration costs in FSA from 2000-01 onwards are 100, 102, 104 ,104 (£ million)

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

(6) Cash numbers for 1996-97 are 1997-98 are 13,491 and 13,288 respectively. Best estimates in resource terms for each year are 96-97 13,293 and 97-98, 12,989.

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

(8) This covers the pay costs of civil servants and others (including casual staff) and includes superannuation charges and national insurance contributions. It excludes all civil servants of the devolved bodies, and armed forces within the Ministry of Defence.

(9) On average, over the last three years, final outturn has been 2.5 per cent below the estimate in PESA. On this basis, final outturn for 2000-01 would be £400 million below the department total shown here.

A blue, rounded rectangular button with the word "Back" in white text.

Table 5.2 Staff of central government departments and devolved bodies⁽¹⁾, 1996-97 to 2003-04

	Thousands (full-time equivalents)							
	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
	actual	actual	actual	actual	estimated	plans	plans	plans
Department for Education and Employment								
Employment (including OFSTED) ⁽²⁾	37.4	33.7	34.0	33.0	36.4	35.5	32.5	32.5
Department of Health	4.4	4.2	4.3	4.5	4.8	4.8	4.8	4.8
Food Standards Agency	0.0	0.0	0.0	0.0	1.9	2.0	2.0	2.0
Department of the Environment, Transport and the Regions (including ORR, PSA Services, HSE, OFWAT and Ordnance Survey)	18.9	17.6	17.9	19.0	20.2	21.4	20.9	21.1
Home Office (including Charity Commission)	50.5	50.6	50.7	50.6	56.7	59.4	58.9	59.0
Lord Chancellor's and Law Officers' Departments	18.7	17.6	17.0	17.6	18.0	18.7	18.7	18.7
Ministry of Defence	94.2	91.9	88.6	87.2	85.5	83.8	82.7	82.1
Foreign and Commonwealth Office	5.7	5.5	5.5	5.6	5.5	5.6	5.7	5.7
Department for International Development	1.0	1.0	1.1	1.3	1.2	1.4	1.4	1.4
Trade and Industry (including ACAS, OFT, OFTEL, OFGEM and the Postal Services Commission)	8.5	8.3	8.4	9.0	10.2	10.6	10.6	10.7
Export Credits Guarantee Department	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Ministry of Agriculture, Fisheries and Food ⁽¹⁰⁾	10.1	9.3	10.2	10.4	9.4	9.7	9.7	9.8
Intervention Board	0.9	1.1	1.1	1.3	1.2	1.3	1.2	1.2
Department for Culture, Media and Sport ⁽³⁾	1.0	0.6	0.6	0.7	0.6	0.6	0.6	0.6
Department of Social Security ⁽⁴⁾⁽⁵⁾	93.6	91.0	86.4	79.4	81.8	82.0	82.0	82.0
The Scottish Executive	-	-	-	0.0	0.1	0.1	0.1	0.1
Scotland ⁽⁶⁾⁽⁷⁾	11.8	12.0	12.2	12.2	13.8	13.8	13.7	13.6
Wales ⁽⁶⁾⁽⁸⁾	2.1	2.1	2.2	2.6	3.1	3.7	3.7	3.7
The Wales Office	-	-	-	0.03	0.04	0.04	0.04	0.04
The Northern Ireland Office	4.5	4.4	4.2	3.9	3.4	3.1	3.4	3.4
Northern Ireland ⁽⁶⁾	20.1	19.6	19.6	19.7	21.8	23.7	23.7	23.7
HM Customs and Excise	22.9	23.3	23.1	22.4	21.8	22.0	22.1	22.1
Inland Revenue ⁽⁵⁾	55.4	53.8	53.6	62.4	66.7	67.3	68.4	69.3
Chancellor's other departments ⁽⁹⁾	9.8	8.9	8.8	4.7	4.9	5.2	5.2	5.1
Cabinet Office, OPS, COI and PCO	2.9	2.5	2.5	2.5	2.1	2.3	2.3	2.3
Security and Intelligence Services	8.6	8.3	8.1	8.1	7.7	8.0	8.0	8.0
Trading funds and DSA	33.0	29.7	30.5	30.8	30.8	31.0	30.9	30.9
Total	516.6	497.6	490.9	489.4	509.9	517.4	513.6	514.2
of which: Home Civil Service	487.5	469.3	462.9	461.3	480.5	486.2	482.4	482.7

(1) Unless otherwise indicated all figures are financial year averages for permanent staff in central government departments. This includes the staff of the Home Civil Service, the devolved administrations and the Security and Intelligence Services.

- (2) *The Office of Her Majesty's Chief Inspector of Schools in England conducts business under the name of Office for Standards in Education (OFSTED).*
- (3) *Figures include the Office of the National Lottery (OFLOT) until 31/03/99. From 01/04/99 it became the National Lottery Commission and moved out of the Civil Service.*
- (4) *From 1996-97 figures include transfers in from the Employment Service due to the introduction of the Job Seekers' Allowance.*
- (5) *Changes in 1999-2000 reflect the move of the Contributions Agency from the Department of Social Security to Inland Revenue.*
- (6) *Plans for the devolved bodies are indicative only as future staff numbers will depend upon the decisions of the devolved executives.*
- (7) *Includes Crown Office.*
- (8) *Figures for 1999-2000 have been calculated on a pro-rata basis because the Wales Office was only in existence from July 1999.*
- (9) *Figures from 1999-2000 affect the transfer of National Savings operational locations to a Private Sector Partner.*
- (10) *Intervention Board will be absorbed into MAFF from October 2001.*



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Table 7.1 Public Corporations' contribution to Budgets and TME 1998-99 to 2003-04

	resources, £ million					
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
	outturn	outturn	estimated	plans	plans	
			outturn			
Within Resource Budget:						
<i>Resource Budget DELs:</i>						
CG subsidies to PCs	755	804	870	761	833	883
Profit(-)/Losses(+) of PCs after subsidies	-1,527	-1,875	-2,065	-1,823	-1,828	-1,856
Total Resource Budget DEL	-772	-1,071	-1,200	-1,000	-1,000	-1,000
<i>Resource Budget AME:</i>						
Profit/Loss of Self-Financing PCs	-329	306	-525	-455	-592	-816
Cost of Capital Charge for all PCs	1,820	1,968	2,120	1,563	1,654	1,664
Total Resource Budget AME	1,490	2,274	1,600	1,100	1,000	800
Total Public Corporations' Contribution						
to Resource Budget	719	1,202	400	0	100	-100
Within Capital Budget:						
<i>Capital Budget DELs:</i>						
Capital expenditure of PCs	2,493	2,180	3,090	3,287	3,302	3,281
Total Capital Budget DEL	2,493	2,180	3,100	3,300	3,300	3,300
<i>Capital Budget AME:</i>						
Capital expenditure of Self-Financing PCs	709	1,379	1,429	1,128	1,229	1,012
Total Capital Budget AME	709	1,379	1,400	1,100	1,200	1,000
Total Public Corporations' Contribution						
to Capital Budget	3,202	3,559	4,500	4,400	4,500	4,300
Accounting adjustments	236	-695	-1,000	-800	-500	-200
Total Public Corporations' Contribution						
to Total Managed Expenditure	4,157	4,066	3,900	3,700	4,100	3,900

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Table 7.2 Public Corporations' contribution to Resource Budget DEL, 1998-99 to 2003-04

	resources, £ million					
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
	outturn	outturn	estimated	plans	plans	plans
			outturn			
Public Corporations' contribution to						
Resource Budget DEL¹						
Education and Employment	88	91	107	98	98	98
Health	-1,104	-1,090	-1,208	-1,242	-1,244	-1,245
Environment, Transport and Regions	-210	-147	-199	-59	-31	-44
Local Government		5	16	22	22	22
Home Office	1	1	1	0	1	1
Lord Chancellor's Departments	-10	-42	-21	-15	-15	-15
Defence				-35	-8	-26
Foreign and Commonwealth Office		-1	-1	-1	-1	-1
Trade and Industry	6	1	5	-2	2	4
Agriculture, Fisheries and Food	-4	14	14	7	0	0
Culture, Media and Sport	75	75	75	77	80	82
Scotland	144	-38	-24	14	3	47
Wales	145	-33	-32	7	7	7
Northern Ireland Executive	96	94	73	68	92	96
Chancellor's Departments				0	0	0
Cabinet Office						
Total Public Corporations' contribution						
to Resource Budget DEL	-772	-1,071	-1,200	-1,100	-1,000	-1,000

1 The profit of a public corporation reduces expenditure within DEL, and a loss adds to DEL.

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Table 7.3 Public Corporations' Capital Expenditure 1998-99 to 2003-04

				resources, £ million		
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
	outturn	outturn	estimated	plans	plans	plans
			outturn			
<i>Public Corporations' Capital Expenditure in Capital Budget DEL</i>						
Education and Employment						
Remploy Ltd	6	5	5	5	5	5
Total Education and Employment	6	5	5	5	5	5
Health						
Estates Directorate		0	0	0	0	0
Medicines Control Agency(T)		6	5	3	1	1
National Health Service Trusts (England)	1,043	970	1,312	1,551	1,551	1,551
Total Health	1,043	976	1,317	1,554	1,553	1,552
Environment, Transport and Regions						
British Waterways Board	-1	6	5	5	5	5
Civil Aviation Authority (excluding National Air Traffic Services)		1	1	1	1	1
Commission for New Towns	85	19	13	13	1	1
Docklands Light Railway						
Driving Standards Agency(T)	8	2	5	2	2	2
Housing Action Trusts	95	91	114	117	131	93
London Transport	-1	-1				
National Railways		3	3			
Queen Elizabeth II Conference Centre(T)	0	0	1	1	1	1
Urban Regeneration Agency (English Partnerships)	419	-155	242	100	95	95
Vehicle Inspectorate	7	7	8	15	15	15
Total Environment, Transport and Regions	612	-28	392	254	251	213
Local Government						
Audit Commission			1	1		
Total Local Government			1	1		
Lord Chancellor's Departments						
Land Registry(T)	21	20	24	19	20	23
Total Lord Chancellor's Departments	21	20	24	19	20	23
Defence						
Defence Evaluation and Research Agency(T)				66	4	34
Hydrographic Office(T)				9	5	5
Meteorological Office(T)				15	36	15
NAAFI				8		
Total Defence				98	45	54

Foreign and Commonwealth Office						
BBC World Service	15	25	25	18	30	31
Total Foreign and Commonwealth Office	15	25	25	18	30	31
Trade and Industry						
Companies House(T)		4	2	1	6	6
The Patent Office(T)		0	1	0	1	1
Total Trade and Industry		4	3	1	7	7
<i>Public Corporations' Capital Expenditure in Capital Budget DEL</i>						
Agriculture Fisheries and Food						
Covent Garden Market Authority		0	0	0	0	0
Forestry Enterprises	-31	-7	-2	-1	-1	-1
Total Agriculture Fisheries and Food	-31	-7	-2	-1	-1	-1
Culture Media and Sport						
The Welsh Fourth Channel Authority	1	1	1	1	0	0
Total Culture Media and Sport	1	1	1	1	0	0
Scotland⁽¹⁾						
Caledonian MacBrayne	12	11	6	0		
Highlands & Islands Airports	1	2	2	2	2	2
Highlands & Islands Enterprise	28	27	26	24	24	24
National Health Service Trusts (Scotland)	64	152	135	205	205	205
Scottish Enterprise	86	106	117	96	106	116
Scottish Homes	284	239	350	275	244	251
Scottish Water Authority		371	465	462	512	520
Total Scotland	475	909	1,102	1,064	1,093	1,118
Wales⁽¹⁾						
National Health Service Trusts (Wales)	102	118	72	89	104	90
Welsh Development Agency	88					
Total Wales	191	118	72	89	104	90
Northern Ireland⁽¹⁾						
Laganside	9	9	10	10	10	10
National Health Service Trusts (Northern Ireland)	59	63	53	62	50	54
Northern Ireland Housing Executive	81	75	57	62	56	64
Northern Ireland Public Trust Port Authorities	10	10				
Northern Ireland Transport Holding Company	0	0	30	50	78	61
Total Northern Ireland	159	157	149	184	194	189
Chancellor's Departments						
The Buying Agency			0	0	0	0
Total Chancellor's Departments			0	0	0	0
Total Public Corporations Capital Expenditure						
in Capital Budget DELs	2,493	2,180	3,100	3,300	3,300	3,300

Self-Financing Public Corporations' Capital Expenditure in Capital Budget DEL

Environment, Transport and Regions

National Air Traffic Services(S)	52	52				
Total Environment, Transport and Regions	52	52				
Home Office						
The Tote(S)	8	32				
Total Home Office	8	32				
Trade and Industry						
British Nuclear Fuels(S)	466	477				
Post Office(S)		708				
Total Trade and Industry	466	1,185				
Culture Media and Sport						
British Broadcasting Corporation(S)	163	114				
Channel Four Television(S)	7	12				
Total Culture Media and Sport	171	127				
Chancellor's Departments						
Crown Estate(S)		-23				
Royal Mint(S)	13	6				
Total Chancellor's Departments	13	-17				
Total Public Corporations Capital Expenditure						
in Capital Budget AME	709	1,379	1,400	1,100	1,200	1,000
[Accounting adjustments}						
Total Public Corporations Capital Expenditure						
in Total Managed Expenditure	3,202	3,559	4,500	4,400	4,500	4,300

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

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Table 7.4 The impact of public corporations on DEL and Departmental AME (mostly external finance) by department, 1995-96 to 2000-01

	cash, £ million					
	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01
	outturn	outturn	outturn	outturn	outturn	estimated
						outturn
Education and Employment						
Remploy Ltd	94	94	94	94	96	101
Total DEL	94	94	94	94	96	101
Health						
Medicines Control Agency(T)				8	10	7
National Health Service Trusts (England)	401	83	85	-55	-50	311
Total DEL	401	83	85	-47	-40	317
DETR - Main Programmes						
Air Travel Trust Fund		5		1	0	1
British Waterways Board	50	51	52	54	59	65
Civil Aviation Authority (excluding National Air Traffic Services)			-5	-57	-1	-2
Docklands Light Railway	37	21	33	50	29	8
Driving Standards Agency(T)			0	0	0	0
European Passenger Service	288	15				
Housing Action Trusts	93	90	88	90	83	92
Letchworth Garden City	0					
London Transport	903	942	629	428	815	316
National Air Traffic Services - EFR(S)	34	-13	-26	-36	22	
National Railways	-1,663	-1,067	17	53	75	107
Commission for New Towns	-127	-115	-112	-123	-122	-124
Queen Elizabeth II Conference Centre(T)			0	0	0	0
Union Railways	30	12				
Urban Development Corporations	217	190	169			
Urban Regeneration Agency (English Partnerships)	156	211	251	291	228	197
Vehicle Inspectorate(T)			0	0	1	3
Total DEL	-17	353	1,121	787	1,165	663
Total Departmental AME	34	-13	-26	-36	22	
DETR - Local Government						
Best Value Inspectorate					5	16
Total DEL					5	16
Home Office						
Fire Service College(T)	2	2	4	2	0	1

Forensic Science Service(T)					6	1
The Tote - EFR(S)	6	-2	36	-2	-7	-8
Total DEL	2	2	4	2	5	2
Total Departmental AME	6	-2	36	-2	-7	-8

Table 7.4 The impact of public corporations on DEL and Departmental AME (mostly external finance) by department, 1995-96 to 2000-01 (continued)

	cash, £ million					
	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01
	outturn	outturn	outturn	outturn	outturn	estimated
						outturn
Legal Departments						
Land Registry(T)	-7	-15	-13	-3	-34	-15
Total DEL	-7	-15	-13	-3	-34	-15
Defence						
Defence Evaluation and Research Agency(T)	17	16	-32	-29	-8	-8
Hydrographic Office(T)		3	-3	0	0	-3
Meteorological Office(T)		27	-8	-9	-12	-9
Total DEL	17	46	-40	-38	-20	-20
Foreign and Commonwealth Office						
BBC Monitoring Service			-1	-1	-1	-1
Total DEL			-1	-1	-1	-1
International Development						
Commonwealth Development Corporation - EFR(S)	27	14	-22	-15		
The Crown Agents	0	7				
Crown Agents Holding and Realisation Board		15				
Total DEL	0	22				
Total Departmental AME	27	14	-22	-15		
Trade and Industry						
British Coal(1)	48	41	51	6	1	3
British Energy(2)		-478				
British Nuclear Fuels - Grant(S)		768	100			
British Nuclear Fuels - EFR(S)	-13	329	89	32	1	-75
British Shipbuilders	-1	-1	-28			
Companies House(T)	-7	-3	0	1	-1	1
Nuclear Electric	235					
The Patent Office(T)	-15	-19	-23	-18	-14	-7
Post Office - EFR(S)	-245	-285	-338	-214	231	286
United Kingdom Atomic Energy Authority	-13					
Total DEL	249	308	100	-12	-14	-3
Total Departmental AME	-258	44	-250	-182	232	211

Culture, Media and Sport

Channel Four Television - EFR(S)	-59	4	-17	-71	-13	-9
The Welsh Fourth Channel Authority	69	72	18	75	75	75
Total DEL	69	72	18	75	75	75
Total Departmental AME	-59	4	-17	-71	-13	-9

Table 7.4 The impact of public corporations on DEL and Departmental AME (mostly external finance) by department, 1995-96 to 2000-01 (continued)

	cash, £ million					
	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01
	outturn	outturn	outturn	outturn	outturn	estimated
						outturn
Scotland						
Caledonian MacBrayne	14	14	24	23	21	24
Highlands & Islands Airports	14	16	15	6	12	18
Highlands and Islands Enterprise	48	47	51	52	50	58
National Health Service Trusts (Scotland)	8	-4	-40	-47	4	52
New Town Development Corporations and the Commission for New Towns	-146	-151	-59	-18		
Registers of Scotland(T)		0	0	0		
Scottish Enterprise	265	272	258	261	243	246
Scottish Homes	293	279	271	261	243	246
Scottish Nuclear	-43					
Scottish Transport Group		0				
Scottish Water Authority		304	228	202	222	226
Total DEL	453	778	748	822	848	1,063
Wales						
National Health Service Trust (Wales)	57	56	53	36	28	10
Urban Development Corporations (Wales)	58	56	48	37	42	17
Welsh Development Agency	34	65	97	122	115	128
Total DEL	149	178	198	195	186	155
Northern Ireland						
Driver Vehicle Testing Agency(T)					#	
Laganside	8	8	8	8	7	7
National Health Service Trusts (Northern Ireland)	-11	-7	1	12	-1	-6
Northern Ireland Housing Executive	208	207	188	150	140	143
Northern Ireland Transport Holding Company	24	22	19	23	25	26
Total DEL	229	230	216	192	171	171
Chancellor's Departments						
Crown Estates - EFR(S)	6	13	-15	2	2	2
The Buying Agency(T)	0	0	0			
Total DEL	0	0	0			

Total Departmental AME	6	13	-15	2	2	2
Cabinet Office						
Central Office of Information		5				
Chessington Computer Centre ^{(T)(3)}	-1					
Her Majesty's Stationery Office ^{(T)(3)}	7	-7				
Total DEL	6	-2				
Grand Total: DEL	1,645	2,150	2,531	2,065	2,441	2,523
Grand Total:						
Departmental AME	-243	60	-294	-304	236	197

(S) *Self-financing Public Corporation.*

(T) *Trading Fund.*

(1) *Figures for 1995-96 onwards largely reflect departmental costs of meeting coal-related liabilities.*

(2) *British Nuclear Fuels and Magnox Electric merged on 30 January 1998.*

(3) *Chessington Computer Centre and HMSO were privatised during 1996-97.*

Note: The symbol "#" denotes a figure in the range (£-0.5m, £0.5m).

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Table 8.1 Identifiable total managed expenditure by country 1995-96 to 1999-2000

cash, £ million					
	1995-96	1996-97	1997-98	1998-99	1999-2000
England	189,320	193,454	196,380	202,188	213,116
Scotland	24,224	24,524	25,109	25,817	26,981
Wales	13,334	13,612	13,818	14,324	14,838
Northern Ireland	8,692	9,107	9,281	9,640	10,047
Total identifiable expenditure	235,570	240,696	244,588	251,968	264,982
Non-identifiable expenditure	36,551	35,481	34,532	38,908	37,907
Total expenditure on services	272,121	276,177	279,120	290,875	302,889
£ per head					
England	3,871	3,941	3,985	4,085	4,283
Scotland	4,716	4,782	4,902	5,042	5,271
Wales	4,572	4,660	4,721	4,883	5,052
Northern Ireland	5,252	5,456	5,524	5,723	5,939
Total identifiable expenditure	4,019	4,093	4,145	4,254	4,453
Non-identifiable expenditure	624	603	585	657	637
Total expenditure on services	4,643	4,696	4,730	4,911	5,090

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

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Table 8.2a Identifiable total managed expenditure, 1995-96

	cash, £ million					As a percentage of United Kingdom identifiable expenditure			
	England	Scotland	Wales	Northern Ireland	United Kingdom	England	Scotland	Wales	N Ireland
Education	28,314	4,075	1,799	1,377	35,565	80	11	5	4
Health and personal social services	41,093	5,535	2,780	1,586	50,994	81	11	5	3
Roads and transport	9,430	1,232	646	207	11,514	82	11	6	2
Housing	3,620	587	397	257	4,861	74	12	8	5
Other environmental services	6,411	1,068	761	251	8,491	76	13	9	3
Law, order and protective services	12,766	1,293	649	1,038	15,747	81	8	4	7
Trade, industry, energy and employment	5,061	797	425	490	6,772	75	12	6	7
Agriculture, fisheries, food and forestry	2,840	669	310	349	4,168	68	16	7	8
Culture, media and sport	2,797	304	252	44	3,397	82	9	7	1
Social security	75,357	8,447	5,232	2,961	91,996	82	9	6	3
Miscellaneous expenditure (1)	1,631	217	85	132	2,065	79	11	4	6
Total	189,320	24,224	13,334	8,692	235,570	80	10	6	4

(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.

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Table 8.2b Identifiable total managed expenditure, per head, 1995-96

	£ per head					Index (United Kingdom identifiable expenditure=100)(2)			
	England	Scotland	Wales	Northern Ireland	United Kingdom	England	Scotland	Wales	N Ireland
Education	579	793	617	832	607	95	131	102	137
Health and personal social services	840	1,078	953	958	870	97	124	110	110
Roads and transport	193	240	221	125	196	98	122	113	64
Housing	74	114	136	155	83	89	138	164	187
Other environmental services	131	208	261	152	145	90	144	180	105
Law, order and protective services	261	252	223	627	269	97	94	83	234
Trade, industry, energy and employment	103	155	146	296	116	90	134	126	256
Agriculture, fisheries, food and forestry	58	130	106	211	71	82	183	150	296
Culture, media and sport	57	59	86	27	58	99	102	149	46
Social security	1,541	1,645	1,794	1,789	1,570	98	105	114	114
Miscellaneous expenditure (1)	33	42	29	80	35				
Total	3,871	4,716	4,572	5,252	4,019	96	117	114	131

(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 the functional expenditure. Such an index would therefore have little meaning.

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Table 8.3a Identifiable total managed expenditure, 1996-97

	cash £ million					As a percentage of United Kingdom identifiable expenditure			
	England	Scotland	Wales	Northern Ireland	United Kingdom	England	Scotland	Wales	N Ireland
Education	28,908	3,980	1,819	1,428	36,135	80	11	5	4
Health and personal social services	42,733	5,677	2,957	1,661	53,029	81	11	6	3
Roads and transport	8,197	1,122	561	206	10,087	81	11	6	2
Housing	3,417	401	359	253	4,430	77	9	8	6
Other environmental services	6,466	721	719	250	8,155	79	9	9	3
Law, order and protective services	13,135	1,359	676	1,047	16,216	81	8	4	6
Trade, industry, energy and employment	4,761	882	425	491	6,559	73	13	6	7
Agriculture, fisheries, food and forestry	3,048	1,068	359	423	4,898	62	22	7	9
Culture, media and sport	2,976	326	251	51	3,604	83	9	7	1
Social security	78,181	8,773	5,385	3,152	95,491	82	9	6	3
Miscellaneous expenditure (1)	1,632	215	101	144	2,092	78	10	5	7
Total	193,454	24,524	13,612	9,107	240,696	80	10	6	4

(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.

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Table 8.3b Identifiable total managed expenditure, per head, 1996-97

	£ per head					Index (United Kingdom identifiable expenditure=100)(2)			
	England	Scotland	Wales	Northern Ireland	United Kingdom	England	Scotland	Wales	N Ireland
Education	589	776	623	855	614	96	126	101	139
Health and personal social services	871	1,107	1,012	995	902	97	123	112	110
Roads and transport	167	219	192	124	172	97	128	112	72
Housing	70	78	123	152	75	92	104	163	201
Other environmental services	132	141	246	150	139	95	101	178	108
Law, order and protective services	268	265	231	627	276	97	96	84	227
Trade, industry, energy and employment	97	172	146	294	112	87	154	131	264
Agriculture, fisheries, food and forestry	62	208	123	254	83	75	250	147	304
Culture, media and sport	61	64	86	31	61	99	104	140	50
Social security	1,593	1,711	1,844	1,888	1,624	98	105	114	116
Miscellaneous expenditure ⁽¹⁾	33	42	35	87	36				
Total	3,941	4,782	4,660	5,456	4,093	96	117	114	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.

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Table 8.4a Identifiable total managed expenditure, 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	29,721	4,099	1,884	1,462	37,166	80	11	5	4
Health and personal social services	44,894	5,825	3,077	1,761	55,557	81	10	6	3
Roads and transport	7,579	1,004	456	201	9,240	82	11	5	2
Housing	2,731	460	297	258	3,746	73	12	8	7
Other environmental services	6,518	960	696	234	8,408	78	11	8	3
Law, order and protective services	13,608	1,420	774	1,069	16,872	81	8	5	6
Trade, industry, energy and employment	4,426	881	442	494	6,244	71	14	7	8
Agriculture, fisheries, food and forestry	2,675	966	282	393	4,317	62	22	7	9
Culture, media and sport	3,435	356	313	63	4,167	82	9	8	2
Social security	79,046	8,940	5,503	3,220	96,710	82	9	6	3
Miscellaneous expenditure (1)	1,746	198	94	126	2,163	81	9	4	6
Total	196,380	25,109	13,818	9,281	244,588	80	10	6	4

(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.

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Table 8.4b Identifiable total managed expenditure, 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	603	800	644	870	630	96	127	102	138
Health and personal social services	911	1,137	1,051	1,048	941	97	121	112	111
Roads and transport	154	196	156	120	157	98	125	100	76
Housing	55	90	101	154	63	87	141	160	242
Other environmental services	132	187	238	140	142	93	132	167	98
Law, order and protective services	276	277	265	636	286	97	97	93	223
Trade, industry, energy and employment	90	172	151	294	106	85	163	143	278
Agriculture, fisheries, food and forestry	54	189	96	234	73	743	258	132	320
Culture, media and sport	70	69	107	38	71	99	98	151	53
Social security	1,604	1,745	1,880	1,916	1,639	98	106	115	117
Miscellaneous expenditure (1)	35	39	32	75	37				
Total	3,985	4,902	4,721	5,524	4,145	96	118	114	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 the functional expenditure. Such an index would therefore have little meaning.

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Table 8.5a Identifiable total managed expenditure, 1998-99

	cash £ million					As a percentage of United Kingdom identifiable expenditure			
	England	Scotland	Wales	Northern Ireland	United Kingdom	England	Scotland	Wales	N Ireland
Education	31,115	4,203	1,935	1,509	38,762	80	11	5	4
Health and personal social services	47,634	6,084	3,245	1,856	58,820	81	10	6	3
Roads and transport	7,110	934	446	202	8,692	82	11	5	2
Housing	2,633	493	321	276	3,723	71	13	9	7
Other environmental services	6,427	989	694	240	8,351	77	12	8	3
Law, order and protective services	14,032	1,431	810	1,074	17,348	81	8	5	6
Trade, industry, energy and employment	4,543	855	469	505	6,371	71	13	7	8
Agriculture, fisheries, food and forestry	2,805	1,046	343	417	4,611	61	23	7	9
Culture, media and sport	3,852	397	337	77	4,662	83	9	7	2
Social security	80,071	9,172	5,612	3,346	98,201	82	9	6	3
Miscellaneous expenditure (1)	1,965	212	113	138	2,428	81	9	5	6
Total	202,188	25,817	14,324	9,640	251,968	80	10	6	4

(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.

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Table 8.5b Identifiable total managed expenditure, per head, 1998-99

	£ per head					Index (United Kingdom identifiable expenditure=100)(2)			
	England	Scotland	Wales	Northern Ireland	United Kingdom	England	Scotland	Wales	N Ireland
Education	629	821	660	896	654	96	125	101	137
Health and personal social services	962	1,188	1,106	1,102	993	97	120	111	111
Roads and transport	144	182	152	120	147	98	124	104	82
Housing	53	96	109	164	63	85	153	174	261
Other environmental services	130	193	236	143	141	92	137	168	101
Law, order and protective services	284	280	276	638	293	97	95	94	218
Trade, industry, energy and employment	92	167	160	300	108	85	155	149	279
Agriculture, fisheries, food and forestry	57	204	117	248	78	73	262	150	318
Culture, media and sport	78	78	115	45	79	99	99	146	58
Social security	1,618	1,791	1,913	1,986	1,658	98	108	115	120
Miscellaneous expenditure (1)	40	41	39	82	41				
Total	4,085	5,042	4,883	5,723	4,254	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 the functional expenditure. Such an index would therefore have little meaning.

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Table 8.6a Identifiable total managed expenditure, 1999-2000

	cash £ million					As a percentage of United Kingdom identifiable expenditure			
	England	Scotland	Wales	Northern Ireland	United Kingdom	England	Scotland	Wales	N Ireland
Education	32,766	4,417	2,004	1,583	40,770	80	11	5	4
Health and personal social services	51,806	6,505	3,464	2,018	63,793	81	10	5	3
Roads and transport	6,627	924	453	208	8,211	81	11	6	3
Housing	2,084	458	216	280	3,039	69	15	7	9
Other environmental services	6,646	962	710	258	8,576	77	11	8	3
Law, order and protective services	15,195	1,545	887	1,097	18,724	81	8	5	6
Trade, industry, energy and employment	5,115	874	381	495	6,866	74	13	6	7
Agriculture, fisheries, food and forestry	2,730	1,023	341	359	4,452	61	23	8	8
Culture, media and sport	4,366	453	411	90	5,319	82	9	8	2
Social security	83,691	9,547	5,825	3,500	102,562	82	9	6	3
Miscellaneous expenditure (1)	2,090	273	146	159	2,668	78	10	5	6
Total	213,116	26,981	14,838	10,047	264,982	80	10	6	4

(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.

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Table 8.6b Identifiable total managed expenditure, per head, 1999-2000

	£ per head					Index (United Kingdom identifiable expenditure=100)(2)			
	England	Scotland	Wales	Northern Ireland	United Kingdom	England	Scotland	Wales	N Ireland
Education	659	863	682	935	685	96	126	100	137
Health and personal social services	1,041	1,271	1,180	1,193	1,072	97	119	110	111
Roads and transport	133	180	154	123	138	97	131	112	89
Housing	42	90	74	166	51	82	175	144	325
Other environmental services	134	188	242	153	144	93	130	168	106
Law, order and protective services	305	302	302	649	315	97	96	96	206
Trade, industry, energy and employment	103	171	130	293	115	89	148	112	254
Agriculture, fisheries, food and forestry	55	200	116	212	75	73	267	155	284
Culture, media and sport	88	88	140	53	89	98	99	157	59
Social security	1,682	1,865	1,983	2,069	1,724	98	108	115	120
Miscellaneous expenditure (1)	42	53	50	94	45				
Total	4,283	5,271	5,052	5,939	4,453	96	118	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 the functional expenditure. Such an index would therefore have little meaning.

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Table 8.7 Total managed expenditure⁽¹⁾: Total expenditure on services⁽²⁾ analysed by country and function, 1999-2000

Identifiable expenditure											
	England	Total	Scotland			Wales			Northern Ireland		
			Scottish Executive ⁽³⁾	Other	Total	National Assembly for Wales ⁽⁴⁾	Other	Total	Northern Ireland Departments and Office	Other ⁽⁵⁾	Total
Education	32,766	4,417	4,417		2,004	1,906	99	1,583	1,583		40,770
Health and personal social services	51,806	6,505	6,504		3,464	3,464		2,018	2,018		63,790
Roads and transport	6,627	924	704	220	453	350	103	208	200	8	8,215
Housing	2,084	458	458		216	216		280	280		3,036
Other environmental services	6,646	962	923	39	710	697	13	258	256	2	8,570
Law, order and protective services	15,195	1,545	1,449	96	887		887	1,097	1,025	72	18,724
Defence											
Overseas services											
Trade, industry, energy and employment	5,115	874	632	242	381	225	156	495	485	11	6,860
Agriculture, fisheries, food and forestry	2,730	1,023	874	150	341	269	71	359	315	44	4,450
Culture, Media and Sport	4,366	453	291	161	411	98	313	90	40	50	5,310
Social security	83,691	9,547		9,547	5,825		5,825	3,500	3,466	33	102,560
Miscellaneous expenditure ⁽⁷⁾	2,090	273	224	49	146	120	26	159	150	10	2,660
Total	213,116	26,981	16,477	10,504	14,838	7,346	7,492	10,047	9,816	231	264,980

(1) Figures contained in tables in this chapter will differ from those presented in other chapters in this publication and individual 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) Responsibility for most expenditure in Northern Ireland lies with the Northern Ireland Office and Departments; this column is support of the agriculture and fishing industries, the NI Court Service, and smaller programmes.

(6) In 1999-00 around £30 million of non-identifiable expenditure was for the benefit of England and Wales, £1,058 million for C million for the UK as a whole.

(7) Included in the "Non-identifiable" cell are net payments to EC Institutions and expenditure associated with general maintenance collection and population registration. See Table 8.8.

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Table 8.8 Non-identifiable total managed expenditure by programme, 1999-2000

Programme	cash, £ million
Defence and overseas services	25,898
BSE related expenditure	332
Science and technology	1,917
BNFL	455
British Coal Corporation	1
Net medical payments to European Economic Area countries ⁽¹⁾	171
Records, registrations and surveys	40
War pensions and pensions paid to UK nationals abroad	738
Net payments to EC institutions	3,326
Cabinet Office	145
Parliament and associated expenditure	152
Office for National Statistics	101
Tax collection and funding for Bank of England	3,518
Civil service superannuation	78
Security and intelligence services	761
Smaller programmes	277
Total	37,907

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

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Table 8.9 Identifiable total managed expenditure, by region and function, 1998-99

	Allocation of expenditure by region								cash £ million	
	North East	North West	Yorkshire and Humberside	East Midlands	West Midlands	South West	Eastern	London	South East	Total England
Education	1,676	4,498	3,128	2,525	3,493	2,920	3,337	5,147	4,391	31,115
Health and personal social services	2,544	6,676	4,866	3,715	4,904	4,528	5,145	8,667	6,589	47,634
Roads and transport	347	926	616	577	697	588	745	1,347	1,266	7,110
Housing	143	434	266	124	162	22	171	1,050	261	2,633
Other environmental services	396	826	587	512	695	614	669	1,042	1,086	6,427
Law, order and protective services	762	2,041	1,352	1,095	1,350	1,217	1,164	3,153	1,899	14,032
Trade, industry, energy and employment	275	660	461	354	482	461	490	717	643	4,543
Agriculture, fisheries, food and forestry	147	394	291	236	295	281	284	403	474	2,805
Culture, Media and Sport	226	619	310	242	341	300	314	993	507	3,852
Social security	5,093	12,760	8,355	6,454	8,657	7,771	7,879	11,714	11,389	80,071
Central administration and miscellaneous	109	338	170	152	191	170	196	340	300	1,965
Total	11,718	30,173	20,402	15,986	21,268	18,871	20,394	34,572	28,804	202,187

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Table 8.10 Identifiable total managed expenditure per head, by region and function, 1998-99

	Allocation of expenditure by region								£ per head	
	North East	North West	Yorkshire and Humberside	East Midlands	West Midlands	South West	Eastern	London	South East	Total England
Education	649	654	620	603	655	592	616	706	544	625
Health and personal social services	986	970	964	886	919	917	950	1,190	816	957
Roads and transport	134	135	122	138	131	119	138	185	157	143
Housing	55	63	53	30	30	4	32	144	32	53
Other environmental services	153	120	116	122	130	124	123	143	134	129
Law, order and protective services	295	297	268	261	253	247	215	433	235	282
Trade, industry, energy and employment	107	96	91	84	90	93	90	98	80	91
Agriculture, fisheries, food and forestry	57	57	58	56	55	57	52	55	59	56
Culture, Media and Sport	87	90	61	58	64	61	58	136	63	77
Social security	1,973	1,854	1,655	1,540	1,622	1,574	1,454	1,608	1,410	1,609
Central administration and miscellaneous	42	49	34	36	36	34	36	47	37	39
Total	4,539	4,385	4,042	3,814	3,986	3,823	3,764	4,746	3,566	4,085

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Table 8.11 Identifiable general government expenditure, by region and function, 1999-2000

	Allocation of expenditure by region								cash £ million	
	North East	North West	Yorkshire and Humberside	East Midlands	West Midlands	South West	Eastern	London	South East	Total England
Education	1,771	4,754	3,328	2,662	3,686	3,094	3,552	5,369	4,550	32,766
Health and personal social services	2,814	7,396	5,303	3,961	5,280	4,826	5,371	9,475	7,381	51,806
Roads and transport	344	921	515	489	657	600	708	1,223	1,169	6,627
Housing	75	313	183	76	102	90	10	1,130	104	2,084
Other environmental services	434	1,054	329	545	711	563	593	1,325	1,092	6,646
Law, order and protective services	844	2,192	1,478	1,181	1,484	1,320	1,277	3,305	2,113	15,196
Trade, industry, energy and employment	308	745	528	461	558	493	535	786	702	5,115
Agriculture, fisheries, food and forestry	145	379	280	230	278	276	299	396	447	2,730
Culture, Media and Sport	327	538	390	300	391	367	364	1,141	549	4,366
Social security	5,303	13,261	8,796	6,790	9,067	8,291	8,297	12,152	11,733	83,691
Central administration and miscellaneous	120	284	186	165	214	194	219	382	324	2,090
Total	12,485	31,840	21,317	16,861	22,428	20,113	21,226	36,683	30,163	213,116

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Table 8.12 Identifiable general government expenditure per head, by region and function, 1999-2000

	Allocation of expenditure by region								£ per head	
	North East	North West	Yorkshire and Humberside	East Midlands	West Midlands	South West	Eastern	London	South East	Total England
Education	686	691	659	635	691	627	656	737	563	659
Health and personal social services	1,090	1,075	1,051	945	990	978	991	1,301	914	1,041
Roads and transport	133	134	102	117	123	122	131	168	145	133
Housing	29	46	36	18	19	18	2	155	13	42
Other environmental services	168	153	65	130	133	114	110	182	135	134
Law, order and protective services	327	319	293	282	278	267	236	454	262	305
Trade, industry, energy and employment	119	108	105	110	104	100	99	108	87	103
Agriculture, fisheries, food and forestry	56	55	56	55	52	56	55	54	55	55
Culture, Media and Sport	127	78	77	72	73	74	67	157	68	88
Social security	2,054	1,927	1,743	1,620	1,699	1,680	1,531	1,668	1,453	1,682
Central administration and miscellaneous	47	41	37	39	40	39	40	52	40	42
Total	4,837	4,628	4,224	4,023	4,203	4,075	3,917	5,035	3,734	4,283

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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. Tables give the public expenditure statistics.

7.2 Data in Tables 7.1 to 7.3 are on a resource basis. Data in Table 7.4 are on a cash basis. Outturn 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 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: Post Office, British Nuclear Fuels, Channel Four, Royal Mint, National Air Traffic Services, Commonwealth Development Corporation, Crown Estates, and the Tote. 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.

7.5 Self-financing public corporations, and trading funds are identified by footnotes in the tables.

RECENT DEVELOPMENTS

7.6 National Air Traffic Services (NATS) is expected to become a Public Private Partnership (PPP) during 2001 and will be

classified as a private company in national accounts since Government will hold only 49 per cent of the shares; the private sector partner will have 46 per cent and employees 5 per cent. There are also plans to set up PPPs in the private sector for the Commonwealth Development Corporation and the Defence Evaluation and Research Agency.

7.7 London Transport is moving from being a public corporation sponsored by a central government department (DETR) to a public corporation that will be controlled by Transport for London - a local authority, part of the Greater London Authority.'

THE CORPORATE CONTROL FRAMEWORK

7.8 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

7.9 The following transactions of PCs are included in departmental budgets:

- Subsidy paid to the PC by the Department (in resource DEL, except for the subsidy paid to Crown Estates which is in AME);
- Capital charge on the net assets of the PC (in resource AME during stage 1 of resource budgeting)
- The PC's profit/loss. A loss adds to expenditure within the department's resource budget; a profit reduces it.
- The PC's capital expenditure. This includes spending on fixed capital assets and financial assets, net of sales, and net of any capital grants received from outside the public sector.

The last two items are in AME if it is an SFPC, otherwise they are in DEL.

PUBLIC CORPORATIONS IN NATIONAL ACCOUNTS

7.10 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.

7.11 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.

7.12 Note that the impact of public corporations on departmental budgets differs from their impact on TME. The adjustments needed to go from DEL plus Departmental AME to TME, in respect of PCs, are included in the Accounting and Other Adjustments line (see **Table 7.1** in this Chapter and Appendix B for an explanation of the accounting adjustments).

Tables

7.13 Table 7.1 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).

7.14 Table 7.2 shows the contributions of PCs to resource budget DELs, by department. This is made up of subsidies paid by the department to PCs, and the profit/loss of PCs sponsored by the department (excluding SFPCs because they score in AME).

7.15 Table 7.3 shows the contributions of PCs to capital budget DELs; and gives figures for each department and each PC. This contribution is the capital expenditure of all PCs that are not SFPCs. 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 also shows the aggregate impact of SFPCs on departmental AME.

7.16 Table 7.4 presents data according to the old cash based budgeting regime. It shows the impact of public corporations on DEL and departmental AME from 1995-96 to 2000-01. The impact is mainly external finance.

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

Tables

Table 7.1	Public corporations' contributions to Budgets and TME, 1998-99 to 2003-04
Table 7.2	Public corporations' contributions to Resource Budget DEL, 1998-99 to 2003-04
Table 7.3	Public corporations capital expenditure, 1998-99 to 2003-04
Table 7.4	Public corporations' contributions to budgets and TME, 1995-96 to 2000-01 (cash)

on this site.

