

Public Expenditure Statistical Analyses 2007

April 2007



Cm 7091



HM TREASURY



This document is part of a series of Departmental Reports (Cm 7091 to Cm 7117) which, along with the Main Estimates 2007-08, the document Public Expenditure Statistical Analyses 2007 and the Supplementary Budgetary Information 2007-08, present the Government's expenditure plans for 2007-08, and comparative outturn data for prior years.

The complete series of Departmental Reports and *Public Expenditure Statistical Analyses 2007* are also available as a set at a discounted price.



HM TREASURY



Public Expenditure Statistical Analyses 2007

April 2007

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

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INTRODUCTION AND OVERVIEW

Public Expenditure Statistical Analyses (PESA) brings together recent outturn data, estimated outturns for the latest year and spending plans over the whole range of UK public expenditure. It is published annually as a Command paper soon after the Budget. The Treasury also publishes Main Supply Estimates and Supplementary Budgetary Information in the weeks after the Budget. Further information on each government department's spending is set out in individual departmental reports, which will be published in the weeks after PESA.

The two objectives of PESA

PESA serves two purposes:

- It provides information on Government spending plans and offers a measure of accountability on spending outturns expressed in terms of the aggregates used by the Government for expenditure planning and control. These aggregates – Departmental Expenditure Limits and Annually Managed Expenditure – are reconciled to an aggregate drawn from the national accounts – Total Managed Expenditure (TME) – and to other national accounts expenditure concepts. TME, and its component parts Public Sector Current Expenditure, Public Sector Net Investment and Public Sector Depreciation, represent the expenditure side of the measures used for the Government's fiscal framework. PESA includes analyses of public spending by department, spending sector and budgetary control aggregate.
- PESA analyses public expenditure in ways that transcend the budgeting and managerial control frameworks. For statistical analysis, PESA uses an expenditure concept – Total Expenditure on Services (TES) – that is more stable than the budgeting aggregates and that is closer to TME. TES is analysed by function, economic category and country and region.

These twin purposes are reflected in the ordering of the tables:

- Tables in Chapters 1, 2, and 3 and the early tables in chapters 6, 7, and 8 deal mainly with the budgeting aggregates, and their reconciliation to national accounts;
- Tables in Chapters 4, 5, 9, and 10, and the later tables in chapters 6, 7, 8 provide analyses of TES.

Period covered by PESA tables

All data series in PESA are annual, and for financial years. Tables in PESA normally cover a span of up to nine years – five years' outturns, estimated outturn for the latest year and up to three years' spending plans, depending on the year of the latest Spending Review. In this year's PESA, plans are available for one year so analyses generally cover the seven years 2001-02 to 2007-08. In certain areas, eg. local authority expenditure, detailed plans for future years are not available, and so there is no plans information for public sector level functional analyses. Some series are presented over a longer historical period.

Consistency with other publications

Information in PESA 2007 is consistent with

- the National Statistics public expenditure outturns published on Budget Day (21 March 2007),
- fiscal projections and public spending plans set out in Chapter C of the 2007 Financial Statement and Budget Report (FSBR; HC342; 21 March 2007) and
- the consistent series of outturns and plans presented on a PESA basis and published on the Treasury's website on the day of the Budget,

except in a few areas where later information is available and has been incorporated. In some cases the information in PESA is presented differently from the information in the FSBR – Appendix A gives details.

Information in PESA is fully consistent with the 2007-08 Supply Estimates, both Main Estimates and Supplementary Budgetary Information.

Data Quality in PESA 2007

During the transition period to the new COINS system the quality of some data may be affected, which may lead to larger than usual revisions of the data published in PESA 2007 when we publish spending updates.

There is more information on data quality in Appendix A.

National Statistics in PESA

All outturn data (up to 2005-06) are National Statistics. National Statistics are those figures which Ministers have decided should come within the scope of the principles of the National Statistics Code of Practice. The Code seeks to ensure that National Statistics will be valued for their relevance, integrity, quality and accessibility. More information about National Statistics is available on the National Statistics web site at: www.statistics.gov.uk

The scope of National Statistics in the tables for each chapter of PESA is indicated in the text for that chapter. Where tables contain National Statistics, they show that in column headers.

Estimated outturns for 2006-07 and spending plans for 2007-08 are outside the scope of National Statistics.

Public expenditure National Statistics updates

Outturn data to 2005-06 for certain key series in PESA were released on Budget day, 21 March 2007. The key series were:

- Total Managed Expenditure, by budgetary category (PESA 2007 Table 1.1);
- Departmental Expenditure Limits, resource, near-cash and capital, by departmental group (PESA 2007, DEL parts of Tables 1.5, 1.7 and 1.10); and
- Total Expenditure on Services by function (PESA 2007, Table 4.2).

These key series are updated three times a year as National Statistics updates. They will next be updated in a release in July, on the day of publication of the Public Expenditure Outturn White Paper (PEOWP). The July release will include the first provisional estimates of 2006-07 outturns. It will be available on the web¹ in the Public Spending Annual Outturns News Release. Subsequent updates will take place at the time of the Pre-Budget Report (PBR, typically in November) and the Budget (typically in March).

On the day of the Budget and the PBR we publish on the Treasury's website tables showing these National Statistics outturns and also certain plans information consistent with the dataset used for the FSBR/ PBR and using the PESA presentation.

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

Additional Material

Supplementary material, such as a pdf version of PESA, Excel versions of many of the tables and guidance notes will be published on the Treasury's website² on the day of publication and in the following week. Some additional tables relating to the Country and Regional Analysis (chapters 9 and 10) and the database underlying the Country and Regional Analysis will be published several weeks after PESA.

¹ http://www.hm-treasury.gov.uk/newsroom_and_speeches/press/press_index.cfm

² http://www.hm-treasury.gov.uk/economic_data_and_tools/finance_spending_statistics/pes_publications/pespub_index.cfm

WHAT'S NEW

PESA 2007 contains significant developments and improvements in line with the response to the user consultation published last year on the Treasury's website¹. We are also pre-announcing below further changes and improvements that will be made in PESA 2008 and beyond. This includes the launch of a consultation of the publication of outturn data in PESA as a separate National Statistics First Release from PESA 2008.

Extension of scope of National Statistics in PESA 2007

As pre-announced in PESA 2006 the Chief Secretary to the Treasury has extended the scope of National Statistics in PESA so that with effect from PESA 2007 all outturn data are included within the scope of National Statistics. The National Statistics parts of tables are indicated in column headers.

PESA 2007 – detailed COFOG level 2 analysis

As pre-announced in PESA 2006 the analysis of UK spending in PESA 2007 by the UN Classification of Functions of Government (COFOG) that is used to analyse Total Expenditure on Services (TES) has been moved into conformity with the UN COFOG definitions at level 2. The Treasury has published a document detailing these changes in full on its website². Previous PESA presentations since PESA 2004 have been consistent with the level 1 breakdown of UN COFOG, and this further breakdown brings the sub-functional PESA analyses into line. Specifically:

- **TES by function analyses** (PESA 2007 Tables 4.2, 4.3, 4.4, 5.1, 5.4, 5.5, 7.6, 7.7, 7.8, 7.9 and 7.10). As previous PESA presentations since PESA 2004 have been consistent with UN COFOG at level 1 the functional definitions in these tables have not changed. However, we have in a few cases changed the labelling and presentation of the functions to be fully consistent with the presentation of COFOG. Further details are given in the Chapter 4 text.
- **TES by sub-function analyses** (PESA 2007 Tables 5.2 and 6.5). These analyses are now on a detailed COFOG level 2 basis, with the exception of the health spending function – see Chapter 5 for more detail. Where the previous PESA presentation contained more detail than COFOG level 2 we have usually retained those categories so there is no loss of information. Further details are given in Chapters 4 and 5.

The TES analysis of public expenditure by country and region remains on the PESA 2006 sub-functional basis due to the earlier data collection of this exercise. These analyses will move onto a COFOG level 2 basis in PESA 2008. Further details are given in Chapter 9.

¹ http://www.hm-treasury.gov.uk/economic_data_and_tools/finance_spending_statistics/pes_publications/pespub_consult.cfm

² http://www.hm-treasury.gov.uk/economic_data_and_tools/finance_spending_statistics/pes_function/function/function.cfm

PESA 2007 – new tables

As proposed in the response to the user consultation PESA 2007 contains several new tables. Further details are given in the relevant chapter text:

- **budgets by economic category of spending** (PESA 2007 Table 2.1). This table shows the composition of aggregate departmental budgets by economic category (ie pay, procurement) to supplement the explanations in the text to Chapter 1 and Appendix C;
- **current procurement expenditure in budgets** (PESA 2007 Table 2.2). This table shows current procurement expenditure in budgets on a GAAP basis by departmental group;
- **central government own gross capital expenditure on tangible and intangible fixed assets in budgets before the deduction of sales** (PESA 2007 Table 2.3). This table shows spending on capital asset procurement on a GAAP basis within capital budgets by departmental group;
- **current procurement spending by COFOG** (PESA 2007 Table 5.6). This table shows current procurement spending on a National Accounts basis by COFOG function;
- **England and SWANI numbers at a detailed functional level** (PESA 2007 Table 10.1). This table shows detailed functional expenditure numbers at the country level; and
- **transactions with the institutions of the EC** (PESA 2007 Table C.1). This table shows UK flows of expenditure to, and receipts from, the institutions of the European Community.

PESA 2007 – development of the country and regional analysis (CRA) methodology

As pre-announced in PESA 2006 we have broadened the coverage of identifiable spending, particularly in England and Wales. Almost all spending by Whitehall departments is now treated as identifiable where there is equivalent spending by a devolved administration. This change, and further improvements made to the CRA methodology, are outlined in Chapter 9. Additionally this year in order to continually improve the quality of the CRA we have introduced a requirement for departments to formally sign off their CRA as being produced in accordance with the CRA guidance to National Statistics standards. Further details on this and comments on data quality in the CRA are given in Chapter 9 and Appendix A.

PESA 2007 – increasing usability

A key finding of the response to the user consultation³ was a need to improve the usability of PESA. With this in mind we have:

- given PESA a clearer structure by splitting two of the chapters (PESA 2006 Chapter 1 and PESA 2006 Chapter 3) into two. The purpose of splitting PESA 2006 Chapter 1 is to distinguish between tables that show control totals and those containing more detailed analyses of budgets (now PESA 2007 Chapters 1 and 2 respectively). The purpose of splitting PESA 2006 Chapter 3 (now PESA

³ http://www.hm-treasury.gov.uk/economic_data_and_tools/finance_spending_statistics/pes_publications/pespub_consult.cfm

2007 Chapters 4 and 5) is to distinguish between long term trend analyses of public expenditure and other National Accounts analyses. We have also re-ordered the appendices to a more logical sequence; and

- included a simple user's guide for new readers to explain how to use PESA to find the answer to some frequently asked questions on public expenditure;

PESA 2008 – pre-announcement of the separate publication of the First Release of outturns and consultation on modality of release

The Chief Secretary to the Treasury has agreed in principle that from 2008 National Statistics outturn data in PESA should be published separately as a First Release ahead of the main PESA document. The intention is that this First Release will be an internet-based publication on the Treasury website. The content of PESA itself will be unaffected with the National Statistics data reproduced alongside plans data. The First Release will be published a day or two before PESA itself. This change is to align the treatment of PESA outturn data with other First Release National Statistics, which are generally published separately from other material.

In accordance with National Statistics Protocols we are consulting users on this change. If you have any comments on the change or on the modality of publication of the First Release data please send them to the Editor at the address below by 1 August 2007.

Future development of PESA

The Treasury published a response to the user consultation on its website last year⁴. This outlines our proposals for the future development of PESA.

As stated in the response to the user consultation document (paragraph 3.47) PESA 2008 will set out changes to plans since the Comprehensive Spending Review (CSR).

In addition our intention for PESA 2008 and beyond is to:

- revive and update the work in PESA 2002 that produced an investment series on consistent sectoral boundaries;
- explore the practicality of extending the range and scope of the functional historical series in Chapter 4; and
- provide further tables analysing the data for the PESA years.

All development plans are subject to resources and to the resolution of practical implementation issues, including data quality.

We would be interested in readers' views on how we propose to develop PESA and any general comments on how PESA could be made more useful to users. Please write to:

⁴ http://www.hm-treasury.gov.uk/economic_data_and_tools/finance_spending_statistics/pes_publications/pespub_consult.cfm

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HOW TO USE PESA

The purpose of this new chapter is to help new users of PESA find their way around the large numbers of tables in PESA. This chapter also contains the answers to some frequently asked questions.

Finding your way around PESA tables

Chapters 1 to 8 show different presentations of the same dataset. Chapters 9 and 10, which contain statistics on public expenditure by country and region, show an analysis of essentially the same data structure but the extraction of the data occurs earlier than for the rest of the book (see Chapter 9 for details). So the tables in PESA allow you to see public spending information from different angles. It also means that the tables have intricate inter-connections.

PESA presents two type of analyses:

- Tables that deal mainly with the budgeting aggregates and their reconciliation to national accounts.
- Tables that present analyses of Total Expenditure on Services (TES). TES is an expenditure concept used in PESA for statistical analysis as it is more stable than the budgeting aggregates and closer to TME.

FREQUENTLY ASKED QUESTIONS

How much did the government spend on x?

The answer varies depending on which levels of government you are interested in, and what sorts of function. The below list of tables takes transport as an example. The text to each chapter gives a more precise definition of the contents of each table:

- table 4.2 shows the total capital and current spending of the UK public sector on transport for a long run of years. Tables 4.3 and 4.4 show spending in real terms and as a percentage of GDP;
- table 5.2 shows the total capital and current spending of the UK public sector broken down into more detailed categories such as national and local roads;
- tables 5.4 and 5.5 show the total UK public sector spending split out into capital and current spending, and then for each of those categories according to whether it is central government, local government or public corporations doing the spending;

-
- table 1.12 shows the total resource and net capital spending in budgets (excluding depreciation) of the Department for Transport departmental group. Tables 1.5, 1.7, 1.8 and 1.10 show the resource, near-cash, non-cash and capital spending respectively of the Transport group. The budget tables show how much the government spent through its planned spending system which includes grants to local authorities. The tables do not show total spending on transport because they do not include spending by local authorities, the devolved administrations or by Whitehall departments outside the departmental group. This spending is included in the functional tables outlined above;
 - tables 9.5 to 9.10 present spending on transport by country and region. Chapter 10 tables present country spending on the more detailed categories such as national and local roads.

Are long run series available?

Chapter 4 contains long run TES series (1987-88 to 2006-07) of public sector spending by function. The methodology used to produce these series is detailed in chapter 4. As outlined in the response to the reader consultation one of our proposals for PESA development is to explore the practicality of extending the range and scope of these series in future PESA publications.

Historic long run series of the budgeting aggregates are not available. PESA is produced from the Treasury's public expenditure database, the Combined On line Information System (COINS). Departments and the devolved administrations maintain five years worth of live outturn data. Earlier years data exist on archived databases only and are therefore not adjusted for machinery of government and classification changes. Users are advised against simply splicing data together from different editions of PESA as data may not be directly consistent due to these changes in data coverage and classification.

What are departmental groups?

For almost all departmental groups the spending of the main department dominates the spending figures of the group. Appendix B gives the list of the departments contained within a group. To see the exact figures for the spending of the individual departments within a group see the departmental reports of the departments concerned.

How do I get real terms numbers/proportion of GDP?

A number of the tables in this publication give figures in real terms. Real terms figures are the current price 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 2005-06 prices. The GDP deflators and GDP actuals used in this publication are those given in Appendix F. The most up to date deflators and GDP numbers are available on the HMT website.¹

¹ http://www.hm-treasury.gov.uk/economic_data_and_tools/gdp_deflators/data_gdp_fig.cfm

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PUBLIC EXPENDITURE OVERVIEW

1.1 This chapter brings together information on public expenditure within the current budgeting and control framework. It shows reconciliations to the National Accounts measures used for the fiscal framework. It also includes a breakdown of public expenditure by spending sector.

1.2 Outturn data on the budgeting and control aggregates in **Tables 1.1 to 1.13** fall within the scope of National Statistics, as do outturn data in **Table 1.15** (spending sectors). Data in **Table 1.14** are not National Statistics.

What's new

1.3 **Table 1.1** now includes net lending to students by the Scottish and Northern Ireland Executives within the student loans line. Previously these scored within other departmental expenditure. It also includes Department for Education and Skills' interest receivable on student loans that were part of resource DEL in PESA 2006 following a budget regime change for 2007-08.

1.4 There have been a number of budget regime changes effected from 2007-08. These are outlined in paragraph 1.20 below and described more fully in **Chapter 3** and **Appendix C**.

1.5 Outturn data in **Table 1.9** are now within the scope of National Statistics.

1.6 **Table 1.16** from PESA 2006, which showed voted and non-voted expenditure in Total Managed Expenditure, is now included as **Table 2.4** in **Chapter 2**.

The budgeting and reporting framework

1.7 **Table 1.1** summarises public expenditure both in terms of the budgeting and control framework, and in terms of the National Accounts based reporting aggregate Total Managed Expenditure (TME) and its components. **Table 1.2** presents the same information as **Table 1.1** in real terms.

1.8 There is a fuller description of the budgeting and control framework in **Appendix C**. This chapter gives a brief explanation.

1.9 In accordance with the fiscal rules, a clear distinction is made for budgeting between current and capital spending, with departments having separate resource and capital budgets.

1.10 For part of their resource and capital budgets, departments are given firm three year spending limits called Departmental Expenditure Limits (DELs) within which they prioritise resources and plan ahead.

1.11 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. Departmental AME (which is contained in departments' budgets) includes social security spending, and the various other items of departmental expenditure set out in **Table 1.1**. Outside departments' budgets, other AME consists of net expenditure transfers to the EC, locally financed expenditure, debt interest, public corporations' own-financed capital expenditure, and accounting and other adjustments.

1.12 **Table 1.14** presents a breakdown of the accounting and other adjustments line in

Table 1.1. Appendix D gives further details of these accounting and other adjustments.

I.13 DEL and AME together make up TME, an aggregate that is drawn from the National Accounts, and is defined in National Accounts terms as public sector current expenditure plus public sector capital expenditure (see **Table 1.1**). Note that depreciation in TME in the *of which* lines in the table is total public sector depreciation measured on a National Accounts basis, while the depreciation line in the DEL section at the top of the table is depreciation in resource budget DEL, measured on the basis of Generally Accepted Accounting Practice (GAAP).

Reconciliations of budgeting and National Accounts aggregates

I.14 The fiscal framework is defined by reference to National Accounts measures:

- achievement against the golden rule is measured by the surplus on the current budget (SOCB). That is the difference between the public sector National Accounts aggregates current expenditure plus depreciation less receipts;
- the sustainable investment rule is measured by reference to the stock measure public sector net debt (PSND). The flow measure public sector net borrowing (PSNB) contributes to the accumulation of PSND. The change in PSNB is also used to assess the overall macroeconomic impact of fiscal policy on aggregate demand. The difference between the SOCB and PSNB is given by public sector net investment.

I.15 Table C4 in Budget 2007 (HC 342) brings together information on expenditure, receipts and balances.

I.16 Public expenditure budgeting uses Treasury-defined aggregates, which are mainly based on GAAP components. **Tables 1.3** and **1.4** show the reconciliations between the National Accounts spending measures and the budgeting expenditure measures:

- **Table 1.3** shows the reconciliation from the resource budget to the National Accounts measure public sector current expenditure. It also shows total near-cash expenditure in resource budgets.
- **Table 1.4** shows the reconciliation from the capital budget to the National Accounts measure of public sector gross investment (measured net of sales). With the deduction of depreciation, that figure reconciles to public sector net investment.

Resource budgets and capital budgets

I.17 **Table 1.5** shows the resource budget for each departmental group, with **Table 1.6** presenting the same information in real terms. Full details of departmental groups are set out in **Appendix B**. In addition to Departmental allocations, these tables – as with other tables showing DEL – show unallocated amounts remaining in the central funds and in the DEL Reserve.

I.18 Resource budgets are divided into near-cash and non-cash elements – these terms are explained in **Appendix C**. **Table 1.7** shows the near-cash components in aggregate of departmental resource budgets for each departmental group. Near-cash in resource budget DEL is a control total. **Table 1.8** shows the non-cash components in aggregate of departmental resource budgets, also by departmental group.

I.19 **Table 1.10** shows the capital budget for each departmental group, with **Table 1.11** presenting the same information in real terms.

I.20 All tables reflect recent changes to the budgeting system that are discussed further in **Chapter 3** and **Appendix C**. Major changes include the movement of profit or loss on the disposal of assets into capital budgets; the movement of certain impairments and revaluations of tangible and intangible fixed assets from DEL into Departmental AME; the movement of Education Maintenance Allowances from Departmental AME to DEL; the movement of Department for Education and Skills' interest receivable on student loans from DEL to Departmental AME; and the movement of contributions to international development organisations that are treated as financial transactions in the National Accounts from resource to capital budget DEL.

Total DEL

I.21 **Table 1.12** shows Total DEL by departmental group. Total DEL is made up of resource budget DEL plus capital budget DEL *less* depreciation in DEL. Total DEL is not a control total. **Table 1.13** presents the same information as **Table 1.12** in real terms.

Public expenditure by spending sector

I.22 **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. In this table, capital and current expenditure are added together.

I.23 Central government own expenditure excludes central government spending in support of local authorities. Loans and capital grants in support of public corporations are also excluded. However, subsidies to public corporations are included here, as they are not consolidated out in the calculation of TME. Central government expenditure includes the spending of non-departmental public bodies classified to central government, as well as central government departments' own spending, and the spending of the devolved administrations in Scotland, Wales and Northern Ireland. Central government own expenditure is shown 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 that 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 6**.

I.24 Local authority expenditure is split according to how it is financed: 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 7**.

1.25 The impact of public corporations on the parent department can be either in DEL or Departmental AME. For most public corporations, departments' DELs include the subsidies and capital grants paid to, interest and dividends received from, loans and public dividend capital invested in and a capital charge on the department's investments in public corporations. For self-financing public corporations, grants and subsidies score in DEL and the other items are contained in Departmental AME. In this table, however, subsidies to public corporations are included in central government own expenditure as they impact on central government current expenditure in TME. The total public corporations' expenditure line shows their contribution to TME: i.e. capital expenditure and interest and dividends paid to the private sector. Further analyses for public corporations, including information on subsidies, are presented in **Chapter 8**.

1.26 TME is a consolidated measure of expenditure. As described above the sectoral split of TME presented in PESA records only the 'own' expenditure components that relate to an individual sector. That is payments from one sector which are used to finance the expenditure of another sector are excluded from the paying sector's own expenditure breakdown, as are the corresponding receipts in the counterparty sector. This is consistent with TME being a consolidated measure of public sector expenditure. As such the imputed capital spending of BNFL in 2005/06 (see Chapter 8 text for further details) adds to the PC contribution to TME as presented in this table. Likewise the counterparty reduction in central government expenditure (again see text in Chapter 8) reduces the CG contribution to TME. These contributions to TME are scored in the accounting adjustments lines in **table 1.15**.

Administration budgets

1.27 **Table 1.9** sets out details of administrative expenditure by those central government departments that are subject to administration budgets. The data cover a period of seven years, from 2001-02 to 2007-08, and are on resource basis. Outturn data in this table are from this year within the scope of National Statistics.

1.28 Administration budgets are set for most civil service departments. These budgets help to drive economy and efficiency in the running of government itself. Around 55% of administration costs is accounted for by civil service pay. A further 40% is accounted for by procurement of goods and services (e.g. accommodation, equipment, travel) and the remainder by other items (e.g. capital charges on assets used by civil servants such as buildings and IT equipment). An analysis of administration budgets by economic category is shown in **Table 2.1**.

1.29 **Table 1.9** shows, for administration budgets, final outturn for 2001-02 to 2005-06, estimated outturn for 2006-07 and plans for 2007-08. There are no figures for the Ministry of Defence, which is not subject to an administration budget, nor for the devolved administrations, which operate their own controls. From PESA 2007 administration budgets no longer include profit or loss on the disposal of assets, as these have moved from resource to capital budgets as part of the budget regime changes detailed in **Appendix C**. Administration budgets for 2007-08 were announced in Central Government Supply Estimates 2007-08, Supplementary Budgetary Information (Cm 7079).

Table I.1 Total Managed Expenditure, 2001–02 to 2007–08

	National Statistics						
	2001–02 outturn	2002–03 outturn	2003–04 outturn	2004–05 outturn	2005–06 outturn	2006–07 estimated outturn	2007–08 plans
£ million							
Departmental Expenditure Limits							
Resource DEL	210,691	229,758	244,856	258,517	278,008	293,443	310,600
Capital DEL	23,191	27,029	30,443	32,813	34,547	38,657	44,300
Less depreciation	9,250	15,529	8,633	7,827	9,540	10,561	10,800
Total Departmental Expenditure Limits	224,632	241,258	266,667	283,504	303,014	321,539	344,100
Annually Managed Expenditure							
<i>Departmental AME</i>							
Social security benefits	109,185	113,850	118,060	125,237	129,849	134,463	140,900
Tax credits ⁽¹⁾	5,048	5,741	9,727	11,601	12,972	14,069	14,758
Net public service pensions ⁽²⁾	3,913	4,150	1,796	344	3,706	3,582	9,789
National Lottery	1,710	1,802	1,910	1,704	1,829	1,710	1,513
BBC domestic services	2,284	2,576	2,377	2,496	2,596	2,736	2,811
Student loans	2,038	2,188	2,111	1,989	2,067	2,974	3,710
Non-cash items	22,394	27,760	26,939	27,358	31,470	39,406	37,262
Other departmental expenditure	3,439	1,724	1,838	2,138	3,027	2,656	3,000
Total departmental AME	150,011	159,791	164,758	172,868	187,515	201,595	213,743
<i>Other AME</i>							
Net expenditure transfers to the EC ⁽³⁾	–690	2,782	3,448	4,907	4,435	4,652	5,010
Locally financed government expenditure	19,214	19,574	20,298	23,765	26,387	25,927	27,813
Central government gross debt interest	22,099	20,942	22,333	23,971	25,804	27,424	29,100
Public corporations' own-financed capital expenditure	2,340	3,504	2,375	3,091	5,323	4,266	4,508
Total other AME	42,963	46,802	48,454	55,733	61,950	62,269	66,431
Total AME before accounting adjustments	192,975	206,593	213,212	228,601	249,465	263,864	280,174
AME margin	—	—	—	—	—	—	1,000
Accounting adjustments	–28,282	–27,091	–24,048	–20,904	–29,093	–33,202	–38,598
Total Annually Managed Expenditure	164,693	179,502	189,164	207,696	220,372	230,663	242,600
Total Managed Expenditure	389,325	420,760	455,831	491,200	523,386	552,202	586,600
<i>of which:</i>							
Public sector current expenditure	365,068	393,378	425,795	455,514	484,213	509,011	538,600
Public sector gross investment	24,257	27,382	30,036	35,686	39,173	43,191	48,000
Public sector gross investment less Depreciation	24,257	27,382	30,036	35,686	39,173	43,191	48,000
Public sector net investment	13,204	14,068	14,576	15,415	16,476	17,683	18,700
Public sector net investment	11,053	13,314	15,460	20,271	22,697	25,507	29,400

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

(2) The main pension schemes are reported under FRS17 accounting requirements.

(3) Net expenditure transfers to the EC are comprised of the GNI-based contribution to the EC less the UK's abatement. Further information on EC transactions is given in Appendix C, which includes details of transactions with the institutions of the European Community in Table C.1.

Table 1.2 Total Managed Expenditure in real terms⁽¹⁾, 2001–02 to 2007–08

	National Statistics						
	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08
	outturn	outturn	outturn	outturn	outturn	estimated outturn	plans
£ million							
Departmental Expenditure Limits							
Resource DEL	234,413	247,956	256,620	263,666	278,008	286,347	295,100
Capital DEL	25,803	29,169	31,906	33,467	34,547	37,722	42,100
Less depreciation	10,291	16,759	9,047	7,982	9,540	10,305	10,300
Total Departmental Expenditure Limits	249,925	260,366	279,478	289,151	303,014	313,764	326,900
Annually Managed Expenditure							
<i>Departmental AME</i>							
Social security benefits	121,478	122,867	123,732	127,732	129,849	131,212	133,882
Tax credits ⁽²⁾	5,616	6,195	10,194	11,832	12,972	13,729	14,023
Net public service pensions ⁽³⁾	4,354	4,479	1,883	351	3,706	3,495	9,302
National Lottery	1,903	1,945	2,002	1,738	1,829	1,669	1,438
BBC domestic services	2,541	2,780	2,491	2,546	2,596	2,670	2,671
Student loans	2,267	2,361	2,212	2,029	2,067	2,902	3,525
Non-cash items	24,915	29,959	28,233	27,903	31,470	38,453	35,406
Other departmental expenditure	3,827	1,860	1,927	2,181	3,027	2,592	2,850
Total departmental AME	166,902	172,447	172,674	176,311	187,515	196,721	203,096
<i>Other AME</i>							
Net expenditure transfers to the EC ⁽⁴⁾	-768	3,002	3,613	5,004	4,435	4,540	4,761
Locally financed expenditure	21,378	21,125	21,273	24,238	26,387	25,300	26,427
Central government gross debt interest	24,587	22,601	23,406	24,448	25,804	26,761	27,650
Public corporations' own-financed capital expenditure	2,604	3,781	2,489	3,152	5,323	4,163	4,284
Total other AME	47,801	50,509	50,781	56,843	61,950	60,763	63,122
Total AME before accounting adjustments	214,703	222,956	223,455	233,154	249,465	257,484	266,218
AME margin	—	—	—	—	—	—	1,000
Accounting adjustments	-31,466	-29,237	-25,203	-21,321	-29,093	-32,399	-36,676
Total Annually Managed Expenditure	183,236	193,719	198,252	211,834	220,372	225,085	230,500
Total Managed Expenditure	433,161	454,085	477,730	500,984	523,386	538,849	557,400
<i>of which:</i>							
Public sector current expenditure	406,173	424,535	446,251	464,587	484,213	496,703	511,800
Public sector capital expenditure	26,988	29,551	31,479	36,397	39,173	42,146	45,600
Public sector gross investment	26,988	29,551	31,479	36,397	39,173	42,146	45,600
less Depreciation	14,691	15,182	15,276	15,722	16,476	17,256	17,700
Public sector net investment	12,298	14,369	16,203	20,675	22,697	24,890	27,900

(1) Real terms figures are the cash figures adjusted to 2005–06 price levels using GDP deflators. For years 2001–02 to 2005–06 deflators are calculated from the latest data from the Office for National Statistics (released 28 March 2007). From 2006–07, deflators are consistent with the March 2007 Financial Statement and Budget Report.

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

(3) The main pension schemes are reported under FRS17 accounting requirements.

(4) Net expenditure transfers to the EC are comprised of the GNI-based contribution to the EC less the UK's abatement. Further information on EC transactions is given in Appendix C, which includes details of transactions with the institutions of the European Community in Table C1.

Table I.3 Public sector current expenditure, 2001–02 to 2007–08

	National Statistics						
	2001–02 outturn	2002–03 outturn	2003–04 outturn	2004–05 outturn	2005–06 outturn	2006–07 estimated outturn	2007–08 plans
£ million							
Resource budget							
Resource DEL	210,691	229,758	244,856	258,517	278,008	293,443	310,600
Resource departmental AME	146,300	156,377	161,645	169,108	183,905	197,668	208,419
Total resource budget	356,990	386,135	406,501	427,625	461,913	491,111	519,000
less non-cash in resource DEL	22,748	25,170	16,190	14,221	18,280	19,474	21,101
less unallocated funds in resource DEL	—	—	—	—	—	–700	1,000
less non-cash in resource AME	21,461	28,118	26,988	26,759	35,061	42,323	45,070
Total near-cash in resource budgets	312,781	332,847	363,323	386,645	408,572	430,014	451,800
<i>of which:</i>							
Near-cash in resource DEL	187,942	204,588	228,667	244,296	259,728	274,669	288,500
Near-cash in resource AME	124,839	128,259	134,657	142,349	148,844	155,345	163,349
Total near-cash in resource budgets	312,781	332,847	363,323	386,645	408,572	430,014	451,800
<i>Current spending in other AME</i>							
Net expenditure transfers to the EC ⁽¹⁾	–690	2,782	3,448	4,907	4,435	4,652	5,010
Locally financed current expenditure	18,706	20,538	20,843	22,290	24,716	23,898	25,898
Central government gross debt interest	22,099	20,942	22,333	23,971	25,804	27,424	29,100
AME margin (current)	—	—	—	—	—	—	900
<i>Other adjustments</i>							
Add spending classified as current in National Accounts	4,903	5,212	5,221	5,409	6,007	6,517	6,395
Remove near-cash items classified as capital in National Accounts	—	—	—	—	—	—	—
Accounting and other adjustments	7,269	11,056	10,628	12,292	14,679	16,506	19,507
Public Sector Current Expenditure	365,068	393,378	425,795	455,514	484,213	509,011	538,600

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

Table I.4 Public sector net investment, 2001–02 to 2007–08

	National Statistics						
	2001–02 outturn	2002–03 outturn	2003–04 outturn	2004–05 outturn	2005–06 outturn	2006–07 estimated outturn	2007–08 plans
£ million							
Capital budget							
Capital DEL	23,191	27,029	30,443	32,813	34,547	38,657	44,300
Capital departmental AME	3,711	3,414	3,113	3,760	3,610	3,928	5,324
Total capital budget	26,903	30,443	33,557	36,573	38,157	42,584	49,700
<i>Capital spending in other AME</i>							
Public corporations' own-financed expenditure	2,340	3,504	2,375	3,091	5,323	4,266	4,508
Locally financed capital expenditure	508	–964	–545	1,475	1,671	2,029	1,915
AME margin (capital)	—	—	—	—	—	—	100
<i>Other adjustments</i>							
Remove items classified as current in National Accounts	–4,903	–5,212	–5,221	–5,409	–6,007	–6,517	–6,395
Add resource budget classified as capital in National Accounts	—	—	—	—	7	—	—
Accounting and other adjustments	–591	–389	–130	–43	21	829	–1,766
Public sector gross investment	24,257	27,382	30,036	35,686	39,173	43,191	48,000
Less depreciation (national accounts)	13,204	14,068	14,576	15,415	16,476	17,683	18,700
Public sector net investment	11,053	13,314	15,460	20,271	22,697	25,507	29,400

Table I.5 Resource budgets, 2001–02 to 2007–08

	National Statistics						
	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08
	outturn	outturn	outturn	outturn	outturn	estimated outturn	plans
£ million							
Resource DEL by departmental group							
Education and Skills	16,786	20,276	22,380	23,159	25,467	54,118	57,876
Health	52,830	57,115	63,605	69,118	76,372	80,840	89,673
<i>of which: NHS England</i>	51,994	55,405	61,865	66,873	74,168	78,869	87,598
Transport	3,586	4,781	6,114	6,085	6,076	6,891	6,704
CLG Communities	1,246	1,646	3,446	3,649	3,507	3,697	4,325
CLG Local Government	36,921	37,396	40,915	43,316	46,244	22,531	22,813
Home Office	10,423	11,910	12,004	12,232	12,703	13,218	13,571
Constitutional Affairs	3,140	3,499	3,408	3,310	3,631	3,708	3,984
Law Officers' Departments	465	514	576	646	689	696	718
Defence	32,329	36,495	31,402	31,327	33,388	33,695	32,831
Foreign and Commonwealth Office	1,366	1,476	1,509	1,708	1,874	1,930	1,809
International Development	2,819	3,048	3,488	3,700	4,114	4,303	4,637
Trade and Industry	4,769	3,408	3,532	4,234	5,237	5,776	6,158
Environment, Food and Rural Affairs	2,342	2,384	2,443	2,814	2,817	3,276	2,987
Culture, Media and Sport	1,006	1,227	1,225	1,319	1,423	1,624	1,564
Work and Pensions	6,027	6,817	7,590	7,731	7,732	7,685	7,726
Scotland	15,018	16,101	18,310	19,345	20,662	22,236	23,510
Wales	7,885	8,887	9,642	10,379	10,986	11,854	12,456
Northern Ireland Executive	5,138	5,767	5,971	6,312	6,722	7,186	7,597
Northern Ireland Office	1,073	1,096	1,044	1,150	1,183	1,270	1,141
Chancellor's Departments	3,885	4,170	4,416	4,756	4,947	5,182	5,028
Cabinet Office	1,638	1,745	1,836	2,228	2,734	2,426	2,460
Invest to Save Budget	—	—	—	—	—	—	—
DEL Reserve	—	—	—	—	—	—	600
Unallocated Special Reserve ⁽¹⁾	—	—	—	—	—	—	400
Allowance for Shortfall	—	—	—	—	—	-700	—
Total Resource DEL	210,691	229,758	244,856	258,517	278,008	293,443	310,600
Resource departmental AME							
by departmental group							
Education and Skills	6,797	7,160	6,495	6,198	7,836	8,835	10,184
Health	4,026	4,665	6,294	6,451	9,409	10,484	14,548
<i>of which: NHS England</i>	76	96	100	55	129	217	243
Transport	2,107	2,166	2,326	2,741	3,076	3,412	3,446
CLG Communities	355	241	256	179	322	326	239
CLG Local Government	498	170	304	461	524	1,119	809
Home Office	173	2,013	40	1	5	291	306
Constitutional Affairs	96	101	58	62	81	88	102
Defence	4,482	6,151	4,798	4,468	5,325	5,439	6,155
Foreign and Commonwealth Office	38	60	40	3	-22	12	50
International Development	114	102	129	132	140	450	135
Trade and Industry	1,184	3,585	1,335	-536	231	425	-143
Environment, Food and Rural Affairs	1,766	51	73	72	126	112	112
Culture, Media and Sport	3,175	3,215	3,681	3,152	3,378	3,480	3,478
Work and Pensions	95,568	99,983	103,948	110,800	115,327	119,125	125,006
Scotland	1,860	1,846	1,449	1,737	2,211	2,392	2,959
Wales	150	181	532	224	292	343	329
Northern Ireland Executive	5,024	4,869	5,293	5,799	6,439	10,363	7,070
Northern Ireland Office	—	—	—	208	212	214	229
Chancellor's Departments	14,190	15,237	19,578	21,574	23,268	24,681	25,774
Cabinet Office	4,699	4,581	5,017	5,383	5,726	6,078	7,630
Total resource departmental AME	146,300	156,377	161,645	169,108	183,905	197,668	208,419
Total resource budget	356,990	386,135	406,501	427,625	461,913	491,111	519,000

⁽¹⁾ This represents provision for the costs of military operations in Iraq and Afghanistan, as well as the UK's other international obligations.

Table I.6 Resource budgets in real terms⁽¹⁾, 2001–02 to 2007–08

	£ million						
	National Statistics						
	2001–02 outturn	2002–03 outturn	2003–04 outturn	2004–05 outturn	2005–06 outturn	2006–07 estimated outturn	2007–08 plans
Resource DEL by departmental group							
Education and Skills	18,676	21,882	23,455	23,621	25,467	52,809	54,993
Health	58,778	61,639	66,661	70,495	76,372	78,885	85,206
<i>of which: NHS England</i>	57,848	59,793	64,837	68,205	74,168	76,962	83,235
Transport	3,990	5,160	6,408	6,206	6,076	6,725	6,370
CLG Communities	1,386	1,777	3,611	3,722	3,507	3,607	4,110
CLG Local Government	41,078	40,358	42,880	44,179	46,244	21,986	21,677
Home Office	11,597	12,853	12,581	12,476	12,703	12,898	12,895
Constitutional Affairs	3,494	3,776	3,571	3,376	3,631	3,619	3,785
Law Officers' Departments	517	555	603	659	689	679	683
Defence	35,969	39,386	32,910	31,951	33,388	32,881	31,196
Foreign and Commonwealth Office	1,520	1,592	1,581	1,742	1,874	1,883	1,719
International Development	3,137	3,290	3,656	3,774	4,114	4,199	4,406
Trade and Industry	5,306	3,678	3,702	4,318	5,237	5,637	5,852
Environment, Food and Rural Affairs	2,605	2,573	2,561	2,870	2,817	3,196	2,838
Culture, Media and Sport	1,119	1,325	1,283	1,345	1,423	1,585	1,486
Work and Pensions	6,706	7,357	7,955	7,884	7,732	7,499	7,341
Scotland	16,709	17,376	19,190	19,731	20,662	21,699	22,339
Wales	8,773	9,590	10,105	10,586	10,986	11,568	11,836
Northern Ireland Executive	5,716	6,224	6,258	6,437	6,722	7,012	7,219
Northern Ireland Office	1,193	1,183	1,094	1,172	1,183	1,239	1,084
Chancellor's Departments	4,322	4,500	4,628	4,851	4,947	5,056	4,778
Cabinet Office	1,823	1,883	1,924	2,272	2,234	2,367	2,338
Invest to Save Budget	—	—	—	—	—	—	—
DEL Reserve	—	—	—	—	—	—	600
Unallocated Special Reserve ⁽²⁾	—	—	—	—	—	—	400
Allowance for Shortfall	—	—	—	—	—	-683	—
Total resource DEL	234,413	247,956	256,620	263,666	278,008	286,347	295,100
Resource Departmental AME by departmental group							
Education and Skills	7,562	7,727	6,807	6,321	7,836	8,621	9,677
Health	4,479	5,034	6,597	6,579	9,409	10,230	13,823
<i>of which: NHS England</i>	85	103	105	56	129	212	231
Transport	2,344	2,337	2,438	2,796	3,076	3,329	3,274
CLG Communities	394	260	269	183	322	318	227
CLG Local Government	554	183	319	470	524	1,092	769
Home Office	192	2,173	42	1	5	284	291
Constitutional Affairs	107	109	61	63	81	86	97
Defence	4,987	6,638	5,028	4,557	5,325	5,308	5,849
Foreign and Commonwealth Office	43	64	41	3	-22	12	48
International Development	126	110	135	135	140	439	129
Trade and Industry	1,317	3,869	1,399	-547	231	414	-136
Environment, Food and Rural Affairs	1,965	56	76	73	126	110	107
Culture, Media and Sport	3,532	3,470	3,857	3,215	3,378	3,396	3,305
Work and Pensions	106,328	107,902	108,942	113,007	115,327	116,244	118,780
Scotland	2,069	1,992	1,519	1,772	2,211	2,334	2,812
Wales	167	196	557	229	292	335	312
Northern Ireland Executive	5,589	5,254	5,548	5,914	6,439	10,113	6,718
Northern Ireland Office	0	—	—	212	212	209	218
Chancellor's Departments	15,787	16,444	20,518	22,004	23,268	24,084	24,490
Cabinet Office	5,228	4,944	5,258	5,491	5,726	5,931	7,250
Total resource departmental AME	162,772	168,762	169,411	172,477	183,905	192,888	198,038
Total resource budget	397,186	416,718	426,030	436,143	461,913	479,235	493,100

(1) Real terms figures are the cash figures adjusted to 2005–06 price levels using GDP deflators. For years 2001–02 to 2005–06 deflators are calculated from the latest data from the Office for National Statistics (released 28 March 2007). From 2006–07, deflators are consistent with the March 2007 Financial Statement and Budget Report.

(2) This represents provision for the costs of military operations in Iraq and Afghanistan, as well as the UK's other international obligations.

Table I.7 Near-cash elements of resource budgets, 2001–02 to 2007–08

	National Statistics						
	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08
	outturn	outturn	outturn	outturn	outturn	estimated outturn	plans
£ million							
Resource DEL by departmental group⁽¹⁾							
Education and Skills	15,960	19,475	21,447	22,408	24,488	53,000	56,463
Health	49,132	54,577	61,299	68,916	74,320	78,147	85,794
<i>of which: NHS England</i>	48,298	52,878	59,568	66,688	72,132	76,195	83,737
Transport	3,674	4,453	5,902	5,919	5,812	6,414	6,207
CLG Communities	1,266	1,644	3,450	3,587	3,487	3,560	4,196
CLG Local Government	36,921	37,395	40,914	43,314	46,244	22,530	22,813
Home Office	9,775	10,483	11,396	11,522	12,185	12,679	12,979
Constitutional Affairs	2,871	3,314	3,498	4,008	3,860	3,769	3,908
Law Officers' Departments	428	510	571	636	680	687	707
Defence	18,284	19,619	21,245	21,660	22,335	23,177	21,971
Foreign and Commonwealth Office	1,260	1,330	1,402	1,599	1,704	1,805	1,652
International Development	2,797	2,890	3,464	3,595	4,047	4,205	4,568
Trade and Industry	3,308	3,288	3,518	3,903	4,867	5,502	5,912
Environment, Food and Rural Affairs	2,594	2,087	2,201	2,466	2,349	2,628	2,670
Culture, Media and Sport	871	1,078	1,084	1,190	1,270	1,448	1,375
Work and Pensions	5,985	6,667	7,512	7,643	7,474	7,446	7,563
Scotland	14,375	15,583	17,889	18,481	19,975	21,359	22,727
Wales	7,588	8,517	9,415	10,085	10,661	11,367	11,957
Northern Ireland Executive	4,895	5,504	5,805	6,135	6,519	6,932	7,300
Northern Ireland Office	960	917	935	905	983	1,056	949
Chancellor's Departments	3,702	3,861	4,259	4,491	4,676	4,879	4,686
Cabinet Office	1,295	1,397	1,460	1,832	1,792	2,078	2,069
Total near-cash resource DEL⁽¹⁾	187,942	204,588	228,667	244,296	259,728	274,669	288,468
Resource departmental AME by departmental group							
Education and Skills	1,572	1,559	573	728	901	958	1,208
Health	-144	-108	-2,144	-2,345	-2,628	-2,638	-2,688
<i>of which: NHS England</i>	0	0	2	0	-2	-22	-24
Transport	7	-2	—	31	35	44	45
CLG Communities	367	246	209	83	253	275	227
CLG Local Government	498	170	304	461	524	1,119	809
Home Office	-1	1,690	40	1	29	291	323
Constitutional Affairs	33	37	-11	-12	-5	-7	1
Defence	2,641	2,493	2,443	2,562	2,635	2,585	2,658
International Development	121	116	119	117	104	114	115
Trade and Industry	288	1,198	1,166	1,011	1,366	1,052	744
Environment, Food and Rural Affairs	1,969	131	63	61	70	57	57
Culture, Media and Sport	3,110	3,149	3,614	3,085	3,343	3,410	3,408
Work and Pensions	95,470	99,828	103,854	110,464	115,065	118,569	124,809
Scotland	137	195	-68	-135	-172	-122	250
Wales	-79	-72	190	-94	-73	-18	-47
Northern Ireland Executive	3,700	3,818	3,681	3,727	3,809	4,178	4,560
Northern Ireland Office	125	120	94	125	141	140	142
Chancellor's Departments	14,083	15,057	19,447	21,431	23,405	24,707	25,693
Cabinet Office	940	-1,365	1,083	1,049	43	631	1,035
Total near-cash resource departmental AME	124,839	128,259	134,657	142,349	148,844	155,345	163,349
Total near-cash resource budget⁽¹⁾	312,781	332,847	363,323	386,645	408,572	430,013	451,817

(1) The near-cash resource DEL figures shown above exclude the allowance for shortfall in 2006–07 and exclude the DEL Reserve, Unallocated Special Reserve and unallocated amounts for the Invest to Save Budget in 2007–08.

Table I.8 Non-cash elements of resource budgets, 2001–02 to 2007–08

	National Statistics						£ million
	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08
	outturn	outturn	outturn	outturn	outturn	estimated outturn	plans
Resource DEL by departmental group							
Education and Skills	825	802	933	752	979	1,118	1,412
Health	3,698	2,538	2,306	202	2,052	2,693	3,879
<i>of which: NHS England</i>	3,696	2,526	2,296	185	2,036	2,674	3,862
Transport	-88	328	213	165	264	477	498
CLG Communities	-21	3	-5	62	20	136	129
CLG Local Government	0	0	0	1	1	1	—
Home Office	648	1,427	608	711	518	539	592
Constitutional Affairs	269	185	-90	-698	-229	-61	76
Law Officers' Departments	37	4	5	10	9	9	11
Defence	14,045	16,876	10,156	9,667	11,053	10,519	10,860
Foreign and Commonwealth Office	106	145	107	109	171	124	157
International Development	22	159	24	105	66	98	69
Trade and Industry	1,461	120	14	331	370	274	247
Environment, Food and Rural Affairs	-253	297	242	349	468	648	317
Culture, Media and Sport	134	149	140	129	153	176	189
Work and Pensions	42	149	79	87	258	239	163
Scotland	643	518	421	864	687	877	782
Wales	296	370	227	294	324	487	499
Northern Ireland Executive	243	263	167	176	202	254	297
Northern Ireland Office	112	179	109	244	200	213	192
Chancellor's Departments	183	309	157	265	271	303	342
Cabinet Office	344	348	376	396	442	347	391
Total non-cash resource DEL⁽¹⁾	22,748	25,170	16,190	14,221	18,280	19,474	21,101
Resource departmental AME by departmental group							
Education and Skills	5,225	5,601	5,921	5,470	6,935	7,877	8,976
Health	4,170	4,773	8,438	8,796	12,037	13,121	17,236
<i>of which: NHS England</i>	76	95	99	55	131	239	267
Transport	2,100	2,168	2,326	2,710	3,041	3,368	3,401
CLG Communities	-12	-5	48	96	70	51	12
Home Office	173	324	—	—	-24	—	-17
Constitutional Affairs	63	65	69	74	86	94	101
Defence	1,841	3,658	2,355	1,906	2,689	2,855	3,497
Foreign and Commonwealth Office	38	60	40	3	-22	12	50
International Development	-8	-14	10	15	36	336	21
Trade and Industry	896	2,387	169	-1,548	-1,135	-627	-887
Environment, Food and Rural Affairs	-203	-79	10	11	56	56	56
Culture, Media and Sport	65	66	67	67	35	70	70
Work and Pensions	98	155	94	336	262	555	197
Scotland	1,723	1,650	1,517	1,872	2,384	2,513	2,709
Wales	229	253	341	318	365	361	376
Northern Ireland Executive	1,324	1,051	1,613	2,072	2,629	6,185	2,510
Northern Ireland Office	-125	-120	-94	83	72	74	87
Chancellor's Departments	107	181	131	143	-137	-26	81
Cabinet Office	3,759	5,945	3,934	4,335	5,683	5,447	6,595
Total non-cash resource departmental AME	21,461	28,118	26,988	26,759	35,061	42,323	45,070
Total non-cash resource budget⁽¹⁾	44,209	53,288	43,178	40,980	53,341	61,796	66,171

(1) The non-cash resource DEL figures shown above exclude the allowance for shortfall in 2006–07 and exclude the DEL Reserve, Unallocated Special Reserve and unallocated amounts for the Invest to Save Budget in 2007–08.

Table I.9 Administration budgets by departmental group, 2001–02 to 2007–08

	National Statistics							£ million
	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08	
	outturn	outturn	outturn	outturn	outturn	estimated outturn	plans	
Education and Skills	254	248	267	283	263	270	266	
Health	309	329	323	314	290	287	277	
Transport	258	337	356	222	262	251	259	
CLG Communities	263	232	297	318	314	314	293	
Home Office	832	722	718	662	693	665	653	
Constitutional Affairs	199	265	354	530	534	572	570	
Law Officers' Departments	75	80	90	107	108	98	112	
Foreign and Commonwealth Office	662	703	706	746	815	840	870	
International Development	82	94	197	215	222	265	232	
Trade and Industry	331	370	381	394	370	391	391	
Environment, Food and Rural Affairs	223	378	287	315	334	335	286	
Culture, Media and Sport	32	36	39	40	47	51	50	
Work and Pensions	4,812	5,584	5,910	5,980	5,848	5,943	5,798	
Northern Ireland Office	61	136	78	82	78	92	79	
Chancellor's Departments	3,805	4,059	4,309	4,620	4,742	5,032	4,871	
Cabinet Office	636	662	709	979	826	982	1,068	
<i>of which: Security and Intelligence Agencies</i>	452	490	544	815	658	802	824	
Total administration budgets	12,833	14,236	15,023	15,806	15,744	16,387	16,077	
<i>of which: administration costs paybill</i>	7,268	7,973	8,616	8,882	9,445	9,160	8,761	
Ministry of Defence civilian paybill	2,422	2,365	2,461	2,948	3,013	2,714	2,668	
Administration budgets as a percentage of								
Total Managed Expenditure	3.3%	3.4%	3.3%	3.2%	3.0%	3.0%	2.7%	

Table I.10 Capital budgets, 2001–02 to 2007–08

	National Statistics						£ million
	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08
	outturn	outturn	outturn	outturn	outturn	estimated outturn	plans
Capital DEL by departmental group							
Education and Skills	2,652	3,410	4,209	4,937	5,706	5,249	6,995
Health	1,814	2,146	2,689	2,708	2,245	3,667	4,321
<i>of which: NHS England</i>	1,719	2,073	2,602	2,624	2,151	3,544	4,177
Transport	3,980	5,059	5,233	5,223	4,999	6,539	6,561
CLG Communities	2,500	3,057	4,597	4,985	5,532	5,384	5,937
CLG Local Government	84	202	214	257	316	214	143
Home Office	700	929	941	998	1,034	1,261	1,329
Constitutional Affairs	88	89	104	190	128	167	148
Law Officers' Departments	23	8	11	11	-23	12	15
Defence	5,847	6,115	6,002	6,701	6,410	7,061	7,548
Foreign and Commonwealth Office	77	102	87	117	132	139	148
International Development	268	401	261	249	397	676	643
Trade and Industry	599	696	1,005	782	1,198	1,233	1,157
Environment, Food and Rural Affairs	461	432	567	489	836	903	907
Culture, Media and Sport	33	28	124	154	145	244	402
Work and Pensions	175	280	222	289	354	220	65
Scotland	1,893	1,906	1,697	2,171	2,390	3,032	3,118
Wales	920	1,004	985	1,008	1,208	1,374	1,617
Northern Ireland Executive	611	663	618	797	847	852	1,015
Northern Ireland Office	42	53	50	71	55	80	72
Chancellor's Departments	208	260	246	414	393	349	303
Cabinet Office	218	188	585	263	243	445	371
Invest to Save budget	—	—	—	—	—	—	—
DEL Reserve	—	—	—	—	—	—	1,500
Allowance for Shortfall	—	—	—	—	—	-444	—
Total capital DEL	23,191	27,029	30,443	32,813	34,547	38,657	44,300
Capital departmental AME							
by departmental group							
Education and Skills	1,766	1,869	1,910	1,883	2,067	3,025	3,708
Health	—	—	—	229	649	96	52
<i>of which: NHS England</i>	—	—	—	229	649	96	52
CLG Local Government	50	56	125	—	—	—	—
Defence	111	-50	-4	—	—	-5	—
Trade and Industry	389	-228	-1,092	-342	-958	-1,123	-544
Environment, Food and Rural Affairs	1	1	1	1	0	1	1
Culture, Media and Sport	911	1,243	1,197	1,127	1,082	1,046	926
Work and Pensions	75	77	90	80	17	123	134
Scotland	196	216	191	170	150	138	160
Wales	123	141	146	135	121	169	211
Northern Ireland Executive	90	90	149	248	247	131	437
Chancellor's Departments	0	—	400	228	235	327	240
Total capital departmental AME	3,711	3,414	3,113	3,760	3,610	3,928	5,324
Total capital budget	26,903	30,443	33,557	36,573	38,157	42,584	49,700

Table I.11 Capital budgets in real terms⁽¹⁾, 2001–02 to 2007–08

	National Statistics						
	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08
	outturn	outturn	outturn	outturn	outturn	estimated outturn	plans
£ million							
Capital DEL by departmental group							
Education and Skills	2,951	3,680	4,411	5,036	5,706	5,123	6,647
Health	2,018	2,316	2,818	2,762	2,245	3,578	4,105
<i>of which: NHS England</i>	1,913	2,237	2,726	2,676	2,151	3,458	3,969
Transport	4,428	5,459	5,484	5,327	4,999	6,381	6,234
CLG Communities	2,781	3,299	4,818	5,084	5,532	5,254	5,641
CLG Local Government	93	218	224	262	316	208	136
Home Office	778	1,003	986	1,017	1,034	1,230	1,263
Constitutional Affairs	97	96	109	194	128	163	141
Law Officers' Departments	25	8	11	12	-23	12	14
Defence	6,506	6,599	6,290	6,834	6,410	6,891	7,172
Foreign and Commonwealth Office	86	110	91	119	132	136	140
International Development	298	433	273	254	397	659	611
Trade and Industry	666	751	1,053	798	1,198	1,203	1,099
Environment, Food and Rural Affairs	513	466	594	498	836	881	862
Culture, Media and Sport	37	30	129	157	145	238	382
Work and Pensions	194	303	232	295	354	214	62
Scotland	2,106	2,057	1,779	2,214	2,390	2,958	2,963
Wales	1,023	1,084	1,032	1,028	1,208	1,341	1,536
Northern Ireland Executive	680	715	647	813	847	832	965
Northern Ireland Office	47	58	52	72	55	78	68
Chancellor's Departments	232	281	258	422	393	340	288
Cabinet Office	243	203	613	269	243	434	352
Invest to Save budget	—	—	—	—	—	—	—
DEL Reserve	—	—	—	—	—	—	1,400
Allowance for Shortfall	—	—	—	—	—	-433	—
Total capital DEL	25,803	29,169	31,906	33,467	34,547	37,722	42,100
Capital departmental AME by departmental group							
Education and Skills	1,965	2,017	2,001	1,920	2,067	2,952	3,523
Health	—	—	—	234	649	94	49
<i>of which: NHS England</i>	—	—	—	234	649	94	49
CLG Local Government	56	60	131	—	—	—	—
Defence	123	-54	-4	—	—	-5	—
Trade and Industry	433	-246	-1,144	-349	-958	-1,096	-517
Environment, Food and Rural Affairs	1	1	1	1	0	1	1
Culture, Media and Sport	1,013	1,342	1,255	1,150	1,082	1,021	880
Work and Pensions	83	83	95	82	17	120	127
Scotland	218	233	200	173	150	135	152
Wales	136	152	153	137	121	165	200
Northern Ireland Executive	100	97	156	253	247	128	415
Chancellor's Departments	0	—	419	232	235	319	228
Total capital departmental AME	4,129	3,685	3,263	3,834	3,610	3,833	5,059
Total capital budget	29,932	32,854	35,169	37,301	38,157	41,555	47,200

(1) Real terms figures are the cash figures adjusted to 2005–06 price levels using GDP deflators. For years 2001–02 to 2005–06 deflators are calculated from the latest data from the Office for National Statistics (released 28 March 2007). From 2006–07, deflators are consistent with the March 2007 Financial Statement and Budget Report.

Table I.12 Total Departmental Expenditure Limits⁽¹⁾, 2001–02 to 2007–08

	National Statistics						
	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08
	outturn	outturn	outturn	outturn	outturn	estimated outturn	plans
£ million							
Resource and net capital DEL by departmental group							
Education and Skills	19,413	23,651	26,550	28,052	31,126	59,334	64,835
Health	54,415	58,924	66,001	71,393	78,115	83,750	92,905
<i>of which: NHS England</i>	<i>53,486</i>	<i>57,152</i>	<i>64,183</i>	<i>69,078</i>	<i>75,829</i>	<i>81,673</i>	<i>90,702</i>
Transport	7,521	9,643	10,974	11,053	10,794	13,120	12,907
CLG Communities	3,731	4,694	8,023	8,599	9,012	9,048	10,214
CLG Local Government	37,005	37,598	41,128	43,571	46,560	22,744	22,956
Home Office	10,929	12,575	12,719	13,001	13,424	14,147	14,513
Constitutional Affairs	3,173	3,531	3,444	3,403	3,627	3,712	3,986
Law Officers' Departments	457	519	582	649	657	701	724
Defence	30,755	29,350	31,102	32,989	33,212	33,869	33,561
Foreign and Commonwealth Office	1,385	1,510	1,531	1,757	1,897	1,985	1,840
International Development	3,077	3,434	3,718	3,924	4,489	4,958	5,259
Trade and Industry	5,243	4,011	4,394	4,896	6,302	6,899	7,204
Environment, Food and Rural Affairs	2,676	2,658	2,867	3,103	3,512	3,994	3,688
Culture, Media and Sport	965	1,187	1,281	1,420	1,487	1,770	1,864
Work and Pensions	6,165	7,011	7,719	7,897	7,976	7,702	7,637
Scotland ⁽²⁾	16,740	17,886	19,805	21,098	22,722	24,806	26,271
Wales ⁽²⁾	8,613	9,653	10,532	11,239	11,999	12,949	13,790
Northern Ireland Executive ⁽²⁾	5,689	6,374	6,531	7,058	7,494	7,981	8,535
Northern Ireland Office	1,083	1,093	1,053	1,176	1,191	1,283	1,164
Chancellor's Departments	3,921	4,188	4,506	4,920	5,161	5,305	5,113
Cabinet Office	1,679	1,767	2,207	2,305	2,257	2,624	2,596
Invest to Save budget	—	—	—	—	—	—	—
DEL reserve	—	—	—	—	—	—	2,100
Unallocated Special Reserve ⁽³⁾	—	—	—	—	—	—	400
Allowance for shortfall	—	—	—	—	—	-1,144	—
Total DEL	224,632	241,258	266,667	283,504	303,014	321,539	344,100
Total education spending⁽⁴⁾ (£ billion)	49.6	52.5	58.4	62.5	67.1	71.5	77.8

(1) Full resource budgeting basis, excluding depreciation.

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

(3) This represents provision for the costs of military operations in Iraq and Afghanistan, as well as the UK's other international obligations.

(4) Includes spending by local authorities.

Table I.13 Total Departmental Expenditure Limits⁽¹⁾ in real terms⁽²⁾, 2001–02 to 2007–08

	National Statistics						
	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08
	outturn	outturn	outturn	outturn	outturn	estimated outturn	plans
£ million							
Resource and net capital DEL by departmental group							
Education and Skills	21,598	25,524	27,826	28,610	31,126	57,900	61,606
Health	60,541	63,591	69,172	72,815	78,115	81,725	88,278
<i>of which: NHS England</i>	59,508	61,679	67,266	70,454	75,829	79,698	86,184
Transport	8,368	10,407	11,501	11,273	10,794	12,802	12,264
CLG Communities	4,151	5,066	8,408	8,770	9,012	8,829	9,705
CLG Local Government	41,171	40,575	43,104	44,439	46,560	22,194	21,813
Home Office	12,160	13,571	13,330	13,260	13,424	13,805	13,790
Constitutional Affairs	3,530	3,811	3,609	3,471	3,627	3,623	3,787
Law Officers' Departments	508	560	610	662	657	684	688
Defence	34,218	31,675	32,596	33,646	33,212	33,050	31,890
Foreign and Commonwealth Office	1,541	1,630	1,605	1,792	1,897	1,937	1,749
International Development	3,423	3,705	3,897	4,002	4,489	4,838	4,997
Trade and Industry	5,833	4,329	4,605	4,994	6,302	6,733	6,846
Environment, Food and Rural Affairs	2,978	2,869	3,005	3,165	3,512	3,898	3,504
Culture, Media and Sport	1,073	1,281	1,342	1,448	1,487	1,728	1,771
Work and Pensions	6,859	7,567	8,089	8,055	7,976	7,516	7,256
Scotland ⁽³⁾	18,625	19,302	20,756	21,519	22,722	24,207	24,962
Wales ⁽³⁾	9,583	10,418	11,037	11,463	11,999	12,636	13,103
Northern Ireland Executive ⁽³⁾	6,329	6,879	6,845	7,199	7,494	7,788	8,110
Northern Ireland Office	1,205	1,179	1,104	1,200	1,191	1,252	1,106
Chancellor's Departments	4,362	4,520	4,722	5,018	5,161	5,177	4,859
Cabinet Office	1,868	1,907	2,313	2,351	2,257	2,561	2,467
Invest to Save budget	—	—	—	—	—	—	—
DEL Reserve	—	—	—	—	—	—	2,000
Unallocated Special Reserve ⁽⁴⁾	—	—	—	—	—	—	400
Allowance for Shortfall	—	—	—	—	—	-1,116	—
Total DEL	249,925	260,366	279,478	289,151	303,014	313,764	326,900
Total education spending⁽⁵⁾ (£ billion)	55.2	56.6	61.2	63.7	67.1	69.8	73.9

(1) Full resource budgeting basis, excluding depreciation.

(2) Real terms figures are the cash figures adjusted to 2005–06 price levels using GDP deflators. For years 2001–02 to 2005–06 deflators are calculated from the latest data from the Office for National Statistics (released 28 March 2007). From 2006–07, deflators are consistent with the March 2007 Financial Statement and Budget Report.

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

(4) This represents provision for the costs of military operations in Iraq and Afghanistan, as well as the UK's other international obligations.

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

Table I.14 Accounting adjustments, 2001–02 to 2007–08

	£ billion						
	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08
	outturn	outturn	outturn	outturn	outturn	estimated outturn	plans
Tax credits for individuals	0.8	0.9	0.1	0.0	0.0	0.0	0.0
Pensions	-17.6	-19.7	-22.3	-23.2	-30.9	-32.0	-40.1
Other central government programmes	-0.8	-0.3	0.0	0.1	0.0	0.4	0.5
VAT refunds	6.6	7.6	8.7	9.6	10.2	10.9	12.5
Central government capital consumption	5.1	5.3	5.5	5.8	6.1	6.5	6.7
Non-cash items not in TME, and stocks	-16.8	-16.6	-11.9	-9.6	-12.2	-18.2	-14.4
Expenditure financed by revenue receipts	0.2	0.5	0.4	0.6	0.6	0.6	0.5
Local authorities	3.9	4.5	4.7	3.2	4.6	5.0	5.7
General government consolidation	-2.4	-2.4	-2.6	-2.7	-5.8	-6.0	-6.3
Public corporations	0.4	0.8	0.6	0.6	0.5	0.4	0.5
Financial transactions	-2.3	-2.3	-2.2	-1.9	-2.3	-3.5	-4.1
Data adjustment	-3.4	-3.8	-4.3	-1.9	0.3	2.0	0.3
Balancing reconciliation	-2.0	-1.5	-0.7	-1.6	-0.2	0.7	-0.4
Total accounting adjustments	-28.3	-27.1	-24.0	-20.9	-29.1	-33.2	-38.6

The accounting adjustments are described in Appendix C.

Table I.15 Total Managed Expenditure by spending sector, 2001–02 to 2007–08

	£ million						
	National Statistics						
	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08
	outturn	outturn	outturn	outturn	outturn	estimated outturn	plans
Central government own expenditure							
DEL ⁽¹⁾⁽²⁾	161,483	171,569	188,156	199,528	213,450	229,350	241,936
Departmental AME	135,958	145,133	150,120	155,346	169,659	181,236	192,989
Locally financed support in Northern Ireland	348	361	384	410	457	506	544
Net expenditure transfers to EC	-690	2,782	3,448	4,907	4,435	4,652	5,010
Central government debt interest	22,099	20,942	22,333	23,971	25,804	27,424	29,100
Accounting and other adjustments ⁽²⁾	-34,649	-36,387	-31,717	-28,599	-51,714	-42,216	-46,600
Total central government own expenditure	284,549	304,400	332,724	355,563	362,090	400,952	423,000
Local authority expenditure							
Central government support in DEL ⁽¹⁾⁽²⁾	61,116	67,489	77,101	82,850	88,465	92,490	98,808
Central government support in departmental AME	13,946	14,573	14,454	16,885	17,875	19,840	20,572
Locally financed support in Scotland	1,554	1,718	1,804	1,896	1,897	1,884	1,860
Local authority self-financed expenditure	17,312	17,495	18,109	21,459	24,033	23,537	25,409
Accounting and other adjustments ⁽²⁾	6,452	9,080	7,763	7,772	7,051	7,819	11,400
Total local authority expenditure	100,381	110,355	119,231	130,862	139,321	145,569	158,000
Public corporation expenditure							
DEL ⁽¹⁾⁽²⁾	2,033	2,200	1,410	1,125	1,100	843	819
Departmental AME	107	86	185	637	-18	519	182
Public corporations' own-financed capital expenditure	2,340	3,504	2,375	3,091	5,323	4,266	4,508
Accounting and other adjustments ⁽²⁾	-85	215	-94	-78	15,570	52	100
Total public corporation expenditure	4,395	6,005	3,876	4,775	21,975	5,680	5,600
Total Managed Expenditure	389,325	420,760	455,831	491,200	523,386	552,202	586,600

(1) Full resource budgeting basis, excluding depreciation.

(2) The sectoral DEL figures shown above exclude the Allowance for Shortfall in 2006–07. The DEL Reserve, Unallocated Special Reserve and unallocated amounts for the Invest to Save Budget are also excluded in 2007–08. AME figures for 2007–08 exclude the AME margin. Amounts for the Unallocated Special Reserve, DEL Reserve and Invest to Save Budget can be found in Table I.11. The amounts for the AME Margin can be found in Table I.1. The accounting and other adjustments in this table differ from those shown in Table I.1 and I.11 by these amounts.

2.1 This chapter provides additional analyses of the budgeting aggregates presented in **Chapter 1**. It shows analyses of budgets by economic category and information on voted and non-voted components of total public sector spending. The outturn data in this chapter fall within the scope of National Statistics.

What's new

2.2 **Tables 2.1, 2.2 and 2.3** are new to PESA 2007. Data on voted and non-voted expenditure shown in **Table 2.4** were included in PESA 2006 **Chapter 1** as **Table 1.16**.

Analyses of budgets by economic category of spending

2.3 **Table 2.1** shows analyses of budgets by economic category of spending, consistent with the budgeting aggregates reported in **Chapter 1**. The breakdowns of near-cash in resource DEL and resource departmental AME are consistent with **Table 1.7**; non-cash in resource DEL and resource departmental AME with **Table 1.8**; administration budgets in resource DEL with **Table 1.9**; and capital budgets with **Table 1.10**. Unallocated funds in resource and capital DEL are not included within the breakdown as they are not allocated to an economic category at this planning stage.

2.4 The presentation of economic categories in **Table 2.1** is broadly consistent with the economic categories used by the Office for National Statistics in compiling the National Accounts. Brief descriptions of the main economic categories are given below.

2.5 **Pay** includes wages and salaries, employers' social contributions, payments of accruing superannuation liability charges for UK staff and locally engaged staff overseas, and amounts that finance employee contributions to pension schemes. It also includes income from the recovery of secondee costs, but does not include payments for contract and agency staff that are treated as procurement expenditure.

2.6 **Procurement** shows current expenditure and receipts on goods and services, including hire and rentals under PFI and non-PFI operating leases, payments for contract and agency staff, and payments for consultancy and audit services. It also includes payments from the Department of Health to NHS Trusts in respect of services provided by Trusts.

2.7 **Current grants** are unrequited transfer payments to persons and non-profit bodies that are not used to fund capital formation. Current grants to local authorities are intra-general government payments that consolidate out of TME, which is the government's preferred measure of public spending of the whole public sector. Further information on local authority finance is given in **Chapter 7**. Current grants to persons and non-profit bodies largely comprise social benefits included in resource departmental AME.

2.8 **Current subsidies** are unrequited current transfer payments to trading businesses that are given with the objective of influencing their levels of production, their prices, or the remuneration of the factors of production. These include subsidies to both private sector companies and to public corporations, and form part of public sector current expenditure within TME.

2.9 Depreciation, also termed capital consumption, represents the amount of capital used up each year in respect of fixed assets measured on the basis of Generally Accepted Accounting Practice (GAAP). The depreciation lines in **Table 2.1** also include releases from the donated assets and government grant reserves, as well as impairments and downward revaluations of fixed assets where these lead to a cost in the operating statement.

2.10 Cost of capital charges are annual non-cash charges applied to each department's budget to represent the opportunity cost of tying up capital in assets. The rate reflects the social time preference rate and is 3.5 per cent of the net assets of the department.

2.11 The **grant equivalent element of student lending** is the subsidy implied in student loans being issued at the inflation rate rather than the market interest rate. It does not form part of TME in National Accounts (which measures in the current balance the difference between interest received from students and the amount of interest paid by the government on the debt incurred to make the loans), but is included as part of TES in the functional analyses in other chapters.

2.12 Take-up of provisions are non-cash costs in resource budgets recognised in respect of liabilities incurred that will more likely than not lead to a transfer of future economic benefits where the amount and timing of those future transfers are uncertain. Upon settling the liability the transfer of economic benefits scores to the resource budget according to the economic category of the transaction, whilst an equal and opposite (negative) **release of provisions** scores as a benefit to the resource budget within non-cash. These lines do not include pension scheme provisions (see below).

2.13 Net public service pensions shows the costs of pensions on a National Accounts basis; that is, payments to pensioners less receipts of contributions by employers and employees. It also includes payments and receipts associated with bulk and individual transfers into and out of the scheme. **Change in pension scheme liabilities** shows increases to the liability as measures on a UKGAAP basis that are accrued in-year due to current service costs, any bulk and individual transfers in, and purchases of added years. **Release of provisions funding payments of pension benefits** records a non-cash reduction equal and opposite to pension benefits paid where these are charged to the provision. The **unwinding of the discount rate on pension scheme liabilities** shows the increase in the liability as future payments move one year closer to being paid and the effects of discounting reduce, and scores in the non-cash items line in departmental AME. More information on pensions is included in **Appendix D**, and a reconciliation of GAAP pensions in departmental AME to the National Accounts given in **Table D1**.

2.14 Capital support for local authorities shows central government support for local authority capital expenditure, comprising capital grants and Supported Capital Expenditure. More information on capital support for local authorities is given in **Chapter 7**.

2.15 Capital grants are unrequited transfer payments of wealth that lead to a material change in the value of the balance sheet of either party. Usually they are made on the condition that the recipient uses the funds for capital formation or acquisition of a long-term financial asset. Capital grants in **Table 2.1** are analysed by the nature of the recipient; persons and non-profit bodies; private sector companies; and public corporations. The latter are included in the capital support for public corporations line, and are consolidated out of TME, where public corporations' own capital expenditure forms part of public sector gross investment.

2.16 Capital support for public corporations comprises capital grants, net lending to public corporations (see paragraph 2.18) and public corporations' market and overseas borrowing where this scores in the parent department's budget.

2.17 **Capital expenditure on fixed assets net of sales** includes the acquisition of fixed assets (such as land, buildings and machinery) recorded net of the sales value of any assets disposed of, and net increases in stock (where included in budgets). It is measured gross of depreciation, and includes expenditure on single use military equipment that is defined as current in National Accounts but which adds to the departmental balance sheet under UKGAAP. It also includes the pay of civil servants engaged in in-house capital formation that is recorded as capital expenditure, rather than as pay.

2.18 **Net lending to private sector** means 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.

2.19 **Other** includes items that are too small to warrant an individual line. These include certain receipts that are usually treated as part of revenue in the national accounts, public corporations' profit or loss where in budgets (including profit or loss of NHS Trusts), write-offs of stock, loans written-off (other than those written-off by mutual consent, which form part of the capital grants line), and financial transactions. In plans years it also includes departmental unallocated provision that has not been allocated to an economic category at this planning stage.

2.20 **Table 2.2** shows current procurement expenditure in Budgets by departmental group. Unlike **Table 2.1**, procurement expenditure here is before the deduction of receipts from sales of goods and services. The net procurement expenditure line, which includes income from goods and services, reconciles the table to the presentation of procurement in **Table 2.1**.

2.21 **Table 2.3** shows central government own gross (of depreciation) capital expenditure on tangible and intangible fixed assets in budgets before deduction of sales by departmental group. It therefore includes central government departments and their NDPBs, but not the capital expenditure of public corporations where this scores within budgets. The presentation of capital expenditure in this table is gross of capital consumption, and consistent with the budgeting and control framework definition of capital under GAAP rules. It therefore includes single use military equipment that are treated as current expenditure in National Accounts. Income from sales of fixed assets is at sales value. Similarly, public corporations' capital expenditure is shown gross of capital consumption and after the deduction of receipts from sales, and is consistent with the presentation in **Table 8.3**. Total gross capital expenditure on fixed assets in budgets net of sales is consistent with the presentation of economic categories in **Table 2.1**.

Supply Expenditure

2.22 **Table 2.4** shows the split of DEL and AME between expenditure that is voted in Estimates, which accounts for about two-thirds of the total, and expenditure financed by other means. 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 2007-08: Supplementary Budgeting Information (Cm 7079).

Table 2.1 Budgets by economic category of spending, 2001–02 to 2007–08

	National Statistics						
	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08
	outturn	outturn	outturn	outturn	outturn	estimated outturn	plans
£ million							
Near-cash in resource DEL							
Pay ⁽¹⁾	29,450	31,739	35,871	40,411	45,748	45,597	46,103
Procurement ⁽²⁾	79,540	88,056	96,211	102,031	106,311	116,206	122,475
Current grants to local authorities ⁽³⁾	55,067	60,098	68,231	72,576	77,210	81,325	85,696
Current grants to persons and non-profit bodies	20,262	21,447	23,322	24,918	26,850	27,287	29,475
Current grants abroad	293	–24	–203	–101	–152	413	165
Subsidies to private sector companies ⁽⁴⁾	4,917	5,063	5,268	5,741	5,235	5,337	5,323
Subsidies to public corporations	701	754	1,617	748	769	823	1,377
Other ⁽⁵⁾	–2,287	–2,545	–1,650	–2,029	–2,242	–2,319	–2,146
Total near-cash resource DEL	187,942	204,588	228,667	244,296	259,728	274,669	288,468
Non-cash in resource DEL							
Depreciation ⁽⁶⁾	9,250	15,529	8,633	7,827	9,540	10,561	10,820
Cost of capital charges	7,092	5,594	5,173	5,409	5,623	5,666	5,967
Grant equivalent element of student lending	889	422	296	514	736	1,338	1,614
Take-up of provisions	7,040	5,526	5,129	3,259	4,926	5,547	4,711
Release of provisions	–2,373	–2,701	–3,785	–4,047	–3,851	–3,908	–2,575
Other ⁽⁵⁾	851	801	744	1,260	1,308	270	564
Total non-cash resource DEL	22,748	25,170	16,190	14,221	18,280	19,474	21,101
Plus unallocated funds in Resource DEL	—	—	—	—	—	–700	1,000
Total resource DEL	210,691	229,758	244,856	258,517	278,008	293,443	310,600
Of which: Administration budgets in resource DEL							
Pay	7,268	7,973	8,616	8,882	9,445	9,160	8,761
Procurement	5,199	5,637	6,141	6,326	5,780	6,720	6,504
Depreciation	456	633	504	663	571	702	692
Cost of capital charges	63	118	60	168	110	140	222
Take-up of provisions	98	110	43	120	153	178	137
Release of provisions	–45	–61	–77	–62	–80	–110	–73
Other ⁽⁴⁾	–207	–173	–265	–291	–234	–403	–168
Total administration budgets in resource DEL	12,833	14,236	15,023	15,806	15,744	16,387	16,077
Near-cash in resource departmental AME							
Pay	828	868	904	906	902	913	951
Procurement	2,423	2,402	2,332	2,200	1,678	2,670	1,999
Current grants to local authorities ⁽³⁾	13,851	14,400	14,223	16,788	17,785	19,762	20,503
Current grants to persons and non-profit bodies	100,157	106,500	115,408	119,801	126,563	129,604	136,082
Current grants abroad	1,505	53	58	1,850	1,998	1,730	2,167
Subsidies to private sector companies	1,247	393	249	165	211	175	227
Net public service pensions ⁽⁷⁾	4,912	3,907	1,801	1,256	270	1,176	2,151
Other ⁽⁵⁾	–85	–265	–318	–619	–562	–683	–731
Total near-cash in resource departmental AME	124,839	128,259	134,657	142,349	148,844	155,345	163,349
Non-cash in resource departmental AME							
Depreciation	378	590	548	922	941	4,735	1,119
Cost of capital charges	3,572	3,136	3,000	3,246	4,223	4,425	4,161
Take-up of provisions	1,497	5,913	2,300	729	406	1,760	568
Release of provisions	–1,658	–1,312	–1,244	–1,401	–1,454	–962	–1,007
Change in pension scheme liabilities	13,205	14,871	15,357	15,304	20,971	21,503	28,933
Unwinding of the discount rate on pension scheme liabilities	18,575	19,458	22,303	24,080	27,463	29,578	32,464
Release of provisions covering payments of pension benefits ⁽⁸⁾	–14,204	–14,628	–15,361	–16,216	–17,534	–19,097	–21,295
Other ⁽⁵⁾	97	88	85	97	46	380	127
Total non-cash in resource departmental AME	21,461	28,118	26,988	26,759	35,061	42,323	45,070
Total resource departmental AME	146,300	156,377	161,645	169,108	183,905	197,668	208,419

Table 2.1 Budgets by economic category of spending, 2001–02 to 2007–08 (continued)

	£ million						
	National Statistics						
	2001–02 outturn	2002–03 outturn	2003–04 outturn	2004–05 outturn	2005–06 outturn	2006–07 estimated outturn	2007–08 plans
Capital budgets							
Capital support for local authorities	6,146	7,564	9,100	10,370	11,345	10,995	13,304
Capital grants to persons and non-profit bodies	3,466	4,522	5,336	5,388	6,461	6,888	7,005
Capital grants to private sector companies	1,348	1,655	3,129	3,132	3,336	4,948	4,502
Capital grants abroad	–191	–63	–264	–282	–204	–181	–179
Capital support for public corporations	791	962	211	630	115	573	471
Capital expenditure on fixed assets net of sales	12,484	13,228	13,780	15,351	14,805	17,055	18,297
Net lending to the private sector and abroad	2,835	2,702	1,786	1,708	2,172	2,958	4,318
Other ⁽⁵⁾	24	–126	480	276	126	–208	420
Plus unallocated funds in Capital DEL	—	—	—	—	—	–444	1,500
Total capital budgets	26,903	30,443	33,557	36,573	38,157	42,584	49,700
<i>of which:</i>							
Capital DEL	23,191	27,029	30,443	32,813	34,547	38,657	44,300
Capital departmental AME	3,711	3,414	3,113	3,760	3,610	3,928	5,324

(1) Excludes the pay of NHS Trust staff. Payments by the Department of Health to NHS Trusts in respect of Trust Staff pay are shown as procurement in this table.

(2) Procurement includes payments by the Department of Health to NHS Trusts in respect of Trust services, including payments to cover staff pay costs and depreciation.

(3) Not including non-cash elements of local authority finance that score as non-cash in resource budgets. Table 7.2 includes these items in total local authority finance.

(4) Not including subsidies to central government and local authority units with market based activities that form part of the subsidies line in table 6.4.

(5) Other includes items too small to warrant an individual line and in 2007–08 departmental unallocated provision.

(6) Excludes NHS Trust depreciation. Payments by Department of Health to NHS Trusts in respect of Trust depreciation are shown as procurement in this table.

(7) Figures here are based on payments and receipts which score in TME, and incorporate the net effect of bulk and individual transfers. A full reconciliation with the GAAP based measure of net public service pension expenditure is provided in table D.1.

(8) Payments which release provision include bulk and individual transfers, including transfers of liabilities within government.

Table 2.2 Current procurement expenditure in budgets, 2001–02 to 2007–08

	National Statistics						
	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08
	outturn	outturn	outturn	outturn	outturn	estimated outturn	plans
£ million							
Current procurement expenditure in budgets							
Education and Skills	775	799	854	699	741	872	968
Health	48,227	50,745	56,853	63,869	67,514	71,611	79,490
Transport	1,745	1,803	1,775	1,687	1,803	2,058	2,033
CLG Communities	270	398	423	462	462	425	499
CLG Local Government	237	240	256	298	301	254	281
Home Office	3,291	3,424	4,145	3,559	3,896	4,109	3,465
Constitutional Affairs	2,300	2,731	2,883	3,596	3,621	3,259	3,510
Law Officers' Departments	272	332	349	383	411	419	396
Defence	10,111	11,195	11,917	12,117	12,799	13,546	12,345
Foreign and Commonwealth Office	659	677	716	779	887	974	1,028
International Development	72	56	118	137	610	466	633
Trade and Industry	1,393	1,528	1,639	1,897	3,580	4,989	3,392
Environment, Food and Rural Affairs	2,052	1,462	1,236	1,434	1,588	2,083	1,670
Culture, Media and Sport	2,241	2,632	2,652	2,706	2,859	2,949	2,972
Work and Pensions	2,880	3,291	3,678	3,730	3,551	4,950	3,514
Scotland	4,401	7,691	7,132	5,842	5,625	6,186	6,593
Wales	3,522	4,025	4,500	4,796	5,128	5,947	6,300
Northern Ireland Executive	1,720	2,056	2,179	2,150	2,551	2,709	2,430
Northern Ireland Office	268	262	296	231	265	319	344
Chancellor's Departments	2,305	2,264	2,413	2,488	2,674	2,500	2,407
Cabinet Office	846	875	909	1,261	1,178	1,389	1,375
Total current procurement expenditure in budgets	89,587	98,487	106,925	114,121	122,044	132,014	135,644
Plus income from goods and services	-7,624	-8,029	-8,383	-9,890	-14,055	-13,139	-11,170
Total net current procurement in budgets	81,963	90,458	98,543	104,231	107,988	118,875	124,474
<i>of which:</i>							
Resource DEL	79,540	88,056	96,211	102,031	106,311	116,206	122,475
Resource departmental AME	2,423	2,402	2,332	2,200	1,678	2,670	1,999

Table 2.3 Central government own gross expenditure on tangible and intangible fixed assets in budgets before deduction of sales, 2001–02 to 2007–08

	£ million						
	National Statistics						
	2001–02 outturn	2002–03 outturn	2003–04 outturn	2004–05 outturn	2005–06 outturn	2006–07 estimated outturn	2007–08 plans
Central government own gross expenditure on fixed assets in budgets before deduction of sales							
Education and Skills	94	52	40	41	28	27	23
Health	1,900	2,126	2,605	2,958	2,889	3,719	4,270
Transport	695	816	588	705	827	1,212	1,145
CLG Communities	48	57	112	305	602	233	289
CLG Local Government	0	—	1	0	1	1	1
Home Office	455	445	599	578	562	746	1,008
Constitutional Affairs	53	45	101	167	138	167	181
Law Officers' Departments	23	8	11	11	10	12	15
Defence	6,298	6,506	6,331	7,104	7,119	7,629	7,953
Foreign and Commonwealth Office	96	113	77	85	113	155	118
International Development	52	23	47	31	30	24	41
Trade and Industry	247	273	379	412	654	798	682
Environment, Food and Rural Affairs	225	217	210	204	236	221	183
Culture, Media and Sport	222	175	55	154	160	182	184
Work and Pensions	166	261	325	298	401	205	67
Scotland	770	772	748	830	595	781	997
Wales	103	227	347	358	347	414	548
Northern Ireland Executive	453	618	566	736	713	949	752
Northern Ireland Office	42	54	50	72	59	82	72
Chancellor's Departments	257	358	247	510	410	354	304
Cabinet Office	215	182	592	242	242	320	321
Total central government own gross expenditure on fixed assets in budgets before deduction of sales	12,413	13,327	14,031	15,803	16,134	18,234	19,154
<i>Plus central government income from sales of fixed assets in budgets⁽¹⁾</i>	-934	-1,077	-1,152	-1,128	-1,936	-1,685	-1,133
Total central government own gross expenditure on fixed assets in budgets net of sales	11,479	12,249	12,880	14,676	14,198	16,549	18,021
<i>Plus public corporations' gross capital expenditure on fixed assets in budgets net of sales</i>	1,006	979	900	676	607	506	276
Total gross capital expenditure on fixed assets in budgets net of sales	12,484	13,228	13,780	15,351	14,805	17,055	18,297
<i>of which:</i>							
Capital DEL	12,173	13,099	13,771	15,029	14,418	16,957	18,213
Capital departmental AME	311	129	9	322	388	98	85

(1) The figure in 2007-08 differs from the figure of £1.6bn shown in table C16 of the Financial Statement and Budget Report 2007 as the latter includes planned asset disposals that are not yet included in departmental budgets.

Table 2.4 Voted and non-voted expenditure in Total Managed Expenditure, 2001–02 to 2007–08

	£ million						
	National Statistics						
	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08
	outturn	outturn	outturn	outturn	outturn	estimated	plans
						outturn	outturn
Voted expenditure in TME							
<i>DEL</i>							
Central government own spending, excluding depreciation	119,604	122,074	131,874	140,117	149,254	160,250	169,115
Support for local authorities	49,116	52,660	60,465	64,792	68,958	73,372	78,766
Support for public corporations	607	893	183	17	-25	86	20
Depreciation	8,516	14,723	7,796	6,783	8,429	9,162	9,263
<i>Departmental AME</i>							
Central government own spending	66,404	75,180	71,589	71,684	79,961	84,525	94,192
Support for local authorities	13,802	14,370	13,979	16,740	17,721	19,682	20,450
Support for public corporations	149	120	216	676	29	602	222
Total voted expenditure in TME	258,198	280,020	286,102	300,807	324,326	347,680	372,028
Non-voted expenditure in TME							
<i>DEL</i>							
Central government own spending, excluding depreciation	41,879	49,495	56,282	59,412	64,196	69,100	72,821
Support for local authorities	12,001	14,830	16,636	18,059	19,507	19,117	20,041
Support for public corporations	1,426	1,307	1,228	1,108	1,125	758	800
Depreciation	734	806	836	1,044	1,112	1,399	1,557
DEL not allocated by spending sector	-	-	-	-	-	-1,144	2,500
<i>AME</i>							
Central government own spending	69,554	69,953	78,531	83,662	89,698	96,711	98,797
Support for local authorities	144	203	475	145	154	158	122
Support for public corporations	-42	-34	-31	-38	-47	-83	-40
<i>Other AME and AME margin</i>							
locally financed expenditure, net expenditure transfers to the EC, and accounting and other adjustments	5,432	4,182	15,773	27,002	23,316	18,507	18,012
Total non-voted expenditure in TME	131,127	140,740	169,729	190,393	199,060	204,522	214,600
Total Managed Expenditure	389,325	420,760	455,831	491,200	523,386	552,202	586,600
Memorandum							
<i>Voted expenditure not in TME (included within "Non-Budget" in Estimates):</i>							
Grants to NDPBs to finance their expenditure	22,790	27,084	32,874	33,956	37,886	38,816	38,891
Grants to devolved administrations to finance their expenditure	31,369	35,089	35,079	38,050	40,717	46,006	46,994
Other non-public expenditure	-4,408	-2,232	-3,279	-9,727	1,039	-11,208	-11,601
Total voted expenditure not in TME	49,752	59,941	64,674	62,279	79,642	73,614	74,284
Total voted expenditure	307,950	339,961	350,776	363,086	403,968	421,293	446,312

DIFFERENCES FROM PREVIOUS PLANS

3.1 This chapter compares the latest plans for DEL and AME with the plans set out in PESA last year (Cm 6811), which were consistent with Budget 2006. The tables in this chapter do not fall within the scope of National Statistics.

Types of changes

3.2 The comparisons distinguish between:

- Transfers of financing responsibility between departments and spending sectors; classification changes, i.e. changes in the way public expenditure is measured or the re-allocation of functions between departments (i.e. machinery of government (MOG) changes); and
- other changes, which are due to policy decisions or changes in forecasts of expenditure to bring them into line with latest estimates of spending.

The tables

3.3 Data in the tables taken from last year's PESA are adjusted for the effects of machinery of government changes. The main machinery of government changes are the transfer of student loans provision in Wales from Education and Skills to the National Assembly for Wales; the transfer of the childcare element of the Council for Social Care Inspection (CSCI) from Health to Education and Skills; the Office of the Third Sector from Home Office and Trade and Industry to Cabinet Office; the Serious and Organised Crime Agency from Revenue and Customs to Home Office; and the Equal Opportunities Commission from Trade and Industry to Communities and Local Government.

3.4 Tables 3.1, 3.2 and 3.3 are for 2005-06, and compare the latest outturns with the estimated outturns in last year's PESA, and with the provisional outturns published in July in the Public Expenditure Outturn White Paper (PEOWP). The DEL tables also show final provision as at the end of the year (PEOWP).

3.5 Tables 3.4, 3.5 and 3.6 are for 2006-07, and compare the current estimated outturns with the plans in last year's PESA. The DEL tables also show final provision following updates provided by departments as part of the Spring Supplementary Estimates.

3.6 Tables 3.7, 3.8 and 3.9 are for 2007-08 and compare the current plans (consistent with the Budget and as presented elsewhere in PESA) with the plans in last year's PESA.

Main classification and transfer changes affecting plans

3.7 There are a number of changes to the budgeting framework to more closely align that framework with the objectives of the fiscal framework and improve incentives on departments. These have been effected as classification changes, that is current and future years budgets have been restated so as to leave departments no better or worse off, and outturns adjusted so that numbers are presented on a consistent basis. The first year of the new regime for control purposes is 2007-08.

3.8 The following major changes have been made to the framework:

- Impairments for certain classes of asset are now split between DEL and AME, to provide support for sound management decisions and to remove the disincentive for worthwhile impairments.
- Proceeds from sales of assets are split between the book value and profit or loss on disposal. Receipts relating to book value have always scored in capital budgets. Profit or loss on disposal has moved from non-cash resource budgets to capital budgets. Profit or loss on disposal forms part of the aggregate public sector net investment (PSNI), which is mostly budgeted for in capital budgets.
- Large acquisitions of stock are now treated as capital in budgets.
- Grant in Aid no longer attracts a benefit from the government grants reserve.
- The treatment of underperforming self-financing public corporations (SFPCs) has been revised.

Other classification changes affecting individual departments

- Education Maintenance Allowances (EMAs) have moved from AME to DEL within Education and Skills' and the devolved administrations' resource budgets.
- Interest receivable on student loans (England) has moved from DEL to AME within Education and Skills' resource budget.
- In Scotland and Northern Ireland, net lending to students transactions have moved from non-budget into capital departmental AME. This change was effected for England and Wales in PESA 2006 so from PESA 2007 the student loans line in Table 1.1 has UK coverage.
- London and Continental Railways (LCR) is now included within Transport's budget on a consolidated public corporation basis, reflecting the reclassification of LCR to the public corporation sector by ONS in February 2006.
- Contributions to international development agencies (IDAs) have moved from resource budget DEL to capital budget DEL. This affects International Development's budget only, and reflects the October 2006 reclassification by ONS from current transfers abroad to equity. This means that IDAs are now treated as financial transactions in the National Accounts and are not included in Total Managed Expenditure.
- Receipts of payments from Work and Pensions to Culture, Media and Sport for the provision of TV licences to over 75s have moved from non-budget to resource departmental AME.
- The subsidy of Post Office Limited has been transferred from Royal Mail, which scores on the receipts side through its Gross Operating Surplus, to Trade and Industry resource budget.

3.9 On 19 April 2006 the ONS announced the reclassification of the Housing Revenue Account from the local government sector to public corporations. That has led to an increase to public corporations' capital expenditure in TME, and a decrease to local authority capital expenditure. The change is reflected in PESA as an increase to public corporations' own-

financed capital expenditure and corresponding decrease to locally financed expenditure (capital).

3.10 The treatment of the write-off of Nigerian debt has changed in the National Accounts, and is now included as an imputed capital grant in Total Managed Expenditure. This is reflected as an increase to Total Managed Expenditure and an increase to the National Accounts adjustments, and is split between 2005-06 and 2006-07.

3.11 Tables 3.1 and 3.2 show the effects of transfers and classification changes in DEL at the departmental group level for 2005-06 outturns, with 3.4 and 3.5 showing the same for 2006-07 estimated outturns and 3.7 and 3.8 for plans. The main transfer and classification changes in departmental DELs are:

- Increases to Education and Skills resource DEL reflecting the movement of EMAs from AME to DEL and interest receivable on student loans (England) from DEL to AME. Expenditure on EMAs totalled £0.4bn in 2005-06 outturn, £0.5bn in 2006-07 estimated outturn and £0.6bn in 2007-08 plans. Income from interest receivable that now scores in departmental AME totalled £0.4bn in 2005-06, £0.5bn in 2006-07 and £0.5bn in 2007-08.
- Health resource DEL has decreased in all years reflecting the movement of certain types of impairments from DEL to AME. These totalled £0.1bn in 2005-06, £0.2bn in 2006-07 and £0.2bn in 2007-08.
- Transfers and classification changes to Transport are mainly due to Highways Agency impairments and the inclusion of LCR in Transport's budget. The value of impairments that moved from DEL to AME within Transport's budget were £0.5bn in 2005-06, £0.5bn in 2006-07 and £0.6bn in 2007-08, and show as a reduction to resource DEL. The new budgeting treatment of LCR has led to an increase in resource DEL of £0.2bn in 2005-06 and 2006-07, and £0.1bn in 2007-08. Capital DEL has decreased by £0.8bn and £0.5bn in 2005-06 and 2006-07 respectively, and increased by £0.1bn in 2007-08 due to LCR. Other classification changes in 2006-07 and 2007-08 are due to uplifts to resource DEL to ensure the department is no better or worse off following the removal of certain receipts that previously scored as negative DEL.
- Defence resource DEL has increased by £0.4bn and capital DEL decreased by a corresponding amount in 2005-06 due to the movement of profit or loss on disposal of assets from resource to capital budgets. There is no equivalent change to 2006-07 and 2007-08 DELs since departments' planned asset disposals are at book value. Changes in these years for Defence are due to transfers of budgetary cover between departments, which have no effect on aggregate resource and capital budget DELs.
- The change to the budgeting treatment of contributions to international development agencies from resource to capital budgets has reduced International Development's resource DEL and increased capital DEL by £0.4 in 2005-06, £0.7bn in 2006-07 and £0.6bn in 2007-08.
- The transfer of Post Office Limited subsidies from Royal Mail to Trade and Industry, increasing resource DEL by £0.1bn in 2006-07 and £0.4bn in 2007-08.
- Transfers and classification changes for other departments reflect the new budgeting regime and transfers of budgetary cover between departments.

3.12 Tables 3.3, 3.6 and 3.9 show the effect of transfers and classification changes in TME by budgetary aggregate. Changes to aggregate resource and capital DELs are due to the departmental changes listed above. Depreciation in DEL is lower in all years due to the movement of some types of impairments from DEL to AME, which increase the non-cash items line in departmental AME by the same amount. There is a further increase to non-cash departmental AME in 2005-06 due to the new budgeting treatment for LCR. The BBC domestic services line is lower in all years due to the inclusion of receipts of payments from Work and Pensions to Culture, Media and Sport in respect of over 75's TV licences within departmental AME. The student loans line has changed in all years, reflecting the inclusion of Scotland and Northern Ireland student lending and the budgeting change of interest receivable on student loans (England).

3.13 In other AME, locally financed expenditure has reduced in all years due to the reclassification of the HRA from the local government sector to public corporations. Public corporations' own financed capital expenditure (PCOFCE) has increased by the same amount in all years, whilst the inclusion of LCR in Transport's budget has also decreased PCOFCE in all years. Neither of these changes affect Total Managed Expenditure; HRA has been reclassified between sub-sectors within the public sector, while LCR has been included in TME in the National Accounts since February 2006. Classification changes to TME are largely due to the revised treatment of Nigerian debt write-off and contributions to IDAs discussed above.

Policy and estimating changes

3.14 Tables 3.1, 3.2 and 3.3 show changes to final outturn from 2005-06 since PEOWP 2006. Revisions to outturns after stripping out the effects of transfers and classification changes are due to the availability of more up-to-date information in audited departmental resource accounts.

3.15 Tables 3.4, 3.5 and 3.6 show changes to plans for 2006-07 financed by allocations from the Reserve, draw down of End Year Flexibility (EYF) and changes to forecasts. Departmental plans in 2006-07 increased by just under £2.4bn due to Reserve allocations and EYF draw down for resource DEL, and decreased by just over £0.1bn for capital DEL, largely because of DfT transfers from capital to resource DEL. Departmental estimated outturns are provisional. They are likely to be revised further as numbers improve after the year end. Better information will be published in the Public Expenditure Outturn White Paper in July and in the National Statistics update on the day of the Pre Budget Report (normally in November) after accounts have been audited. The main increases to plans are given below:

- Education and Skills drew down £0.1bn EYF from previous years' under spending.
- Transport resource DEL increased by £0.7bn, of which £0.4bn was draw down of EYF from under spends from previous years, and £0.3bn was switched from capital DEL in respect of the Greater London Authority transport grant.
- Home Office resource DEL increased by £0.3bn, of which £0.1bn was take up of measures announced in Budget 2006, £0.1bn draw down of EYF from under spends from previous years, and £0.1bn financed from the Reserve to meet in-year spending pressures on prisons. Capital DEL increased by £0.1bn financed from the Reserve.
- Defence resource DEL increased by £1.4bn and capital DEL by £0.5bn, of which £1.3bn resource and £0.5bn capital were from the Reserves for on-going costs of military operations.

- Foreign and Commonwealth Office were allocated £0.2bn from the Reserve to finance peacekeeping activities.
- Trade and Industry drew down £0.2bn resource DEL EYF and £0.1bn capital DEL EYF financed from under spends in previous years.
- Chancellor's departments resource DEL increased by £0.2bn, of which £0.1bn was draw down of EYF by Revenue and Customs, £27m was an agreed Reserve claim for the Office of National Statistics to meet additional non-cash costs due to the disposal of the London estate, and £30m a Reserve claim by Revenue and Customs to increase contact centre capacity.
- Cabinet Office resource DEL increased by £0.2bn, largely due to spending measures announced at PBR 2006 and EYF draw down by Security and Intelligence Agencies.

3.16 Changes to expenditure items in Annually Managed Expenditure are due to changes in forecasts and other changes announced in the Budget 2007 (HC 342). Figures for social security benefits in 2006-07 have been updated since Budget 2007 reflecting the latest estimated outturns including the Financial Assistance Scheme provision.

3.17 Policy and estimating changes for 2007-08 are shown in tables 3.7, 3.8 and 3.9. The main changes are:

- The updating of Local Government and Health capital plans to a level consistent with the latest estimates of outturn spending, excluding exceptional items, as announced at Budget 2007. Table 1.10 sets out capital DEL outturn and latest plans from 2001-02 to 2007-08.
- Increased Health resource spending following the reprofiling of Department of Health's resource budget announced at Budget 2006 and other changes.
- Transport capital to resource switching for the GLA transport grant as per 2006-07.
- Allocations from the Reserve for Foreign and Commonwealth Office peacekeeping.
- Spending measures for Security and Intelligence Agencies announced in the Pre-Budget Report 2006 and Budget 2007.
- An additional £400m unallocated special reserve to meet the ongoing costs of military conflict, as announced at Budget 2007.
- A change in the rate used for discounting long-term future pension liabilities, from 2.8% real to 1.8% real, has led to increased forecasts of net public service pensions liabilities in 2007-08. More information on pensions is given in Appendix D.

3.18 As for 2006-07, changes to Annually Managed Expenditure were outlined in the Budget 2007 (HC 342).

Table 3.1 Resource DEL 2005–06; changes since PESA May 2006 and PEOWP July 2006

£ million

	Final provision adjusted for MOG	Estimated outturn in PESA 2006 adjusted for MOG	Provisional outturn in PEOWP 2006 adjusted for MOG	Transfers and classification changes since PEOWP 2006	Other changes since PEOWP 2006	Outturn
Education and Skills	24,888	24,735	24,712	749	6	25,467
Health	76,349	76,929	76,531	-142	-17	76,372
Transport	6,045	5,762	5,623	-246	699	6,076
CLG Communities	3,464	3,337	3,397	106	3	3,507
CLG Local Government	46,293	46,200	46,244	—	—	46,244
Home Office	12,717	12,664	12,681	32	-10	12,703
Constitutional Affairs	3,787	3,763	3,746	5	-120	3,631
Law Officers' Departments	709	691	665	6	18	689
Defence	33,727	33,281	32,452	377	560	33,388
Foreign and Commonwealth Office	2,006	1,967	1,876	24	-26	1,874
International Development	4,498	4,413	4,488	-374	0	4,114
Trade and Industry	5,533	5,363	5,235	-29	30	5,237
Environment, Food and Rural Affairs	2,951	3,022	2,745	4	68	2,817
Culture, Media and Sport	1,495	1,434	1,447	0	-23	1,423
Work and Pensions	8,014	7,923	7,868	-41	-95	7,732
Scotland	20,879	20,791	20,793	4	-134	20,662
Wales	11,209	11,569	10,927	22	36	10,986
Northern Ireland Executive	6,835	6,808	6,695	27	—	6,722
Northern Ireland Office	1,236	1,015	1,182	0	1	1,183
Chancellor's Departments	5,195	5,029	4,980	-34	1	4,947
Cabinet Office	2,310	2,243	2,234	0	0	2,234
Allowance for Shortfall	—	-960	—	—	—	—
Total resource DEL	280,139	277,981	276,522	488	998	278,008

Table 3.2 Capital DEL 2005–06; changes since PESA May 2006 and PEOWP July 2006

£ million

	Final provision adjusted for MOG	Estimated outturn in PESA 2006 adjusted for MOG	Provisional outturn in PEOWP 2006 adjusted for MOG	Transfers and classification changes since PEOWP 2006	Other changes since PEOWP 2006	Outturn
Education and Skills	6,069	5,756	5,705	0	1	5,706
Health	3,999	3,022	2,253	19	-27	2,245
Transport	6,568	6,558	6,499	-786	-715	4,999
CLG Communities	5,860	5,758	5,767	-177	-58	5,532
CLG Local Government	388	230	316	—	—	316
Home Office	1,230	1,131	1,045	—	-10	1,034
Constitutional Affairs	180	176	138	-5	-5	128
Law Officers' Departments	16	9	9	-6	-27	-23
Defence	6,798	6,788	6,676	-377	111	6,410
Foreign and Commonwealth Office	137	152	96	-1	37	132
International Development	42	32	23	374	0	397
Trade and Industry	1,270	1,251	1,209	-6	-5	1,198
Environment, Food and Rural Affairs	653	661	854	-4	-14	836
Culture, Media and Sport	225	261	130	0	14	145
Work and Pensions	476	400	386	16	-49	354
Scotland	2,445	2,444	2,332	25	33	2,390
Wales	1,262	1,262	1,221	—	-13	1,208
Northern Ireland Executive	1,022	1,029	857	-10	—	847
Northern Ireland Office	65	55	59	0	-3	55
Chancellor's Departments	408	404	393	19	-19	393
Cabinet Office	331	258	277	0	-34	243
Allowance for Shortfall	—	-299	—	—	—	—
Total capital DEL	39,444	37,338	36,245	-918	-781	34,547

Table 3.3 Total Managed Expenditure 2005–06; changes since PESA May 2006 and PEOWP July 2006

£ million

	Estimated outturn in PESA 2006	Provisional outturn in PEOWP 2006	Transfers and classification changes since PEOWP 2006	Other changes since PEOWP 2006	Outturn
Departmental Expenditure Limits					
Resource DEL	277,981	276,522	488	998	278,008
Capital DEL	37,338	36,245	-918	-781	34,547
Less depreciation	11,937	12,248	-618	-2,089	9,540
Total Departmental Expenditure Limits	303,382	300,518	189	2,307	303,014
Annually Managed Expenditure					
<i>Departmental AME</i>					
Social security benefits	130,148	129,912	—	-63	129,849
Tax credits	12,862	12,860	-2	114	12,972
Net public service pensions	5,321	3,694	-19	31	3,706
National Lottery	1,775	1,844	—	-15	1,829
BBC domestic services	3,054	3,054	-458	—	2,596
Student loans	2,151	2,206	-121	-18	2,067
Non-cash items	30,181	31,378	1,174	-1,082	31,470
Other departmental expenditure	4,227	2,351	-400	1,076	3,027
Total departmental AME	189,719	187,300	173	43	187,515
<i>Other AME</i>					
Net expenditure transfers to the EC	4,435	4,435	—	0	4,435
Locally financed government expenditure	26,566	26,566	-1,871	1,692	26,387
Central government gross debt interest	25,747	25,909	—	-105	25,804
Public corporations' own financed capital expenditure	2,882	4,931	1,270	-878	5,323
Total other AME	59,630	61,841	-601	710	61,950
Total AME before accounting adjustments	249,349	249,141	-428	753	249,465
Accounting adjustments	-29,579	-24,765	-135	-4,194	-29,093
Total Annually Managed Expenditure	219,770	224,376	-562	-3,441	220,372
Total Managed Expenditure	523,152	524,894	-374	-1,134	523,386

Table 3.4 Resource DEL 2006–07; changes since PESA 2006

	£ million				
	Plans in PESA 2006 adjusted for MOG	Other transfers and classification changes	Reserve allocation and other policy changes	Final provision	Estimated outturn
Education and Skills	53,357	998	117	54,472	54,118
Health	81,973	-213	1	81,761	80,840
Transport	6,899	-481	719	7,137	6,891
CLG Communities	3,583	113	72	3,767	3,697
CLG Local Government	22,492	1	73	22,566	22,531
Home Office	12,945	-14	292	13,223	13,218
Constitutional Affairs	3,960	-21	135	4,074	3,708
Law Officers' Departments	686	14	18	718	696
Defence	32,610	58	1,433	34,102	33,695
Foreign and Commonwealth Office	1,818	-79	195	1,934	1,930
International Development	4,961	-686	77	4,352	4,303
Trade and Industry	5,568	44	246	5,858	5,776
Environment, Food and Rural Affairs	3,001	-115	357	3,243	3,276
Culture, Media and Sport	1,536	-8	59	1,586	1,624
Work and Pensions	7,760	1	234	7,995	7,685
Scotland	22,204	30	144	22,378	22,236
Wales	11,758	35	138	11,931	11,854
Northern Ireland Executive	7,132	68	71	7,271	7,186
Northern Ireland Office	1,185	6	90	1,282	1,270
Chancellor's Departments	5,013	11	199	5,222	5,182
Cabinet Office	2,217	-9	209	2,416	2,426
Invest to Save Budget	14	—	-14	—	—
DEL Reserve	975	—	-975	—	—
Unallocated Special Reserve	800	—	-800	—	—
Allowance for Shortfall	—	—	-700	-700	-700
Total resource DEL	294,445	-248	2,389	296,588	293,443

Table 3.5 Capital DEL 2006–07; changes since PESA 2006

£ million

	Plans in PESA 2006 adjusted for MOG	Other transfers and classification changes	Reserve allocation and other policy changes	Final provision	Estimated outturn
Education and Skills	6,254	18	7	6,279	5,249
Health	5,329	-13	0	5,316	3,667
Transport	7,379	-479	-215	6,685	6,539
CLG Communities	5,723	-114	73	5,682	5,384
CLG Local Government	249	—	17	265	214
Home Office	1,154	75	110	1,339	1,261
Constitutional Affairs	140	-35	87	192	167
Law Officers' Departments	15	—	1	15	12
Defence	6,927	2	521	7,449	7,061
Foreign and Commonwealth Office	150	—	9	159	139
International Development	20	665	—	685	676
Trade and Industry	1,187	-40	150	1,297	1,233
Environment, Food and Rural Affairs	772	99	26	897	903
Culture, Media and Sport	278	37	65	380	244
Work and Pensions	178	-1	44	222	220
Scotland	2,942	12	78	3,032	3,032
Wales	1,429	—	-23	1,405	1,374
Northern Ireland Executive	946	-16	0	930	852
Northern Ireland Office	72	0	13	85	80
Chancellor's Departments	308	—	66	374	349
Cabinet Office	303	0	76	379	445
Invest to Save Budget	5	—	-5	—	—
DEL Reserve	768	—	-768	—	—
Allowance for Shortfall	—	—	-444	-444	-444
Total capital DEL	42,528	210	-112	42,625	38,657

Table 3.6 Total Managed Expenditure 2006–07; changes since PESA 2006

	Plans in PESA 2006	Transfers and classification changes	Other changes	£ million Estimated outturn
Departmental Expenditure Limits				
Resource DEL	294,445	-248	-755	293,443
Capital DEL	42,528	210	-4,081	38,657
Less depreciation	11,914	-886	-467	10,561
Total Departmental Expenditure Limits	325,059	848	-4,368	321,539
Annually Managed Expenditure				
<i>Departmental AME</i>				
Social security benefits	133,345	—	1,118	134,463
Tax credits	14,125	—	-56	14,069
Net public service pensions	5,557	206	-2,181	3,582
National Lottery	1,732	—	-22	1,710
BBC domestic services	3,216	-480	—	2,736
Student loans	2,770	-210	413	2,974
Non-cash items	31,765	965	6,676	39,406
Other departmental expenditure	3,415	-399	-360	2,656
Total departmental AME	195,925	83	5,588	201,595
<i>Other AME</i>				
Net expenditure transfers to the EC	5,432	—	-780	4,652
Locally financed government expenditure	27,523	-2,000	404	25,927
Central government gross debt interest	26,277	—	1,147	27,424
Public corporations' own-financed capital expenditure	3,373	1,496	-604	4,266
Total other AME	62,605	-504	167	62,269
Total AME before accounting adjustments	258,530	-421	5,755	263,864
AME margin	1,000	—	-1,000	—
Accounting adjustments	-32,292	-1,093	183	-33,202
Total Annually Managed Expenditure	227,238	-1,513	4,938	230,663
Total Managed Expenditure	552,298	-665	569	552,202

Table 3.7 Resource DEL 2007–08; changes since PESA 2006

	£ million			
	Plans in PESA 2006 adjusted for MOG	Other transfers and classification changes	Reserve allocation and other policy changes	New plans
Education and Skills	56,654	1,074	149	57,876
Health	89,079	-238	831	89,673
Transport	6,749	-341	297	6,704
CLG Communities	3,738	561	26	4,325
CLG Local Government	23,336	-515	-8	22,813
Home Office	13,559	-7	19	13,571
Constitutional Affairs	4,005	-24	4	3,984
Law Officers' Departments	718	—	0	718
Defence	32,779	53	-1	32,831
Foreign and Commonwealth Office	1,681	-71	200	1,809
International Development	5,278	-641	—	4,637
Trade and Industry	5,778	316	64	6,158
Environment, Food and Rural Affairs	3,081	-100	7	2,987
Culture, Media and Sport	1,572	-11	3	1,564
Work and Pensions	7,694	-5	37	7,726
Scotland	23,426	49	35	23,510
Wales	12,420	21	15	12,456
Northern Ireland Executive	7,565	25	6	7,597
Northern Ireland Office	1,144	-3	—	1,141
Chancellor's Departments	4,997	29	2	5,028
Cabinet Office	2,260	16	184	2,460
Invest to Save Budget	15	—	-15	—
DEL Reserve	2,100	—	-1,500	600
Unallocated Special Reserve	—	—	400	400
Total resource DEL	309,600	187	700	310,600

Table 3.8 Capital DEL 2007–08; changes since PESA 2006⁽¹⁾

	£ million			
	Plans in PESA 2006 adjusted for MOG	Other transfers and classification changes	Reserve allocation and other policy changes	New plans
Education and Skills	6,995	—	—	6,995
Health	6,321	0	–2,000	4,321
Transport	6,699	139	–277	6,561
CLG Communities	6,171	–234	—	5,937
CLG Local Government	249	—	–106	143
Home Office	1,239	40	50	1,329
Constitutional Affairs	148	—	—	148
Law Officers' Departments	15	—	—	15
Defence	7,589	–7	–34	7,548
Foreign and Commonwealth Office	148	0	—	148
International Development	22	621	—	643
Trade and Industry	1,145	—	12	1,157
Environment, Food and Rural Affairs	807	99	0	907
Culture, Media and Sport	232	175	–5	402
Work and Pensions	63	—	2	65
Scotland	3,124	4	–9	3,118
Wales	1,614	—	3	1,617
Northern Ireland Executive	994	21	0	1,015
Northern Ireland Office	72	0	—	72
Chancellor's Departments	303	—	—	303
Cabinet Office	303	0	67	371
Invest to Save Budget	6	—	–6	—
DEL Reserve	1,400	—	100	1,500
Total capital DEL	45,700	858	–2,200	44,300

(1) These figures include the updating of Department of Health and local authority DEL capital plans to a level consistent with latest estimates of outturn spending, as set out in paragraph C.75 of the Financial Statement and Budget Report 2007. Capital underspends will be rolled forward in end-year flexibility and the NHS and local authorities spending plans will be unaffected. Table 1.10 sets out capital DEL outturn and latest plans from 2001–02 to 2007–08.

Table 3.9 Total Managed Expenditure 2007–08; changes since PESA 2006

	£ million			
	Plans in PESA 2006	Transfers and classification changes	Other changes	New Plans
Departmental Expenditure Limits				
Resource DEL	309,600	187	700	310,600
Capital DEL	45,700	858	-2,200	44,300
Less depreciation	11,600	-840	70	10,800
Total DEL	343,700	1,884	-1,600	344,100
Annually Managed Expenditure				
<i>Departmental AME</i>				
Social security benefits	138,506	—	2,394	140,900
Tax credits	15,138	—	-380	14,758
Net public service pensions	5,855	18	3,917	9,789
National Lottery	1,535	—	-22	1,513
BBC domestic services	3,304	-492	-1	2,811
Student loans	3,400	-205	515	3,710
Non-cash items	34,779	990	1,493	37,262
Other departmental expenditure	2,931	-671	740	3,000
Total departmental AME	205,448	-361	8,656	213,743
<i>Other AME</i>				
Net expenditure transfers to the EC	6,509	—	-1,499	5,010
Locally financed government expenditure	28,922	-2,000	891	27,813
Central government gross debt interest	27,953	—	1,147	29,100
Public corporations' own financed capital expenditure	3,484	1,725	-701	4,508
Total other AME	66,867	-275	-162	66,431
Total AME before accounting adjustments	272,315	-636	8,494	280,174
AME margin	2,000	—	-1,000	1,000
Accounting adjustments	-35,281	-1,862	-1,454	-38,598
Total Annually Managed Expenditure	239,000	-2,498	6,040	242,600
Total Managed Expenditure	582,800	-614	4,479	586,600

4.1 The analyses in this chapter show trends in government expenditure over a longer span of years than presented elsewhere in PESA, adjusted as far as possible so that figures for historical outturn years are based on current definitions.

4.2 Data in this chapter are a mix of cash and accruals. All outturn data for Total Expenditure on Services up until 1997-98 are on a cash basis. Outturn for 1998-99 to 2005-06 are on an accruals basis, as are estimated outturn data for 2006-07. All outturn data (to 2005-06) in the tables in this chapter are National Statistics.

What's new

4.3 As pre-announced in PESA 2006 the analysis of Total Expenditure on Services (TES) in PESA 2007 by the UN Classification of Functions of Government (COFOG) has been moved into conformity with the UN COFOG definitions at level 2. The Treasury has published a document detailing these changes in full on its website.⁽¹⁾

The main impacts of this change are shown in the analyses by sub-function presented in Tables 5.2 and 6.5. There are also some minor changes to the UN COFOG level 1 presentation in this chapter:

- **general public services** is larger than presented previously, as it includes international services and public sector debt interest that were shown separately in PESA 2006. These sub categories, along with public and common services (which equates to the PESA 2006 presentation of general public services), are shown in italics under the heading of general public services; and
- the PESA 2006 functions enterprise and economic development, science and technology, employment policies, transport, and agriculture, fisheries and forestry, are all part of a larger **economic affairs** category. These PESA 2006 functions are shown in italics under the heading of economic affairs.

Public expenditure aggregates

4.4 Table 4.1 shows trends in public expenditure over the years 1967-68 to 2007-08 in nominal and in real terms and as a percentage of Gross Domestic Product (GDP). The table shows three spending aggregates in these ways: public sector current expenditure, public sector net investment and Total Managed Expenditure (TME). Data for a fourth aggregate, public sector depreciation, are shown in nominal terms only. Data for all these aggregates for the years up to 2005-06 are taken from the public sector accounts compiled by the Office for National Statistics (ONS). The public sector accounts are a part of the National Accounts that are updated monthly. Public sector capital expenditure (or gross investment) *less* public sector depreciation equals public sector net investment. Public sector capital expenditure *plus* public sector current expenditure is equal to TME – which is a measure of total public sector spending drawn from National Accounts. Figures for 2006-07 are estimated outturn and for 2007-08 are projections produced by the Treasury.

¹ http://www.hm-treasury.gov.uk/economic_data_and_tools/finance_spending_statistics/PES_function/function.cfm

Total Expenditure on Services by function

4.5 The key concept to understand in the derivation of the public expenditure by function series is Total Expenditure on Services (TES). This is the spending aggregate that is allocated to function and covers most expenditure by the public sector that is included in TME.

4.6 TES includes central government spending but excludes the part that is finance to local authorities and capital finance to public corporations. This central government own expenditure is then combined with actual spending by local authorities and public corporations to give total public sector expenditure. TES is a near-cash measure of spending in that it excludes non-cash items such as depreciation and cost of capital charges. Full details of the definition of TES and the relationship to departments' budgets are available in **Appendix E**.

4.7 **Table 4.2** shows TES by UN COFOG level 1 from 1987-88 to 2006-07. **Tables 4.3 and 4.4** present this in real terms and as a percentage of GDP respectively. These tables cover outturn years and give estimated outturns for 2006-07.

Methods and data quality for long run TES series

4.8 Our aim is that the attribution of spending to functions should be broadly consistent over the entire table.

4.9 Data for the long run TES series for years before 2001-02 are not taken directly from the live public expenditure database that is maintained by government departments (see **Appendix A**). Summary data from the database are archived at the point at which the database ceases to be live.

4.10 Normally, distant outturn data are no longer subject to adjustment. However, sometimes reclassifications affect the long run functional series. These include ONS decisions for the National Accounts (e.g. the decision to reclassify London Continental Railways to the public corporation sector – see **Appendix A**) and decisions taken by the Treasury in conjunction with departments to improve the allocation of spending to functions.

4.11 Only the larger classification changes are taken back to the historical years, based on the change in expenditure relative to the size of the function or functions concerned. Reclassifications are taken back to the historical series based on archived data. It is not always possible to identify the relevant data within the archives because of changes in recording practices over time, and if data series need to be split across functions it is not always possible to ascertain the right split to apply. The decision taken on the procedure used to implement classification changes in historical years is made by Treasury officials after discussions with other government departments, and can sometimes entail a simple percentage split based on the best information available.

4.12 These factors mean that the attribution of spending to functions in the historical years is less accurate than in the live years. TES functional numbers in the long run series are presented as accurate to within £100m. That may, in some cases, overstate the accuracy of the figures due to rounding and so small differences in figures or rates of change should be disregarded.

Table 4.1 Public expenditure aggregates, 1967–68 to 2007–08

Outturn data in this table up to 2005–06 fall within the scope of National Statistics

	Public sector current expenditure			Depreciation		Public sector net investment			Total Managed Expenditure		
	Nominal £ billion	Real terms ⁽¹⁾ £ billion	Percentage of GDP	Nominal £ billion		Nominal £ billion	Real terms ⁽¹⁾ £ billion	Percentage of GDP	Nominal £ billion	Real terms ⁽¹⁾ £ billion	Percentage of GDP
1967–68	13.8	172.2	33.8	1.5		3.0	37.2	7.3	18.3	227.5	44.7
1968–69	14.8	176.2	33.4	1.6		2.9	34.3	6.5	19.3	229.6	43.5
1969–70	15.7	177.0	33.0	1.7		2.9	32.2	6.0	20.3	228.9	42.6
1970–71	17.4	180.9	32.8	2.0		3.3	34.5	6.3	22.7	236.2	42.8
1971–72	19.8	189.6	33.5	2.3		3.1	30.0	5.3	25.2	241.4	42.7
1972–73	22.4	197.4	33.4	2.6		3.3	28.9	4.9	28.3	249.1	42.1
1973–74	26.4	217.4	35.3	3.1		3.9	32.5	5.3	33.4	275.3	44.7
1974–75	34.8	239.7	39.0	3.9		5.1	34.8	5.7	43.7	301.3	49.0
1975–76	44.6	244.8	40.1	4.9		6.2	34.2	5.6	55.7	306.0	50.1
1976–77	52.0	251.8	40.1	5.8		5.8	28.1	4.5	63.6	307.8	49.0
1977–78	58.3	248.3	38.6	6.6		4.5	19.2	3.0	69.5	295.7	46.0
1978–79	66.7	255.6	38.6	7.5		4.4	16.7	2.5	78.6	301.2	45.5
1979–80	79.9	262.1	38.5	8.9		4.8	15.6	2.3	93.6	306.9	45.1
1980–81	97.2	269.9	41.1	10.7		4.5	12.5	1.9	112.5	312.1	47.5
1981–82	111.3	281.9	42.9	11.7		2.6	6.7	1.0	125.6	318.1	48.4
1982–83	121.7	288.0	42.9	12.1		4.5	10.6	1.6	138.3	327.2	48.8
1983–84	131.4	297.0	42.6	12.6		5.7	12.9	1.9	149.7	338.4	48.5
1984–85	142.0	305.0	42.9	12.6		5.3	11.3	1.6	159.9	343.5	48.3
1985–86	150.0	305.5	41.3	12.3		4.3	8.8	1.2	166.6	339.3	45.9
1986–87	157.3	310.3	40.5	12.7		2.7	5.3	0.7	172.7	340.7	44.4
1987–88	168.0	313.8	38.9	12.7		2.6	4.8	0.6	183.3	342.3	42.4
1988–89	175.4	306.3	36.5	13.6		1.7	2.9	0.3	190.7	332.9	39.7
1989–90	189.3	308.4	36.0	14.3		6.6	10.8	1.3	210.2	342.5	40.0
1990–91	205.6	310.6	36.4	14.1		7.8	11.7	1.4	227.5	343.7	40.3
1991–92	230.8	328.7	38.7	12.6		10.8	15.3	1.8	254.2	361.9	42.6
1992–93	249.9	344.7	40.5	12.7		11.6	15.9	1.9	274.1	378.2	44.5
1993–94	263.9	354.8	40.4	12.9		9.4	12.6	1.4	286.2	384.8	43.8
1994–95	276.3	365.9	40.0	13.1		9.8	13.0	1.4	299.1	396.2	43.3
1995–96	288.1	370.3	39.4	13.1		10.1	13.0	1.4	311.3	400.2	42.6
1996–97	298.0	370.5	38.5	12.4		5.4	6.8	0.7	315.8	392.7	40.8
1997–98	305.2	368.8	37.0	12.3		5.2	6.3	0.6	322.7	389.9	39.2
1998–99	313.3	369.2	36.0	12.1		6.5	7.6	0.7	331.9	391.1	38.1
1999–00	324.9	375.3	35.2	12.4		5.3	6.2	0.6	342.6	395.7	37.2
2000–01	345.5	393.5	35.8	12.8		4.0	4.6	0.4	362.3	412.6	37.5
2001–02	365.1	406.2	36.3	13.2		11.1	12.3	1.1	389.3	433.2	38.7
2002–03	393.4	424.5	37.0	14.1		13.3	14.4	1.3	420.8	454.1	39.5
2003–04	425.8	446.3	37.7	14.6		15.5	16.2	1.4	455.8	477.7	40.4
2004–05	455.5	464.6	38.4	15.4		20.3	20.7	1.7	491.2	501.0	41.4
2005–06	484.2	484.2	39.0	16.5		22.7	22.7	1.8	523.4	523.4	42.2
2006–07	509.0	496.7	39.0	17.7		25.5	24.9	2.0	552.2	538.8	42.3
2007–08	538.6	511.8	39.1	18.7		29.4	27.9	2.1	586.6	557.4	42.6

(1) Real terms figures are the accrual figures adjusted to 2005–06 price levels using GDP deflators. For years 1967–68 to 2005–06 deflators are calculated from the latest data from the Office for National Statistics (released 28 March 2007). From 2006–07, deflators are consistent with the March 2007 Financial Statement and Budget Report.

Table 4.2 Total Expenditure on Services by COFOG, 1987–88 to 2006–07

	National Statistics																																																	
	cash, £ billion																																																	
	1987–88		1988–89		1989–90		1990–91		1991–92		1992–93		1993–94		1994–95		1995–96		1996–97		1997–98		1998–99		1999–00		2000–01		2001–02		2002–03		2003–04		2004–05		2005–06		2006–07											
outturn	estimated	outturn	estimated	outturn	estimated	outturn	estimated	outturn	estimated	outturn	estimated	outturn	estimated	outturn	estimated	outturn	estimated	outturn	estimated	outturn	estimated	outturn	estimated	outturn	estimated	outturn	estimated	outturn	estimated	outturn	estimated	outturn	estimated	outturn	estimated	outturn	estimated													
1. General public services	25.2	26.2	28.2	28.3	27.1	28.2	30.0	30.0	33.0	36.5	37.7	39.2	40.0	37.3	39.0	36.4	36.4	36.4	36.4	39.1	42.6	45.7	48.2																											
of which: public and common services	3.6	3.9	4.9	5.3	5.9	6.0	6.0	6.2	6.3	6.5	6.4	7.5	8.2	8.2	8.2	9.4	10.1	11.1	12.4	13.0	13.7																													
of which: international services	1.9	2.1	2.3	2.5	2.9	3.1	3.2	3.3	3.4	3.1	3.1	3.2	3.7	4.2	4.2	4.3	4.5	5.1	5.5	6.0	6.3																													
of which: public sector debt interest	19.7	20.2	20.9	20.5	18.3	19.0	20.8	23.5	26.8	28.1	29.7	29.4	25.4	26.6	22.7	21.8	23.0	24.7	26.6	28.3																														
2. Defence	19.1	19.4	21.0	22.0	23.2	23.8	23.5	23.3	22.5	22.1	21.7	24.5	25.1	25.7	25.4	27.1	28.8	30.0	30.7	32.3																														
3. Public order and safety	8.0	8.8	10.1	11.5	13.0	14.2	14.8	15.4	15.7	16.2	16.9	17.8	18.1	20.1	22.8	24.4	26.5	28.4	29.3	30.5																														
4. Economic affairs	19.0	18.7	19.6	21.6	21.4	23.3	23.8	23.9	23.4	23.3	21.5	19.6	21.5	23.8	27.7	30.7	33.4	33.8	35.3	38.1																														
of which: enterprise and economic development	6.5	6.7	7.0	6.9	5.4	5.4	5.5	4.7	4.5	4.3	4.3	3.1	4.4	4.9	5.0	6.0	6.4	6.8	6.4	6.6																														
of which: science and technology	1.0	1.1	1.1	1.2	1.3	1.4	1.5	1.1	1.2	1.4	1.4	1.4	1.4	1.4	1.4	1.7	2.1	2.3	2.5	2.9																														
of which: employment policies	3.0	2.7	2.3	2.4	2.7	2.9	3.1	3.2	3.1	2.8	2.5	2.9	3.5	3.8	3.3	3.0	3.2	3.2	3.4	3.6																														
of which: agriculture, fisheries and forestry	2.2	2.0	1.9	2.7	2.8	2.9	3.8	3.4	3.9	5.4	4.7	4.4	4.3	4.7	6.3	4.7	5.3	5.4	5.6	5.4																														
of which: transport	6.4	6.3	7.3	8.3	9.2	10.8	10.0	11.5	10.9	9.5	8.7	7.8	7.9	9.0	11.3	14.8	16.2	15.9	16.9	19.6																														
5. Environment protection	2.4	2.6	2.9	3.2	3.4	3.6	3.4	3.8	4.1	3.7	4.0	4.3	4.9	5.1	5.5	6.1	6.2	7.0	8.4	9.7																														
6. Housing and community amenities	4.6	3.6	5.3	6.0	6.8	7.1	6.2	6.2	6.0	5.7	4.9	5.5	4.7	5.5	6.4	5.6	6.8	8.2	10.9	11.3																														
7. Health	20.4	22.5	24.3	27.2	31.1	34.4	36.8	39.6	41.6	42.9	44.7	47.1	49.6	54.4	59.9	66.4	74.9	82.7	88.7	95.1																														
8. Recreation, culture and religion	3.5	3.8	4.3	4.8	5.0	5.1	5.1	5.2	5.5	5.7	6.4	7.2	7.7	7.8	8.6	9.3	9.6	10.0	10.6	11.3																														
9. Education (includes training)	21.2	23.1	25.8	28.0	31.2	33.0	34.5	36.1	36.9	37.6	38.5	40.0	42.1	45.9	51.1	54.3	60.4	64.5	69.3	73.9																														
of which: education	20.2	21.8	24.4	26.8	29.5	31.9	33.3	34.9	35.7	36.3	37.3	38.6	40.7	44.3	49.6	52.5	58.4	62.5	67.1	71.5																														
of which: training	0.9	1.2	1.4	1.2	1.7	1.1	1.2	1.2	1.2	1.3	1.2	1.3	1.4	1.5	1.5	1.9	2.0	2.0	2.2	2.4																														
10. Social protection	55.1	56.8	61.3	68.2	80.2	91.1	98.3	102.0	107.6	112.8	114.5	115.2	123.0	128.5	137.2	145.1	155.6	164.1	171.1	177.2																														
EU transactions	-1.6	-2.5	-1.5	-2.3	-4.1	-3.4	-4.7	-4.3	-4.1	-5.2	-3.7	-2.6	-2.7	-2.6	-4.8	-1.9	-2.1	-0.9	-0.6	-2.0																														
Unallocated ⁽¹⁾	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—																														
Total Expenditure on Services	176.8	183.1	201.2	218.4	238.2	260.5	271.6	284.1	295.9	302.5	308.6	318.5	331.3	353.2	376.2	403.4	439.4	470.4	499.4	524.8																														
Accounting adjustments	6.4	7.6	9.0	9.1	15.9	13.7	14.6	15.0	15.5	13.3	14.1	13.4	11.4	9.1	13.1	17.4	16.4	20.8	24.0	27.4																														
Total Managed Expenditure	183.3	190.7	210.2	227.5	254.2	274.1	286.2	299.1	311.3	315.8	322.7	331.9	342.6	362.3	389.3	420.8	455.8	491.2	523.4	552.2																														

(1) Includes allowance for shortfall and departmental unallocated provision.

Table 4.3 Total Expenditure on Services by COFOG in real terms⁽¹⁾, 1987–88 to 2006–07

	National Statistics																	accruals, £ billion				
	cash, £ billion																	outturn				
	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07		
1. General public services	47.1	45.7	45.9	42.7	38.6	38.9	40.3	43.7	46.9	46.9	47.3	47.2	43.1	44.4	40.5	39.2	41.0	43.5	45.7	47.1	45.7	47.1
of which: public and common services	6.7	6.9	8.0	8.0	8.4	8.3	8.1	8.1	8.1	8.0	7.7	8.8	9.5	9.3	10.5	10.9	11.6	12.6	13.0	13.4	13.0	13.4
of which: international services	3.5	3.7	3.8	3.8	4.2	4.3	4.3	4.4	4.4	3.9	3.7	3.8	4.3	4.8	4.8	4.8	5.4	5.6	6.0	6.1	6.0	6.1
of which: public sector debt interest	36.9	35.2	34.1	30.9	26.1	26.3	27.9	31.1	34.4	35.0	35.9	34.6	29.3	30.3	25.2	23.5	24.1	25.2	26.6	27.6	26.6	27.6
2. Defence	35.7	33.9	34.2	33.2	33.0	32.9	31.6	30.9	28.9	27.5	26.2	28.8	29.0	29.3	28.3	29.2	30.2	30.6	30.7	31.6	30.7	31.6
3. Public order and safety	14.9	15.4	16.4	17.4	18.5	19.6	19.9	20.3	20.2	20.2	20.4	20.9	21.0	22.9	25.4	26.4	27.8	28.9	29.3	29.8	29.3	29.8
4. Economic affairs	35.5	32.6	32.0	32.7	30.5	32.2	32.1	31.6	30.1	29.0	26.0	23.1	24.8	27.1	30.8	33.1	35.0	34.5	35.3	37.1	35.3	37.1
of which: enterprise and economic development	12.1	11.7	11.4	10.5	7.7	7.4	7.4	6.2	5.7	5.4	5.2	3.6	5.1	5.6	5.6	6.4	6.7	6.9	6.4	6.4	6.4	6.4
of which: science and technology	1.9	1.8	1.8	1.8	1.8	2.0	2.0	1.5	1.5	1.7	1.7	1.6	1.6	1.6	1.9	2.3	2.4	2.5	2.9	2.8	2.9	2.8
of which: employment policies	5.5	4.7	3.8	3.6	3.9	4.0	4.1	4.2	3.9	3.4	3.0	3.4	4.0	4.3	3.7	3.3	3.4	3.3	3.4	3.5	3.4	3.5
of which: agriculture, fisheries and forestry	4.1	3.5	3.1	4.1	4.0	4.0	5.1	4.5	5.0	6.7	5.7	5.2	4.9	5.3	7.0	5.1	5.5	5.5	5.6	5.2	5.6	5.2
of which: transport	11.9	10.9	11.8	12.6	13.1	14.9	13.5	15.2	14.0	11.8	10.5	9.2	9.1	10.3	12.6	16.0	17.0	16.3	16.9	19.2	16.9	19.2
5. Environment protection	4.5	4.6	4.7	4.8	4.9	4.9	4.5	5.0	5.3	4.5	4.9	5.1	5.7	5.8	6.1	6.5	6.5	7.1	8.4	9.4	8.4	9.4
6. Housing and community amenities	8.6	6.2	8.6	9.0	9.6	9.8	8.4	8.2	7.8	7.1	6.0	6.5	5.4	6.2	7.2	6.1	7.1	8.3	10.9	11.0	10.9	11.0
7. Health	38.0	39.3	39.6	41.1	44.2	47.4	49.4	52.4	53.4	53.4	54.0	55.5	57.3	62.0	66.7	71.6	78.5	84.4	88.7	92.8	88.7	92.8
8. Recreation, culture and religion	6.6	6.7	7.0	7.3	7.1	7.1	6.8	7.0	7.1	7.1	7.7	8.5	8.9	8.9	9.5	10.0	10.0	10.2	10.6	11.1	10.6	11.1
9. Education (includes training)	39.5	40.3	42.0	42.2	44.4	45.5	46.4	47.8	47.4	46.8	46.5	47.1	48.6	52.2	56.9	58.6	63.3	65.8	69.3	72.2	69.3	72.2
of which: education	37.8	38.1	39.7	40.5	42.1	44.0	44.8	46.2	45.9	45.1	45.1	45.5	47.0	50.5	55.2	56.6	61.2	63.7	67.1	69.8	67.1	69.8
of which: training	1.8	2.2	2.3	1.8	2.4	1.6	1.6	1.6	1.5	1.7	1.5	1.6	1.6	1.7	1.7	2.0	2.1	2.1	2.2	2.3	2.2	2.3
10. Social protection	102.9	99.2	99.8	103.0	114.2	125.7	132.1	135.1	138.3	140.2	138.3	135.7	142.1	146.4	152.7	156.6	163.1	167.4	171.1	172.9	171.1	172.9
EU transactions	-2.9	-4.4	-2.5	-3.4	-5.8	-4.6	-6.3	-5.7	-5.3	-6.4	-4.5	-3.1	-3.1	-2.9	-5.4	-2.0	-2.2	-0.9	-0.6	-2.0	-0.6	-2.0
Unallocated ⁽²⁾	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	-0.9
Total Expenditure on Services	330.3	319.7	327.8	330.0	339.2	359.3	365.2	376.3	380.3	376.2	372.9	375.3	382.6	402.3	418.6	435.4	460.5	479.8	499.4	512.1	499.4	512.1
Accounting adjustments	12.0	13.2	14.7	13.7	22.7	18.9	19.6	19.9	19.9	16.5	17.1	15.7	13.1	10.3	14.6	18.7	17.2	21.2	24.0	26.8	24.0	26.8
Total Managed Expenditure	342.3	332.9	342.5	343.7	361.9	378.2	384.8	396.2	400.2	392.7	389.9	391.1	395.7	412.6	433.2	454.1	477.7	501.0	523.4	538.8	523.4	538.8

(1) Real terms figures are the cash figures adjusted to 2005-06 price levels using GDP deflators. For years 1987-88 to 2005-06 deflators are calculated from the latest data from the Office for National Statistics (released 28th March 2007). From 2006-07, GDP is consistent with the March 2007 Financial Statement and Budget Report.

(2) Includes allowance for shortfall and departmental unallocated provision.

Table 4.4 Total Expenditure on Services by COFOG as a Percentage of GDP⁽¹⁾, 1987–88 to 2006–07

	based on cash												based on accruals							
	National Statistics																			
	1987–88	1988–89	1989–90	1990–91	1991–92	1992–93	1993–94	1994–95	1995–96	1996–97	1997–98	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07
1. General public services	5.8	5.5	5.4	5.0	4.6	4.6	4.6	4.8	5.0	4.9	4.8	4.6	4.0	4.0	3.6	3.4	3.5	3.6	3.7	3.7
of which: public and common services	0.8	0.8	0.9	0.9	1.0	1.0	0.9	0.9	0.9	0.8	0.8	0.9	0.9	0.8	1.0	0.9	1.0	1.0	1.1	1.1
of which: international services	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.4	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5
of which: public sector debt interest	4.6	4.2	4.0	3.6	3.1	3.1	3.2	3.6	3.7	3.6	3.6	3.4	2.8	2.8	2.3	2.0	2.0	2.1	2.1	2.2
2. Defence	4.4	4.0	4.0	3.9	3.9	3.9	3.6	3.4	3.1	2.9	2.6	2.8	2.7	2.7	2.5	2.5	2.6	2.5	2.5	2.5
3. Public order and safety	1.8	1.8	1.9	2.0	2.2	2.3	2.3	2.2	2.2	2.1	2.0	2.0	2.0	2.1	2.3	2.3	2.4	2.4	2.4	2.3
4. Economic affairs	4.4	3.9	3.7	3.8	3.6	3.8	3.6	3.5	3.2	3.0	2.6	2.2	2.3	2.5	2.8	2.9	3.0	2.8	2.8	2.9
of which: enterprise and economic development	1.5	1.4	1.3	1.2	0.9	0.9	0.8	0.7	0.6	0.6	0.5	0.4	0.5	0.5	0.5	0.6	0.6	0.6	0.5	0.5
of which: science and technology	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2
of which: employment policies	0.7	0.6	0.4	0.4	0.5	0.5	0.5	0.5	0.4	0.4	0.3	0.3	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3
of which: agriculture, fisheries and forestry	0.5	0.4	0.4	0.5	0.5	0.5	0.6	0.5	0.5	0.7	0.6	0.5	0.5	0.5	0.6	0.4	0.5	0.5	0.5	0.4
of which: transport	1.5	1.3	1.4	1.5	1.5	1.7	1.5	1.7	1.5	1.2	1.1	0.9	0.9	0.9	1.1	1.4	1.4	1.3	1.4	1.5
5. Environment protection	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.7	0.7
6. Housing and community amenities	1.1	0.7	1.0	1.1	1.1	1.1	1.0	0.9	0.8	0.7	0.6	0.6	0.5	0.6	0.6	0.5	0.6	0.7	0.9	0.9
7. Health	4.7	4.7	4.6	4.8	5.2	5.6	5.6	5.7	5.7	5.5	5.4	5.4	5.4	5.6	6.0	6.2	6.6	7.0	7.1	7.3
8. Recreation, culture and religion	0.8	0.8	0.8	0.9	0.8	0.8	0.8	0.8	0.8	0.7	0.8	0.8	0.8	0.8	0.9	0.9	0.8	0.8	0.9	0.9
9. Education (includes training)	4.9	4.8	4.9	5.0	5.2	5.4	5.3	5.2	5.0	4.9	4.7	4.6	4.6	4.7	5.1	5.1	5.4	5.4	5.6	5.7
of which: education	4.7	4.5	4.6	4.7	5.0	5.2	5.1	5.0	4.9	4.7	4.5	4.4	4.4	4.6	4.9	4.9	5.2	5.3	5.4	5.5
of which: training	0.2	0.3	0.3	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
10. Social protection	12.8	11.8	11.6	12.1	13.5	14.8	15.0	14.8	14.7	14.6	13.9	13.2	13.3	13.3	13.6	13.6	13.8	13.8	13.8	13.6
EU transactions	-0.4	-0.5	-0.3	-0.4	-0.7	-0.5	-0.7	-0.6	-0.6	-0.7	-0.5	-0.3	-0.3	-0.3	-0.5	-0.2	-0.2	-0.1	0.0	-0.2
Unallocated ⁽²⁾	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	-0.1
Total Expenditure on Services	40.9	38.1	38.2	38.7	40.0	42.2	41.6	41.2	40.5	39.1	37.4	36.6	35.9	36.6	37.4	37.9	38.9	39.6	40.2	40.2
Accounting adjustments	1.5	1.6	1.7	1.6	2.7	2.2	2.2	2.2	2.1	1.7	1.7	1.5	1.2	0.9	1.3	1.6	1.5	1.8	1.9	2.1
Total Managed Expenditure	42.4	39.7	40.0	40.3	42.6	44.5	43.8	43.3	42.6	40.8	39.2	38.1	37.2	37.5	38.7	39.5	40.4	41.4	42.2	42.3

(1) For years 1987–88 to 2005–06 using GDP consistent with the latest figures from the Office for National Statistics (published 28th March 2007). From 2006–07, GDP is consistent with the March 2007 Financial Statement and Budget Report.

(2) Includes allowance for shortfall and departmental unallocated provision

FUNCTIONAL AND ECONOMIC CATEGORY ANALYSES OF PUBLIC SECTOR EXPENDITURE

5.1 The analyses in this chapter 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 definitions. All outturn data (to 2005–06) are National Statistics.

What's new

5.2 As pre-announced in PESA 2006 the analysis of Total Expenditure on Services (TES) in PESA 2007 by the UN Classification of Functions of Government (COFOG) has been moved into conformity with the UN COFOG definitions at level 2. There are now only 10 COFOG divisions, compared with the 18 functions shown in previous years. Those PESA 2006 sub-functional splits that don't map directly to COFOG have been retained. Each UN COFOG level 1 division includes a category for expenditure not elsewhere classified (n.e.c.) within the division. The changes to the presentation are outlined below, and a document detailing these changes in full has been published on the Treasury website¹.

5.3 Under UN COFOG **general public services** is a larger category than presented in PESA 2006. It includes the functions of general public services, international services and public sector debt interest. The main changes are:

- **public and common services** expenditure is split between executive and legislative organs, financial and fiscal affairs, external affairs (1.1), general services (1.3), basic research (1.4), R&D general public services (1.5), and general public services n.e.c. (1.6); and
- **international services** expenditure is split between foreign economic aid (1.2), and the external affairs part of 1.1. The PESA 2006 international services series has been retained in Table 4.2.

5.4 The level of detail shown for expenditure on **defence** has increased. National defence is now disaggregated to military defence (2.1), foreign military aid (2.3), R&D defence (2.4) and defence n.e.c. (2.5). Civil defence (2.2) is unchanged from PESA 2006.

5.5 There are small changes to **public order and safety**: fire is re-titled to fire-protection services (3.2); administration of justice to law courts (3.3); and prisons and offender programmes to prisons (3.4). The definitions of these three categories are unchanged. The PESA 2006 sub-functions 'police' and 'immigration and citizenship' are amalgamated into police services (3.1), and the old series shown in italics in Table 5.2. Other public order and safety has been separated into R&D public order and safety (3.5) and public order and safety n.e.c. (3.6).

5.6 **Economic affairs** encompasses the PESA 2006 functions enterprise and economic development, science and technology, employment policies, transport, and agriculture, fisheries and forestry. These presentations are retained in Table 4.1. The PESA 2006 sub-functions are now presented as follows:

- **economic development and trade** is split between general economic, commercial and labour affairs (4.1) and economic affairs n.e.c. (4.9);

¹ http://www.hm-treasury.gov.uk/economic_data_andtools/finance_spending_statistics/pes_function/function.cfm

- **support for business** is allocated across the categories of economic affairs according to the sector of the recipient business (e.g. support for manufacturing is included as mining, manufacturing and construction (4.4));
- **regional policy** is not defined within the COFOG framework, thus an exercise was undertaken to reclassify the data to COFOG level 2. A large proportion remains in economic affairs, with the remainder split between housing and community amenities, social protection, and general public services;
- **science and technology** is now R&D economic affairs (4.8), with the definition unchanged from PESA 2006;
- **employment policies** is included in general economic, commercial and labour affairs, and the PESA 2006 presentation shown in Table 4.2;
- **market support under CAP, forestry and other agriculture, food and fisheries policy** form agriculture, fisheries, forestry and hunting (4.2); and
- the PESA 2006 **transport** sub-functions form transport (4.5).

5.7 Previously **environment protection** was split into two sub functions – environmental protection, and environmental research. Environmental research is now R&D environment protection (5.5), and environmental protection split between:

- 5.1. Waste management;
- 5.2. Waste water management;
- 5.3. Pollution abatement;
- 5.4. Protection of biodiversity and landscape; and
- 5.6. Environment protection n.e.c

5.8 Under the previous presentation, **housing and community amenities** was split into three sub-functions: local authority housing; other social housing; and other housing and community services. Under UN COFOG level 2, other housing and community services is split into:

- 6.2. Community development;
- 6.3. Water supply;
- 6.4. Street lighting;
- 6.5. R&D Housing and community amenities; and
- 6.6. Housing and community amenities n.e.c.

The previous sub functions of local authority housing and other social housing combine to make up housing development (6.1). These sub-functions are presented in table 5.2 underneath the housing development line (6.1).

5.9 The sub-function analysis of health is unchanged from PESA 2006, and is not yet reported on a full COFOG level 2 basis. This is because the NHS is neither financed nor organised along the lines of COFOG level 2, and an exercise to capture the additional required information to National Statistics standards could not be completed for this year's PESA. Work is ongoing to move to a full COFOG level 2 basis for future publications.

5.10 The main change to **recreation, culture and religion** is the removal of the National Lottery sub-function. Like regional policy, this presentation was not within the COGOG framework, so National Lottery expenditure has been reclassified between the categories within recreation, culture and religion and across the divisions of health, education, and social protection. Other changes to the presentation of recreation, culture and religion are:

- **heritage, arts, libraries and films** is split between cultural services (8.2) and religious and other community services (8.4);
- **sport and recreation** is now called recreational and sporting services (8.1);
- **broadcasting** is retitled to broadcasting and publishing services (8.3); and
- **other recreation, culture and religion** is split between R&D recreation, culture and religion (8.5) and recreation, culture and religion n.e.c. (8.6).

5.11 The **education** division includes both education and training (shown separately) in Table 4.2). Pre-primary and primary education (9.1) comprises the PESA 2006 sub-functions of **under fives** and **primary education**, and is also presented on the old basis in Table 5.3 for reference. **Other education and training** has been disaggregated to subsidiary services to education (9.6), R&D education (9.7), and education n.e.c (9.8). The remaining categories are defined as in PESA 2006, although the titles have been brought into line with COFOG as below:

- Secondary schools is now 9.2 Secondary education;
- Further education is now 9.3 Post-secondary non-tertiary education;
- Higher education is now 9.4 Tertiary education; and
- Training is now 9.5 Education not definable by level

5.12 In COFOG level 2 there is no distinction between cash benefits and benefits-in-kind within **social protection**. PESA 2006 showed benefits-in-kind under the heading **personal social services**, with cash benefits split according to the nature of the benefit. To present social protection at COFOG level 2 whilst retaining the benefits-in-kind information, each COFOG category shows the personal social services and other elements separately. The individual personal social services lines in **Table 5.3** sum to the presentation in PESA 2006. There are also changes to the definitions of two PESA 2006 sub-functions within social protection:

- **family benefits, income support and tax credits** is split between family and children (10.4) and social exclusion n.e.c. (10.7); and
- **administration and miscellaneous services** is split into R&D social protection (10.8) and social protection n.e.c. (10.9).

Further information on the classification and relationship to UN COFOG is available from the Treasury website: http://www.hm-treasury.gov.uk/economic_data_and_tools/finance_spending_statistics/pes_function/function.cfm

Relationship between functional series and departments

5.13 **Table 5.1** shows TES by function split across the different government departments for 2005-06. Departmental spending can be spread across a variety of functions, particularly in the case of the devolved administrations.

Total Expenditure on Services by function

5.14 **Table 5.2** gives a detailed analysis of spending in the different functional areas of government for the years 2001-02 to 2006-07. The functional categories are consistent with the UN Classification of the Functions of Government (COFOG), the international standard.

In previous presentations the classification system was consistent with the top-level functions only. This year the sub functional analysis in table 5.2 and others is broadly consistent with COFOG level 2.

Total Expenditure on Services by economic category

5.15 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 5.3** breaks down TES into its component economic categories.

Total Managed Expenditure split by spending sector and current and capital spending

5.16 **Tables 5.4 and 5.5** give a functional breakdown of the current and capital expenditure of central and local government and public corporations for outturn years (2001-02 to 2006-07), and plans for central government and public corporations in 2007-08. A functional split of local authority spending is not available for future years as the allocation of spending between services is a matter for individual local authorities, and there is no aggregate information of their plans at this level of detail.

Current procurement spending

5.17 **Table 5.6** shows current procurement expenditure on services by COFOG level 1 division, and is new to PESA 2007. Procurement is on a National Accounts basis and includes expenditure on single use military equipment that scores within departments' capital budgets. Data quality improvements are planned to facilitate the presentation of current procurement expenditure by COFOG level 2 to National Statistics standards.

Asset sales

5.18 **Table 5.7** shows public sector receipts from sales of fixed assets from 2001-02 to 2006-07 across the whole of the UK. Figures are shown separately for central government, local authorities, and public corporations, and for general government, which comprises the central government and local government sub-sectors. Receipts are split between land and buildings and other asset classes, are at sales value, and exclude receipts from sales of financial assets. Sales of assets between public sector bodies are included in this table.

Table 5.1 Total Expenditure on Services by departmental group and COFOG, 2005–06

Function Departmental Grouping		National Statistics														accruals, £ million							
		1. General public services	of which: public and common services	of which: international services	of which: public sector debt interest	2. Defence	3. Public order and safety	4. Economic affairs	of which: enterprise and economic development	of which: science and technology	of which: employment policies	of which: agriculture, fisheries and forestry	of which: transport	5. Environment protection	6. Housing and community amenities	7. Health	8. Recreation, culture and religion	9. Education	of which: education	of which: training	10. Social protection	EU transactions	Total Expenditure on Services for each department
Education and Skills	—	—	—	—	—	102	27	—	—	—	—	—	—	—	—	8	—	56,897	54,968	1,929	1,733	—	58,767
Health	—	—	—	—	—	—	129	—	—	—	129	—	—	—	—	72,465	—	—	—	14,807	—	—	87,401
Transport	0	0	—	—	0	181	13,219	—	45	—	—	13,174	—	—	424	—	—	—	—	532	—	—	14,357
Community and Local Government	4,142	4,139	3	—	21	2,334	2,426	2,379	—	—	—	—	175	7,349	—	—	—	—	—	1,575	—	—	18,023
Home Office	128	128	—	—	—	19,058	60	—	—	—	—	60	—	231	—	—	—	—	—	29	—	—	19,517
Department for Constitutional Affairs	185	185	—	—	—	3,851	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	4,032
Law Officer's Departments	—	—	—	—	—	657	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2,567	—	657
Defence	47	47	—	—	29,318	—	—	39	39	—	—	—	—	—	—	—	—	—	—	—	—	—	31,971
Foreign and Commonwealth Office	1,844	—	1,844	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,844
International Development	4,078	—	4,078	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	104	—	4,182
Trade and Industry	139	77	62	—	—	1	5,031	2,469	2,495	66	—	1	1,456	—	—	470	86	—	—	—	460	—	7,640
Environment, Food and Rural Affairs	—	—	—	—	—	—	4,188	202	—	—	3,987	—	5,302	—	—	—	922	1	1	—	—	—	10,401
Culture, Media and Sport	52	41	11	—	—	—	166	166	—	—	—	225	225	39	225	7,993	—	225	—	—	—	—	8,702
Work and Pensions	308	308	—	—	—	—	3,069	—	3,069	—	—	—	—	12	—	—	—	—	—	—	117,142	—	120,531
Scotland	1,160	1,160	—	—	6	1,961	2,787	462	112	—	608	1,604	665	1,541	8,328	887	6,504	6,352	152	2,827	—	—	26,666
Wales	540	540	—	—	—	20	1,591	505	—	57	358	672	403	388	4,552	433	3,440	3,360	80	1,502	—	—	12,869
Northern Ireland Executive	295	295	—	—	—	69	1,293	226	47	164	520	335	207	940	2,674	302	2,203	2,200	4	4,742	—	—	12,725
Northern Ireland Office	53	53	—	—	—	1,070	—	—	—	—	—	—	—	—	—	—	—	—	—	56	—	—	1,180
Chancellor's departments	31,970	5,382	—	26,588	—	—	229	2	227	—	—	—	5	—	—	—	—	—	—	23,181	—	—	54,787
Cabinet Office	740	740	—	—	1,353	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2,127
Public corporations accountable to local government	—	—	—	—	—	—	1,009	—	—	—	—	1,009	—	—	—	—	—	—	—	—	—	—	1,009
Total Expenditure on Services for each function	45,681	13,048	6,045	26,588	30,698	29,297	35,263	6,450	2,926	3,430	5,602	16,855	8,438	10,910	88,722	10,635	69,268	67,106	2,163	171,072	-598	-	499,387

Table 5.2 Total Expenditure on Services by COFOG level 2, 2001–02 to 2006–07

	accruals, £ million					
	National Statistics					
	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07
	outturn	outturn	outturn	outturn	outturn	estimated outturn
1. General public services						
1.1 Executive and legislative organs, financial and fiscal affairs, external affairs	8,915	9,638	10,147	11,129	11,582	12,164
1.2 Foreign economic aid	2,845	2,908	3,496	3,578	4,067	4,207
1.3 General services	826	818	983	1,071	1,032	1,294
1.4 Basic research	22	51	73	119	115	94
1.5 R&D general public services	14	32	30	28	34	36
1.6 General public services n.e.c.	1,080	1,141	1,461	1,973	2,264	2,193
1.7 Public sector debt transactions ⁽¹⁾⁽²⁾	22,661	21,770	22,957	24,734	26,588	28,256
of which: central government debt interest	22,099	20,942	22,333	23,971	25,804	27,424
of which: local authority debt interest	304	267	234	384	439	497
of which: public corporations debt interest	258	561	390	379	345	335
Total general public services	36,363	36,360	39,147	42,632	45,681	48,245
2. Defence						
2.1 Military defence	22,381	23,147	24,717	25,141	26,566	27,596
2.2 Civil defence	33	36	119	75	87	95
2.3 Foreign military aid	496	1,270	1,281	903	1,114	1,669
2.4 R&D Defence	492	506	474	588	566	625
2.5 Defence n.e.c	2,020	2,121	2,259	3,268	2,376	2,364
Total defence	25,423	27,081	28,849	29,975	30,709	32,349
3. Public order and safety						
3.1 Police services	12,839	13,452	14,753	15,594	16,332	16,838
of which: immigration and citizenship	1,855	1,920	2,100	2,112	1,841	1,778
of which: other police services	10,984	11,531	12,653	13,482	14,491	15,059
3.2 Fire-protection services	2,062	2,264	2,383	2,521	2,675	2,705
3.3 Law courts	4,863	5,396	5,938	6,564	6,203	6,338
3.4 Prisons	2,591	2,888	2,983	3,241	3,578	4,086
3.5 R&D Public order and safety	30	32	30	48	26	40
3.6 Public order and safety n.e.c.	448	397	427	404	484	507
Total public order and safety	22,832	24,428	26,514	28,371	29,299	30,513
4. Economic affairs						
4.1 General economic, commercial and labour affairs ⁽³⁾	5,959	5,861	6,258	6,297	6,890	6,794
4.2 Agriculture, forestry, fishing and hunting	6,285	4,730	5,267	5,402	5,602	5,366
of which: market support under CAP	2,960	3,225	3,637	3,896	3,800	3,474
of which: other agriculture, food and fisheries policy	3,208	1,368	1,494	1,373	1,635	1,711
of which: forestry	117	137	136	132	166	181
4.3 Fuel and energy	1,029	1,712	1,823	1,974	1,436	1,547
4.4 Mining, manufacturing and construction	63	6	15	-6	135	137
4.5 Transport	11,324	14,825	16,189	15,945	16,856	19,643
of which: national roads	2,147	2,420	2,285	2,367	2,724	3,274
of which: local roads	3,660	4,202	4,252	4,589	4,936	4,723
of which: local public transport	1,365	1,887	3,134	2,247	2,585	3,043
of which: railway	3,518	5,714	5,867	6,007	5,823	7,730
of which: other road transport	634	602	652	735	787	874
4.6 Communication	376	429	425	560	422	594
4.7 Other industries	308	315	296	314	292	299
4.8 R&D economic affairs ⁽⁴⁾	1,730	2,120	2,307	2,467	2,927	2,865
4.9 Economic affairs n.e.c	622	654	840	840	706	822
Total economic affairs	27,695	30,652	33,418	33,792	35,264	38,067

Table 5.2 Total Expenditure on Services by COFOG level 2, 2001–02 to 2006–07 (continued)

	accruals, £ million					
	National Statistics					
	2001–02 outturn	2002–03 outturn	2003–04 outturn	2004–05 outturn	2005–06 outturn	2006–07 estimated outturn
5. Environment protection						
5.1 Waste management	2,936	3,289	3,571	3,976	5,048	5,869
5.2 Waste water management	36	39	43	68	76	80
5.3 Pollution abatement	461	143	219	202	229	242
5.4 Protection of biodiversity and landscape	355	295	271	299	303	365
5.5 R&D environment protection	209	236	307	304	331	352
5.6 Environment protection n.e.c	1,474	2,057	1,829	2,154	2,452	2,759
Total environment protection	5,472	6,058	6,241	7,004	8,439	9,668
6. Housing and community amenities						
6.1 Housing development	3,850	3,101	3,685	4,636	6,740	6,826
<i>of which: local authority housing</i>	2,065	1,272	1,174	2,062	3,889	3,976
<i>of which: other social housing</i>	1,785	1,829	2,511	2,574	2,850	2,850
6.2 Community development	1,379	1,554	2,024	2,470	2,614	2,797
6.3 Water supply	707	485	479	486	879	909
6.4 Street lighting	354	371	396	416	482	521
6.5 R&D housing and community amenities	21	10	11	15	20	16
6.6 Housing and community amenities n.e.c	120	116	205	129	175	205
Total housing and community amenities	6,433	5,637	6,801	8,152	10,909	11,275
7. Health⁽⁵⁾⁽⁶⁾						
Medical services	58,394	64,763	72,962	80,592	86,666	92,754
Health research	416	397	464	470	553	610
Central and other health services	1,121	1,198	1,514	1,677	1,503	1,752
Total health	59,931	66,357	74,940	82,739	88,722	95,116
8. Recreation, culture and religion						
8.1 Recreational and sporting services	2,597	2,766	2,811	2,969	3,169	3,583
8.2 Cultural services	3,097	3,216	3,537	3,623	3,938	4,056
8.3 Broadcasting and publishing services	2,752	3,142	3,047	3,203	3,260	3,421
8.4 Religious and other community services	80	101	106	106	105	98
8.5 R&D Recreation, culture and religion	1	2	2	1	81	93
8.6 Recreation, culture and religion n.e.c	48	61	62	72	82	91
Total recreation, culture and religion	8,575	9,287	9,564	9,974	10,635	11,343
9. Education (includes training)						
9.1 Pre-primary and primary education	16,829	17,976	20,223	21,348	22,915	23,568
<i>of which: under fives</i>	3,103	3,278	3,729	4,108	4,299	4,142
<i>of which: primary education</i>	13,726	14,698	16,493	17,240	18,616	19,426
9.2 Secondary education	14,777	15,922	18,021	19,421	21,119	22,136
9.3 Post-secondary non-tertiary education	6,160	6,605	7,492	7,802	8,033	8,635
9.4 Tertiary education	7,261	7,188	7,508	8,288	9,069	10,738
9.5 Education not definable by level ⁽⁷⁾	1,549	1,867	1,985	2,036	2,163	2,408
9.6 Subsidiary services to education	2,398	2,834	3,052	3,336	3,656	3,806
9.7 R&D education	81	37	39	42	33	47
9.8 Education n.e.c	2,063	1,903	2,088	2,257	2,280	2,608
Total education (includes training)	51,118	54,332	60,409	64,530	69,268	73,946

Table 5.2 Total Expenditure on Services by COFOG level 2, 2001–02 to 2006–07 (continued)

	accruals, £ million					
	National Statistics					
	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07
	outturn	outturn	outturn	outturn	outturn	estimated outturn
10. Social protection						
<i>of which personal social services</i>	14,872	18,073	20,469	22,561	23,921	25,433
10.1 Sickness and disability	26,812	27,509	29,291	30,896	32,224	33,190
<i>of which: personal social services</i>	4,192	5,015	5,825	6,530	7,077	7,227
<i>of which: incapacity, disability and injury benefits</i>	22,620	22,494	23,466	24,365	25,146	25,963
10.2 Old age	59,232	61,757	63,379	67,750	71,078	74,138
<i>of which: personal social services</i>	5,003	5,997	6,825	7,643	8,188	8,625
<i>of which: pensions</i>	54,229	55,759	56,554	60,107	62,890	65,512
10.3 Survivors	1,856	1,916	1,840	1,851	1,846	1,787
10.4 Family and children	18,283	20,480	30,774	31,820	33,387	36,365
<i>of which: personal social services</i>	3,989	4,316	4,968	5,529	6,103	6,474
<i>of which: family benefits, income support and tax credits</i>	14,294	16,164	25,806	26,291	27,284	29,891
10.5 Unemployment ⁽⁸⁾	2,991	4,088	4,033	3,718	3,559	4,364
<i>of which: personal social services</i>	53	1,079	1,132	1,222	918	1,532
<i>of which: other unemployment</i>	2,938	3,009	2,900	2,496	2,641	2,832
10.6 Housing	12,424	13,627	15,012	15,728	16,482	17,448
10.7 Social exclusion n.e.c.	11,343	11,512	7,088	8,240	8,448	7,233
<i>of which: personal social services</i>	1,636	1,665	1,718	1,636	1,635	1,575
<i>of which: family benefits, income support and tax credits</i>	9,707	9,846	5,370	6,604	6,813	5,658
10.8 R&D Social protection	24	2	0	2	1	3
10.9 Social protection n.e.c.	4,258	4,207	4,179	4,123	4,046	2,649
Total social protection	137,222	145,097	155,596	164,128	171,070	177,176
EU transactions⁽⁹⁾						
GNI-based contribution (net of abatement and collection costs)	-899	2,275	2,957	4,361	3,855	4,071
<i>EC gross contribution pre-abatement and after deduction of collection costs</i>	9,213	9,737	11,371	12,183	11,780	12,245
<i>Traditional Own Resources (without deduction of collection costs) and VAT contributions</i>	-5,685	-4,229	-4,539	-4,100	-4,283	4,614
<i>UK abatement</i>	-4,427	-3,233	-3,874	-3,722	-3,641	-3,560
EC receipts	-3,310	-3,424	-4,237	-4,555	-3,750	-5,439
Attributed aid and CFSP	-635	-736	-799	-697	-704	-668
Total EU transactions	-4,844	-1,885	-2,079	-892	-598	-2,037
Unallocated						
Departmental unallocated provision	—	—	—	—	—	235
Reserve and other funds	—	—	—	—	—	—
Allowance for shortfall	—	—	—	—	—	-1,144
AME Margin	—	—	—	—	—	—
Total unallocated	—	—	—	—	—	-909
Total Expenditure on Services	376,218	403,405	439,400	470,406	499,387	524,752
Accounting adjustments	13,107	17,355	16,431	20,794	23,999	27,450
Total Managed Expenditure	389,325	420,760	455,831	491,200	523,386	552,202

(1) Debt interest figures are gross.

(2) Debt interest payments to the private sector and overseas exclude all intra-public sector payments of debt interest.

(3) General economic, commercial and labour affairs includes the HMT function of employment policies (general labour affairs)

(4) R&D Economic affairs is equivalent to the HMT function of science & technology

(5) For 2003-04 onwards, these figures include employers' contributions for costs of pensions increases that score within DEL.

(6) The level of detail required for COFOG level 2 is not yet available. The health function is therefore presented on the PESA 2006 sub-functional basis

(7) Education not definable by level is equivalent to the HMT sub function of training

(8) From 2002-03, the unemployment benefits line includes the relevant pay costs of Jobcentre Plus staff.

(9) EU transactions are defined as:

- contribution to TME
- plus EC receipts
- less attributed aid
- less Common Foreign and Security Policy

Figures for the above are shown in table C1.

An explanation of why the EU transactions are defined in TES in this way is given in Appendix E.

Table 5.3 Total Expenditure on Services by economic category, 2001–02 to 2006–07

	accruals, £ million					
	National Statistics					
	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07
	outturn	outturn	outturn	outturn	outturn	estimated outturn
Public sector current expenditure on services						
Pay ⁽¹⁾	103,869	109,932	122,129	128,344	138,270	} 267,834
Procurement	80,769	91,080	101,035	110,672	115,561	
Subsidies	8,311	7,993	9,805	9,144	8,987	9,340
Social benefits and other grants to private sector	138,483	145,500	153,876	160,307	169,123	175,329
Current transfers abroad	83	1,789	2,042	5,309	5,762	4,344
Public sector debt interest	22,661	21,770	22,957	24,734	26,588	28,256
Unallocated provision	—	—	—	—	—	–485
Total public sector current expenditure on services	354,176	378,062	411,844	438,510	464,290	484,617
Accounting adjustments	10,893	15,316	13,951	17,004	19,923	24,394
Total public sector current expenditure	365,068	393,378	425,795	455,514	484,213	509,011
Public sector capital expenditure on services						
Capital expenditure	16,063	18,058	17,714	21,572	23,463	27,168
Stock building	116	148	189	392	488	135
Capital grants	5,864	7,138	9,652	9,933	11,146	13,255
Unallocated provision	—	—	—	—	—	–424
Total public sector capital expenditure on services	22,042	25,343	27,555	31,896	35,097	40,134
Accounting adjustments	2,215	2,039	2,481	3,790	4,076	3,056
Total public sector capital expenditure	24,257	27,382	30,036	35,686	39,173	43,191
Total public sector expenditure on services	376,218	403,405	439,400	470,406	499,387	524,752
Accounting adjustments	13,107	17,355	16,431	20,794	23,999	27,450
Total Managed Expenditure	389,325	420,760	455,831	491,200	523,386	552,202

(1) Following the ONS's re-classification of NHS trusts to the central government sector in 2003, the pay costs of the staff of NHS trusts are now included in the Pay line; they used to be largely covered by health authorities' purchases from NHS trusts, included in the Procurement line. Figures for NHS trust staff pay for the outturn years for the UK provided by the ONS, are set out below. Figures for forward years are not available, therefore so Pay and Procurement have not been separated.

£ million	2001–02	2002–03	2003–04	2004–05	2005–06
	25,086	25,786	28,272	26,084	26,653

Table 5.4 Public sector current expenditure by spending sector and COFOG, 2001–02 to 2007–08

	accruals, £ million						
	National Statistics						
	2001–02 outturn	2002–03 outturn	2003–04 outturn	2004–05 outturn	2005–06 outturn	2006–07 estimated outturn	2007–08 plans
Central government own							
1. General public services	32,008	31,310	33,894	36,365	39,247	41,317	43,069
<i>of which: public and common services</i>	5,767	6,048	6,583	7,000	7,575	7,796	7,712
<i>of which: international services</i>	4,142	4,320	4,979	5,394	5,867	6,097	6,248
<i>of which: public sector debt interest</i>	22,099	20,942	22,333	23,971	25,804	27,424	29,100
2. Defence	24,125	25,946	27,385	28,298	29,929	31,358	29,997
3. Public order and safety	10,276	11,298	12,034	12,856	13,323	13,774	14,202
4. Economic Affairs	16,399	16,179	17,642	17,485	18,199	18,899	18,905
<i>of which: enterprise and economic development</i>	2,408	3,320	3,499	3,601	3,610	3,608	4,056
<i>of which: science and technology</i>	1,453	1,757	1,802	1,952	2,266	2,254	2,428
<i>of which: employment policies</i>	3,208	2,882	2,927	3,068	3,082	3,417	3,159
<i>of which: agriculture, fisheries and forestry</i>	6,104	4,526	4,994	5,156	5,312	5,053	5,065
<i>of which: transport</i>	3,227	3,694	4,420	3,708	3,929	4,567	4,197
5. Environment protection	1,742	2,001	1,691	1,995	2,477	3,231	3,398
6. Housing and community amenities	1,391	1,280	1,647	1,047	1,320	1,215	1,089
7. Health	57,308	63,037	71,199	78,709	85,223	90,365	99,078
8. Recreation, culture and religion	4,016	4,575	4,600	4,877	5,249	5,519	5,506
9. Education (includes training)	17,167	18,308	20,017	21,389	22,685	25,685	26,917
<i>of which: education</i>	15,771	16,614	18,171	19,495	20,679	23,444	24,279
<i>of which: training</i>	1,396	1,695	1,846	1,895	2,007	2,240	2,638
10. Social protection	110,456	115,067	122,804	128,655	133,055	137,475	145,138
EU transactions	-4,844	-1,885	-2,079	-892	-598	-2,037	-1,527
Total central government own current expenditure on services	270,045	287,116	310,834	330,784	350,109	366,802	385,772
Accounting adjustments	3,498	6,658	7,039	6,773	7,966	11,220	11,300
Total central government own current expenditure	273,543	293,774	317,873	337,557	358,075	378,023	397,100
Local authorities							
1. General public services	3,150	3,401	3,638	4,005	4,267	4,568	—
<i>of which: public and common services</i>	2,846	3,134	3,404	3,621	3,828	4,071	—
<i>of which: public sector debt interest</i>	304	267	234	384	439	497	—
2. Defence	30	32	33	40	53	60	—
3. Public order and safety	11,355	11,836	13,088	13,826	14,329	14,609	—
4. Economic Affairs	3,713	4,206	5,302	5,694	5,987	6,053	—
<i>of which: enterprise and economic development</i>	926	971	1,039	1,274	1,395	1,262	—
<i>of which: agriculture, fisheries and forestry</i>	9	6	10	9	10	13	—
<i>of which: transport</i>	2,777	3,229	4,254	4,411	4,582	4,778	—
5. Environment protection	3,243	3,518	3,827	4,124	4,491	4,741	—
6. Housing and community amenities	1,668	1,821	2,333	2,462	2,652	2,726	—
7. Health	476	478	423	312	299	286	—
8. Recreation, culture and religion	3,106	3,258	3,545	3,613	3,805	3,831	—
9. Education (includes training)	30,794	32,490	36,108	38,265	40,696	42,311	—
<i>of which: education</i>	30,778	32,472	36,089	38,246	40,671	42,292	—
<i>of which: training</i>	16	18	19	19	25	19	—
10. Social protection	26,337	29,347	32,323	35,007	37,257	38,775	—
Total local authorities' current expenditure on services	83,873	90,385	100,620	107,346	113,836	117,962	—
Accounting adjustments	7,394	8,658	6,912	10,232	11,957	12,691	—
Total local authorities' current expenditure	91,267	99,043	107,532	117,578	125,793	130,653	141,200
Public corporations							
1. General public services	258	561	390	379	345	335	300
<i>of which: public sector debt interest</i>	258	561	390	379	345	335	300
Total public corporations' current expenditure	258	561	390	379	345	335	300
Unallocated provision	—	—	—	—	—	-482	1,800
Public sector current expenditure	365,068	393,378	425,795	455,514	484,213	509,011	538,600

Table 5.5 Public sector capital expenditure by spending sector and COFOG, 2001–02 to 2007–08

	accruals, £ million						
	National Statistics						2007–08 plans
	2001–02 outturn	2002–03 outturn	2003–04 outturn	2004–05 outturn	2005–06 outturn	2006–07 estimated outturn	
Central government own							
1. General public services	576	671	698	906	722	852	683
<i>of which: public and common services</i>	453	545	589	788	591	718	514
<i>of which: international services</i>	123	125	109	118	131	133	169
2. Defence	1,214	1,012	1,371	1,541	646	828	1,476
3. Public order and safety	781	779	760	984	951	1,337	1,602
4. Economic affairs	2,946	3,379	5,228	5,165	5,616	7,168	6,843
<i>of which: enterprise and economic development</i>	950	766	1,037	999	1,073	891	905
<i>of which: science and technology</i>	278	363	505	515	661	611	609
<i>of which: employment policies</i>	87	128	307	147	344	174	104
<i>of which: agriculture, fisheries and forestry</i>	141	149	218	188	224	247	225
<i>of which: transport</i>	1,491	1,973	3,161	3,316	3,315	5,245	4,999
5. Environment protection	361	356	442	518	1,078	1,189	1,119
6. Housing and community amenities	1,268	1,507	2,029	2,548	2,811	2,878	2,779
7. Health	2,140	2,838	3,253	3,655	3,156	4,394	5,313
8. Recreation, culture and religion	728	768	717	602	484	642	632
9. Education (includes training)	1,017	1,248	1,454	1,685	2,162	2,197	2,247
<i>of which: education</i>	883	1,097	1,340	1,570	2,040	2,064	2,073
<i>of which: training</i>	134	151	113	115	122	133	174
10. Social protection	309	530	296	274	441	562	460
Total central government own capital expenditure on services	11,340	13,089	16,248	17,879	18,068	22,048	23,154
Accounting adjustments	-334	-2,463	-1,397	127	-14,053	881	2,800
Total central government own capital expenditure	11,006	10,626	14,851	18,006	4,015	22,929	26,000
Local authorities							
1. General public services	282	349	413	835	944	1,021	—
<i>of which: public and common services</i>	282	349	413	835	944	1,021	—
3. Public order and safety	405	512	618	704	684	783	—
4. Economic affairs	2,092	2,646	2,802	2,974	3,533	3,594	—
<i>of which: enterprise and economic development</i>	42	-17	2	-13	127	127	—
<i>of which: employment policies</i>	3	1	0	0	0	0	—
<i>of which: agriculture, fisheries and forestry</i>	19	34	42	49	52	52	—
<i>of which: transport</i>	2,028	2,629	2,757	2,938	3,354	3,414	—
5. Environment protection	124	165	276	362	393	506	—
6. Housing and community amenities	638	575	561	991	998	1,144	—
7. Health	2	2	60	63	45	71	—
8. Recreation, culture and religion	694	663	679	856	1,067	1,350	—
9. Education (includes training)	2,140	2,286	2,830	3,190	3,725	3,753	—
<i>of which: education</i>	2,136	2,282	2,823	3,183	3,715	3,737	—
<i>of which: training</i>	3	4	7	7	10	16	—
10. Social protection	120	153	171	191	314	361	—
Total local authorities' capital expenditure on services	6,496	7,352	8,410	10,167	11,704	12,583	—
Accounting adjustments	2,618	3,960	3,289	3,117	1,824	2,333	—
Total local authorities' capital expenditure	9,114	11,312	11,699	13,284	13,528	14,916	16,800

Table 5.5 Public sector capital expenditure by spending sector and COFOG, 2001–02 to 2007–08 (continued)

	accruals, £ million						
	National Statistics						2007–08 plans
	2001–02 outturn	2002–03 outturn	2003–04 outturn	2004–05 outturn	2005–06 outturn	2006–07 estimated outturn	
Public corporations							
1. General public services	88	68	114	142	156	153	177
<i>of which: public and common services</i>	65	58	63	120	109	113	132
<i>of which: international services</i>	23	10	51	22	47	39	45
2. Defence	53	91	61	96	70	103	99
3. Public order and safety	15	2	13	—	10	10	11
4. Economic affairs	2,545	4,243	2,445	2,474	1,929	2,353	2,221
<i>of which: enterprise and economic development</i>	722	920	838	892	246	708	655
<i>of which: employment policies</i>	10	7	7	11	3	4	12
<i>of which: agriculture, fisheries and forestry</i>	12	16	3	0	4	1	1
<i>of which: transport</i>	1,801	3,301	1,597	1,571	1,676	1,639	1,553
5. Environment protection	1	18	5	5	—	—	—
6. Housing and community amenities	1,467	455	230	1,105	3,128	3,311	2,689
7. Health	5	3	5	—	—	—	—
8. Recreation, culture and religion	31	24	23	27	30	—	5
10. Social protection	—	—	1	1	3	1	—
Total public corporations capital expenditure on services	4,206	4,903	2,897	3,850	5,325	5,931	5,201
Accounting adjustments	–69	541	589	546	16,305	–586	100
Total public corporations' capital expenditure	4,137	5,444	3,486	4,396	21,630	5,345	5,300
Unallocated provision	—	—	—	—	—	–427	1,900
Public sector capital expenditure	24,257	27,382	30,036	35,686	39,173	43,191	48,000

Table 5.6 Current procurement spending by COFOG, 2001–02 to 2006–07

accruals, £ million

	National Statistics					
	2001–02 outturn	2002–03 outturn	2003–04 outturn	2004–05 outturn	2005–06 outturn	2006–07 estimated outturn
1. General public services	2,910	3,045	3,158	3,193	3,420	2,979
of which: public and common services	2,127	2,306	2,292	2,136	1,869	1,492
of which: international services	783	739	866	1,056	1,551	1,488
2. Defence	15,492	17,034	17,665	18,239	19,519	20,957
3. Public order and safety	8,252	8,922	10,085	10,336	10,589	10,558
4. Economic affairs	7,850	7,106	7,335	7,761	8,082	10,066
of which: enterprise and economic development	1,366	1,557	1,536	1,988	1,983	2,934
of which: science and technology	470	534	524	528	567	620
of which: employment policies	1,150	854	1,008	1,124	1,214	1,584
of which: agriculture, fisheries and forestry	1,677	894	958	943	1,034	1,514
of which: transport	3,186	3,267	3,309	3,177	3,284	3,415
5. Environment protection	3,632	4,110	4,013	4,332	6,413	7,002
6. Housing and community amenities	1,084	952	1,436	1,548	1,579	1,591
7. Health ⁽¹⁾	27,943	33,517	37,421	44,953	48,060	#
8. Recreation, culture and religion	4,008	4,414	4,425	4,539	4,759	4,903
9. Education (includes training)	7,191	7,513	8,232	8,661	9,295	10,236
of which: education	6,753	7,060	7,802	8,372	8,946	9,825
of which: training	439	453	430	289	349	411
10. Social protection	10,163	12,711	15,766	17,095	18,029	19,471
Total current procurement expenditure on services⁽¹⁾	88,524	99,324	109,535	120,657	129,745	#
Plus income from goods and services	-7,755	-8,244	-8,500	-9,985	-14,184	#
Total net current procurement expenditure on services⁽¹⁾	80,769	91,080	101,035	110,672	115,561	#

(1) Health procurement includes payments from the Department of Health to NHS Trusts in respect of Trust services. For outturn years the element that is used for the pay of Trust staff is excluded from procurement, using Trust staff pay figures provided by the ONS (set in footnote (1) of table 5.3). Figures for 2006-07 are not available, therefore Trust staff pay has not been removed from Health procurement, the total current procurement, and total net current procurement expenditure on services in 2006-07 only.

Table 5.7 Public sector receipts from sales of assets⁽¹⁾, 2001–02 to 2006–07

	National Statistics					accruals, £ million
	2001–02 outturn	2002–03 outturn	2003–04 outturn	2004–05 outturn	2005–06 outturn	2006–07 estimated outturn
Central government						
Receipts from sale of land and existing buildings	644	806	843	956	1,811	1,311
Other assets	253	156	304	197	125	304
Total central government	896	961	1,147	1,153	1,936	1,615
Local authorities						
Receipts from sale of land and existing buildings	1,273	1,549	1,804	1,684	1,737	2,420
Other	4	5	15	19	26	24
Total local authorities	1,278	1,554	1,818	1,703	1,763	2,443
General government	2,174	2,515	2,965	2,856	3,699	4,058
Public corporations						
Receipts from sale of land and existing buildings	2,424	3,805	4,030	3,723	2,663	2,340
Other	8	13	9	26	305	—
Total public corporations	2,432	3,817	4,038	3,750	2,968	2,340
Total public sector	4,607	6,333	7,003	6,605	6,667	6,398

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

6

CENTRAL GOVERNMENT OWN EXPENDITURE

Introduction

6.1 This section provides summary analyses of central government own expenditure. That is the expenditure of government departments and other central government bodies on their own activities. In these analyses central government includes the devolved administrations and non-departmental public bodies. In addition to staff pay, procurement and capital expenditure, central government own expenditure includes grants and subsidies paid to individuals and enterprises in the private sector and subsidies to public corporations. It excludes central government support for the spending of local authorities and support for the capital expenditure of public corporations. Central government own expenditure accounts for about 70 per cent of Departmental Expenditure Limits (DEL) and about 90 per cent of departmental Annually Managed Expenditure (AME).

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

6.3 All outturn data (to 2005-06) in this chapter are National Statistics.

What's new

6.4 **Table 6.5** is now presented on the new detailed COFOG basis. Chapter 4 and 5 text contain further detail on this change.

Central government own expenditure by department

6.5 **Table 6.1** gives a departmental breakdown of central government own current plus capital expenditure, actual and planned, for the period 2001-02 to 2007-08. Expenditure falling in DEL is shown separately from expenditure falling in departmental AME. DEL expenditure in this table excludes depreciation. In a number of areas, for example education, transport, and law and order, a relatively large proportion of expenditure is carried out by local authorities, with only a relatively small proportion spent directly by central government – some of which will be recorded under Scotland, Wales or Northern Ireland. Other AME includes locally financed expenditure in Northern Ireland that is classified as central government spending.

6.6 The reduction in central government capital spending in 2005/06 that is as a result of a series of imputed transactions recorded in the national accounts in respect of British Nuclear Fuels Limited transferring assets and liabilities to the Nuclear Decommissioning Authority is recorded as a reduction in the accounting adjustments in **Table 6.1**. This has no impact on TME or the public finances overall. See Chapter 8 text for further details.

Central government own current and capital expenditure by department

6.7 Tables 6.2 and 6.3 show, for 2001-02 through to 2007-08, central government DEL and departmental AME expenditure, actual and planned, for each department, separated between current/resource and capital expenditure. Departmental DEL totals for resource expenditure exclude depreciation and include other non-cash items. These are deducted in the accounting adjustments to get to a measure of total current expenditure that is consistent with national accounts. There are also some differences in the classification of expenditure as capital or current in the budgeting regime (i.e. DEL and AME) and national accounts. These differences are accounted for in the 'add/remove items classified as capital in national accounts' lines.

Central government own expenditure by economic category

6.8 Table 6.4 shows central government own expenditure by economic category, within the framework of the central government component of Total Expenditure on Services (TES). TES is an overall measure of public spending which is close to TME. So it represents, broadly, current plus capital expenditure. TES excludes non-cash spending such as depreciation and cost of capital charges. Full details of the definition of TES are available in appendix E.

Central government own expenditure by detailed function

6.9 Table 6.5 shows central government own expenditure by detailed function. This allocates expenditure of central government departments and the devolved administrations in Scotland, Wales and Northern Ireland to the different functions of government. As with table 6.4, and the functional analyses in chapter 4, this functional table is set within the framework of TES. Because expenditure by local authorities is excluded, it is possible to include figures for the plans years here as well as data for the past

Table 6.1 Central government own expenditure by departmental group, 2001–02 to 2007–08

	accruals, £ million						
	National Statistics						2007–08 plans
	2001–02 outturn	2002–03 outturn	2003–04 outturn	2004–05 outturn	2005–06 outturn	2006–07 estimated outturn	
Within DEL							
Education and Skills	14,060	15,653	17,548	18,589	20,137	21,873	23,331
Health	53,232	56,972	64,050	69,104	75,852	81,757	90,824
Transport	3,611	4,798	6,098	5,674	5,781	7,587	7,637
Communities and Local Government	2,613	3,294	4,277	4,251	4,258	4,011	4,278
Local Government	263	257	285	326	333	275	305
Home Office	6,563	7,692	7,216	7,284	7,351	8,016	8,464
Constitutional Affairs	2,823	3,212	3,129	3,058	3,627	3,702	3,986
Law Officers' Departments	457	519	582	649	657	701	724
Defence	30,740	29,339	31,096	33,067	33,294	33,922	33,627
Foreign and Commonwealth Office	1,362	1,505	1,495	1,718	1,859	1,946	1,802
International Development	3,058	3,417	3,701	3,906	4,472	4,942	5,259
Trade and Industry	4,544	3,218	3,543	4,015	5,423	6,104	6,276
Environment, Food and Rural Affairs	2,812	2,783	2,716	2,980	3,319	3,790	3,567
Culture, Media and Sport	963	1,175	1,280	1,411	1,444	1,642	1,686
Work and Pensions	5,827	6,626	7,043	7,236	7,228	7,047	6,798
Scotland	11,150	11,788	13,398	13,977	15,000	16,811	17,678
Wales	5,115	5,961	6,444	6,986	7,434	8,062	8,553
Northern Ireland Executive	5,628	6,332	6,510	6,924	7,375	7,962	8,281
Northern Ireland Office	1,083	1,093	1,053	1,176	1,191	1,283	1,164
Chancellor's Departments	3,921	4,188	4,506	4,911	5,163	5,305	5,115
Cabinet Office	1,659	1,746	2,187	2,285	2,255	2,613	2,583
Total CG own expenditure within DEL⁽¹⁾⁽²⁾	161,483	171,569	188,156	199,528	213,450	229,350	241,936
Within Departmental AME							
Education and Skills	8,563	9,028	8,404	8,081	9,903	11,860	13,892
Health	4,026	4,665	6,294	6,680	10,058	10,580	14,600
Transport	2,107	2,166	2,326	2,741	3,076	3,412	3,446
Communities and Local Government	355	241	256	162	311	184	75
Home Office	173	2,013	40	1	5	0	2
Constitutional Affairs	96	101	58	62	81	88	102
Defence	4,607	6,137	4,788	4,467	5,332	5,439	6,160
Foreign and Commonwealth Office	38	60	40	3	-22	12	50
International Development	59	51	77	77	68	361	48
Trade and Industry	1,573	3,362	194	-1,402	-609	-1,132	-739
Environment, Food and Rural Affairs	1,767	53	74	73	126	113	113
Culture, Media and Sport	3,993	4,319	4,729	4,126	4,319	4,403	4,296
Work and Pensions	82,339	85,860	90,364	94,623	98,161	101,121	105,969
Scotland	2,056	2,062	1,640	1,907	2,362	2,530	3,119
Wales	270	315	478	367	399	478	526
Northern Ireland Executive	5,113	4,959	5,442	6,047	6,686	10,494	7,507
Northern Ireland Office	0	0	0	208	212	214	229
Chancellor's Departments	14,123	15,161	19,899	21,741	23,466	25,003	25,965
Cabinet Office	4,699	4,581	5,017	5,383	5,726	6,078	7,630
Total CG own expenditure within Dept AME⁽¹⁾	135,958	145,133	150,120	155,346	169,659	181,236	192,989
Locally financed expenditure in Northern Ireland	348	361	384	410	457	506	544
Net expenditure transfers to the EC	-690	2,782	3,448	4,907	4,435	4,652	5,010
Central government debt interest	22,099	20,942	22,333	23,971	25,804	27,424	29,100
Accounting and other adjustments	-34,649	-36,387	-31,717	-28,599	-51,714	-42,216	-46,600
Total CG own expenditure	284,549	304,400	332,724	355,563	362,090	400,952	423,000

(1) Total DEL is shown excluding depreciation.

(2) The DEL Reserve and unallocated amounts for the Invest to Save Budget are excluded in 2006-07 and 2007-08. AME figures for 2006-07 and 2007-08 exclude the AME margin. Amounts for unallocated Special Reserve, DEL Reserve and Invest to Save Budget can be found in Table 1.11. The amounts for AME margin can be found in Table 1.1.

Table 6.2 Central government own current expenditure by departmental group, 2001–02 to 2007–08

	accruals, £ million						
	National Statistics						
	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08
	outturn	outturn	outturn	outturn	outturn	estimated outturn	plans
Within resource DEL							
Education and Skills	13,325	14,706	16,569	17,380	18,490	20,319	21,813
Health	51,468	54,898	61,496	66,536	73,728	78,324	86,722
Transport	2,358	3,001	3,341	2,843	2,983	3,266	3,280
Communities and Local Government	1,142	1,437	1,305	1,380	1,329	1,041	1,076
Local Government	263	257	283	326	332	274	304
Home Office	5,990	7,087	6,663	6,646	6,692	7,060	7,274
Constitutional Affairs	2,768	3,167	3,060	2,914	3,499	3,545	3,838
Law Officers' Departments	434	511	571	638	681	689	710
Defence	24,890	23,230	25,089	26,292	26,808	26,857	26,027
Foreign and Commonwealth Office	1,307	1,409	1,445	1,641	1,766	1,845	1,693
International Development	2,809	3,032	3,457	3,675	4,091	4,282	4,616
Trade and Industry	4,302	2,930	3,051	3,736	4,713	5,406	5,655
Environment, Food and Rural Affairs	2,430	2,443	2,311	2,611	2,623	3,034	2,761
Culture, Media and Sport	929	1,147	1,157	1,268	1,338	1,504	1,459
Work and Pensions	5,652	6,340	6,813	6,955	6,877	6,836	6,741
Scotland	10,230	10,707	12,344	12,618	13,651	14,751	15,747
Wales	4,683	5,386	5,920	6,439	6,835	7,303	7,767
Northern Ireland Executive	5,012	5,655	5,846	6,188	6,649	7,149	7,463
Northern Ireland Office	1,041	1,039	1,003	1,106	1,135	1,202	1,092
Chancellor's Departments	3,712	3,928	4,260	4,506	4,767	4,957	4,812
Cabinet Office	1,442	1,560	1,603	2,022	2,012	2,179	2,221
Total within resource DEL⁽¹⁾	146,188	153,921	167,647	177,775	191,001	201,819	213,054
Within resource Departmental AME							
Education and Skills	6,797	7,160	6,495	6,198	7,836	8,835	10,184
Health	4,026	4,665	6,294	6,451	9,409	10,484	14,548
Transport	2,107	2,166	2,326	2,741	3,076	3,412	3,446
Communities and Local Government	355	241	256	162	311	184	75
Home Office	173	2,013	40	1	5	0	2
Constitutional Affairs	96	101	58	62	81	88	102
Defence	4,446	6,137	4,788	4,467	5,332	5,439	6,160
Foreign and Commonwealth Office	38	60	40	3	-22	12	50
International Development	59	51	77	77	68	361	48
Trade and Industry	1,184	3,590	1,336	-540	229	421	-145
Environment, Food and Rural Affairs	1,766	51	73	72	126	112	112
Culture, Media and Sport	3,128	3,186	3,626	3,095	3,327	3,436	3,439
Work and Pensions	82,264	85,783	90,274	94,542	98,144	100,998	105,835
Scotland	1,860	1,846	1,449	1,737	2,211	2,392	2,959
Wales	148	181	342	233	278	309	315
Northern Ireland Executive	5,024	4,869	5,293	5,799	6,439	10,363	7,070
Northern Ireland Office	0	0	0	208	212	214	229
Chancellor's Departments	14,123	15,161	19,499	21,514	23,231	24,677	25,725
Cabinet Office	4,699	4,581	5,017	5,383	5,726	6,078	7,630
Total within resource Departmental AME⁽¹⁾	132,292	141,841	147,283	152,203	166,018	177,813	187,784
Locally financed expenditure in Northern Ireland	348	361	384	410	457	506	544
Net expenditure transfers to the EC	-690	2,782	3,448	4,907	4,435	4,652	5,010
Central government debt interest	22,099	20,942	22,333	23,971	25,804	27,424	29,100
Remove items classified as capital in National Accounts	—	—	—	—	-2	—	—
Add items classified as current in National Accounts	4,903	5,212	5,221	5,409	6,007	6,517	6,395
Accounting and other adjustments	-31,598	-31,286	-28,443	-27,117	-35,645	-40,708	-44,800
Total CG own current expenditure	273,543	293,774	317,873	337,557	358,075	378,023	397,100

(1) The resource parts of the DEL Reserve and unallocated amounts for the Invest to Save Budget are excluded in 2006-07 and 2007-08. Amounts for these items can be found in Table 1.5.

Table 6.3 Central government own capital expenditure by departmental group, 2001–02 to 2007–08

	accruals, £ million						
	National Statistics						
	2001–02 outturn	2002–03 outturn	2003–04 outturn	2004–05 outturn	2005–06 outturn	2006–07 estimated outturn	2007–08 plans
Within capital DEL							
Education and Skills	735	947	978	1,208	1,646	1,554	1,518
Health	1,764	2,074	2,554	2,568	2,123	3,433	4,102
Transport	1,253	1,798	2,757	2,831	2,798	4,321	4,357
Communities and Local Government	1,470	1,857	2,972	2,871	2,929	2,970	3,202
Local Government	0	0	1	0	1	1	1
Home Office	573	605	553	638	658	956	1,191
Constitutional Affairs	55	45	69	144	128	157	148
Law Officers' Departments	23	8	11	11	-23	12	15
Defence	5,849	6,109	6,006	6,774	6,486	7,065	7,599
Foreign and Commonwealth Office	55	96	50	78	93	100	109
International Development	249	385	244	230	381	659	643
Trade and Industry	241	288	493	279	710	698	620
Environment, Food and Rural Affairs	381	339	405	369	695	756	806
Culture, Media and Sport	33	28	123	143	105	139	227
Work and Pensions	175	286	230	281	351	211	57
Scotland	920	1,082	1,054	1,359	1,348	2,061	1,931
Wales	433	524	466	491	538	695	800
Northern Ireland Executive	616	678	664	736	787	880	819
Northern Ireland Office	42	53	50	71	55	80	72
Chancellor's Departments	208	260	246	405	396	349	303
Cabinet Office	218	186	583	263	243	434	362
Total within capital DEL⁽¹⁾	15,295	17,648	20,508	21,753	22,448	27,531	28,882
Within capital Departmental AME							
Education and Skills	1,766	1,869	1,910	1,883	2,067	3,025	3,708
Health	0	0	0	229	649	96	52
Transport	0	0	0	0	0	0	0
Defence	161	0	0	0	0	0	0
Trade and Industry	389	-228	-1,142	-862	-838	-1,554	-594
Environment, Food and Rural Affairs	1	1	1	1	0	1	1
Culture, Media and Sport	865	1,133	1,103	1,031	992	967	857
Work and Pensions	75	77	90	80	17	123	134
Scotland	196	216	191	170	150	138	160
Wales	123	133	136	135	121	169	211
Northern Ireland Executive	90	90	149	248	247	131	437
Chancellor's Departments	0	0	400	228	235	327	240
Total within capital Departmental AME	3,666	3,291	2,837	3,143	3,640	3,423	5,205
Add items classified as capital in National Accounts	—	—	—	—	2	—	—
Remove items classified as current in National Accounts	-4,903	-5,212	-5,221	-5,409	-6,007	-6,517	-6,395
Accounting and other adjustments	-3,052	-5,101	-3,274	-1,482	-16,069	-1,508	-1,700
Total CG own capital expenditure	11,006	10,626	14,851	18,006	4,015	22,929	26,000

(1) The CG DEL figures shown above exclude Capital part of the DEL Reserve and unallocated amounts for the Invest to Save Budget in 2007-08. Amounts for these items can be found in Table 1.10.

Table 6.4 Central government own expenditure on services by economic category, 2001-02 to 2007-08

	National Statistics					accruals, £ million	
	2001-02 outturn	2002-03 outturn	2003-04 outturn	2004-05 outturn	2005-06 outturn	2006-07 estimated outturn	2007-08 plans outturn
Central government current expenditure on services							
Pay ⁽¹⁾	55,364	58,393	65,046	67,402	73,302	} 169,075	175,000
Procurement	59,259	67,429	73,341	81,178	84,651		
Subsidies ⁽²⁾	7,225	6,469	7,473	6,737	6,474	6,488	7,086
Social benefits and other grants to private sector	126,015	132,094	140,598	146,188	154,116	159,472	169,243
Current transfers abroad	83	1,789	2,042	5,309	5,761	4,344	5,314
Central government debt interest	22,099	20,942	22,333	23,971	25,804	27,424	29,100
Total central government current expenditure on services⁽³⁾	270,045	287,116	310,834	330,784	350,109	376,802	385,800
Accounting adjustments	3,498	6,658	7,039	6,773	7,966	11,283	11,300
Total central government current expenditure	273,543	293,774	317,873	337,557	358,075	378,023	397,100
Central government capital expenditure on services							
Capital expenditure ⁽⁴⁾	6,477	6,798	7,577	8,937	7,727	9,959	11,400
Stock building	50	114	162	378	484	135	144
Capital grants	4,814	6,177	8,509	8,564	9,857	11,954	11,583
Total central government capital expenditure on services⁽³⁾	11,340	13,089	16,248	17,879	18,068	22,048	23,200
Accounting adjustments	-334	-2,463	-1,397	127	-14,053	881	2,800
Total central government capital expenditure	11,006	10,626	14,851	18,006	4,015	22,929	26,000
Total central government expenditure on services	281,385	300,205	327,082	348,663	368,177	388,850	408,900
Accounting adjustments	3,164	4,195	5,642	6,900	-6,087	12,164	14,100
Total central government expenditure	284,549	304,400	332,724	355,563	362,090	400,952	423,000

(1) Following the ONS's re-classification of NHS trusts to the central government sector in 2003, the pay costs of the staff of NHS trusts are now included in the pay line; they used to be largely covered by health authorities' purchases from NHS trusts, included in the procurement line. Figures for NHS trust staff pay for the outturn years for the UK, provided by the ONS, are set out below. Figures for forward years are not available, therefore so pay and procurement have not been separated.

£ million

	2001-02	2002-03	2003-04	2004-05	2005-06
	25,086	25,786	28,272	26,084	26,653

(2) Includes intra-public sector subsidies to central government and local authority units with market based activities, as well as public corporations.

(3) The DEL Reserve and unallocated amounts for the Invest to Save Budget are excluded in 2007-08. AME figures for 2007-08 exclude the AME margin. Amounts for unallocated Special Reserve, DEL Reserve and Invest to Save Budget can be found in Table 1.12. The amounts for AME margin can be found in Table 1.1.

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

Table 6.5 Central government expenditure on services by COFOG level 2, 2001-02 to 2007-08

	accruals, £ million						
	National Statistics						
	2001-02 outturn	2002-03 outturn	2003-04 outturn	2004-05 outturn	2005-06 outturn	2006-07 estimated outturn	2007-08 plans
1. General public services							
1.1 Executive and legislative organs, financial and fiscal affairs, external affairs	6,952	7,481	8,021	8,809	9,191	9,555	9,226
1.2 Foreign economic aid	2,845	2,910	3,493	3,603	4,067	4,207	4,560
1.3 General services	431	380	476	508	566	742	646
1.4 Basic research	22	51	73	119	115	94	48
1.5 R&D general public services	14	32	30	28	34	36	34
1.6 General public services n.e.c.	221	185	167	232	193	111	138
1.7 Public sector debt transactions ⁽¹⁾⁽²⁾	22,099	20,942	22,333	23,971	25,804	27,424	29,100
of which: central government debt interest	22,099	20,942	22,333	23,971	25,804	27,424	29,100
Total general public services	32,584	31,981	34,593	37,271	39,969	42,169	43,752
2. Defence							
2.1 Military defence	22,374	23,133	24,705	25,121	26,556	27,586	28,388
2.2 Civil defence	3	4	86	35	23	35	45
2.3 Foreign military aid ⁽³⁾	496	1,270	1,281	903	1,114	1,669	—
2.4 R&D defence	446	429	424	512	505	532	546
2.5 Defence n.e.c.	2,020	2,121	2,259	3,268	2,376	2,364	2,495
Total defence	25,339	26,958	28,756	29,839	30,575	32,187	31,473
3. Public order and safety							
3.1 Police services	3,491	3,656	3,773	3,992	3,932	4,069	4,355
of which: immigration and citizenship	1,855	1,920	2,100	2,112	1,841	1,778	1,818
of which: other police services	1,636	1,735	1,673	1,881	2,091	2,291	1,924
3.2 Fire-protection services	95	185	144	131	118	140	239
3.3 Law courts	4,402	4,920	5,437	6,025	6,136	6,269	6,472
3.4 Prisons	2,591	2,888	2,983	3,241	3,578	4,086	4,208
3.5 R&D public order and safety	30	32	30	48	26	40	26
3.6 Public order and safety n.e.c.	448	397	427	404	484	507	505
Total public order and safety	11,057	12,078	12,794	13,841	14,275	15,111	15,804
4. Economic affairs							
4.1 General economic, commercial and labour affairs ⁽⁴⁾	5,132	4,994	5,340	5,159	5,605	5,640	5,616
4.2 Agriculture, forestry, fishing and hunting	6,244	4,675	5,212	5,344	5,536	5,300	5,289
of which: market support under CAP	2,957	3,225	3,637	3,896	3,800	3,474	3,468
of which: other agriculture, food and fisheries policy	3,182	1,328	1,442	1,316	1,573	1,646	1,645
of which: forestry	105	122	133	132	163	180	176
4.3 Fuel and energy	515	1,019	1,087	1,252	1,413	1,227	1,162
4.4 Mining, manufacturing and construction	24	27	20	15	16	23	13
4.5 Transport	4,718	5,667	7,581	7,024	7,243	9,812	9,196
of which: national roads	2,114	2,402	2,262	2,345	2,707	3,274	3,147
of which: local roads	172	206	221	251	250	284	296
of which: local public transport	411	427	1,352	494	526	607	561
of which: railway	1,552	2,186	3,291	3,445	3,221	5,041	4,569
of which: other transport	468	446	454	490	540	606	623
4.6 Communication	221	266	369	428	252	266	620
4.7 Other industries	138	137	114	121	117	112	121
4.8 R&D economic affairs ⁽⁵⁾	1,730	2,120	2,307	2,467	2,927	2,865	3,037
4.9 Economic affairs n.e.c.	622	654	840	840	706	822	693
Total economic affairs	19,345	19,557	22,869	22,650	23,815	26,067	25,748

Table 6.5 Central government expenditure on services by COFOG level 2, 2001-02 to 2007-08 (continued)

	accruals, £ million						
	National Statistics						
	2001-02 outturn	2002-03 outturn	2003-04 outturn	2004-05 outturn	2005-06 outturn	2006-07 estimated outturn	2007-08 plans
5. Environment protection							
5.1 Waste management	323	437	402	527	1,233	1,716	1,606
5.2 Waste water management	10	12	17	42	49	52	171
5.3 Pollution abatement	461	143	219	202	229	242	258
5.4 Protection of biodiversity and landscape	350	290	266	293	297	358	375
5.5 R&D environment protection	209	236	307	304	331	352	382
5.6 Environment protection n.e.c	750	1,240	922	1,144	1,416	1,699	1,726
Total environment protection	2,103	2,358	2,133	2,513	3,555	4,420	4,517
6. Housing and community amenities							
6.1 Housing development	2,253	2,256	2,943	2,850	3,339	3,262	3,233
<i>of which: local authority housing</i>	534	462	459	291	492	413	337
<i>of which: other social housing</i>	1,719	1,794	2,484	2,559	2,847	2,850	2,896
6.2 Community development	107	215	293	331	315	358	423
6.3 Water supply	234	244	274	319	338	329	67
6.4 Street lighting	13	14	15	17	19	14	9
6.5 R&D housing and community amenities	21	10	11	15	20	16	13
6.6 Housing and community amenities n.e.c	31	47	140	62	100	113	123
Total housing and community amenities	2,659	2,786	3,677	3,595	4,130	4,094	3,868
7. Health⁽⁶⁾⁽⁷⁾							
Medical services	57,945	64,314	72,514	80,252	86,361	92,442	101,924
Health research	416	397	464	470	553	610	653
Central and other health services	1,087	1,164	1,474	1,642	1,464	1,707	1,815
Total health	59,448	65,875	74,452	82,364	88,378	94,759	104,392
8. Recreation, culture and religion							
8.1 Recreational and sporting services	414	550	441	405	396	578	567
8.2 Cultural services	1,544	1,583	1,759	1,794	1,905	1,961	1,882
8.3 Broadcasting and publishing services	2,737	3,139	3,044	3,197	3,254	3,421	3,465
8.4 Religious and other community services	3	12	10	11	11	14	16
8.5 R&D Recreation, culture and religion	1	2	2	1	81	93	119
8.6 Recreation, culture and religion n.e.c	45	57	61	71	85	93	88
Total recreation, culture and religion	4,744	5,343	5,317	5,479	5,733	6,161	6,138
9. Education (includes training)							
9.1 Pre-primary and primary education	638	886	1,176	1,096	1,066	713	787
<i>of which: under fives</i>	194	302	436	555	520	118	208
<i>of which: primary education</i>	444	583	741	541	546	596	580
9.2 Secondary education	895	1,088	1,161	1,353	1,877	2,396	1,971
9.3 Post-secondary non-tertiary education	5,697	6,213	7,047	7,403	7,661	8,283	8,623
9.4 Tertiary education	7,123	7,107	7,446	8,268	9,068	10,738	10,942
9.5 Education not definable by level ⁽⁸⁾	1,530	1,845	1,959	2,010	2,128	2,373	2,813
9.6 Subsidiary services to education	462	553	613	713	782	857	1,202
9.7 R&D education	81	37	39	42	33	47	45
9.8 Education n.e.c	1,758	1,827	2,028	2,191	2,231	2,475	2,782
Total education (includes training)	18,185	19,556	21,471	23,075	24,847	27,882	29,165

Table 6.5 Central government expenditure on services by COFOG level 2, 2001-02 to 2007-08 (continued)

	accruals, £ million						
	National Statistics						
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
	outturn	outturn	outturn	outturn	outturn	estimated outturn	plans
10. Social protection							
<i>of which personal social services</i>	18,469	20,628	30,339	30,611	31,784	34,632	34,705
10.1 Sickness and disability	23,124	23,175	24,242	25,308	26,074	26,984	28,010
<i>of which: personal social services</i>	504	681	776	943	928	1,022	1,147
<i>of which: incapacity, disability and injury benefits</i>	22,620	22,494	23,466	24,365	25,146	25,963	26,863
10.2 Old age	53,313	54,815	55,706	59,179	61,880	64,459	69,309
<i>of which: personal social services</i>	-348	-369	-393	-418	-443	-479	-476
<i>of which: pensions</i>	53,661	55,184	56,099	59,597	62,323	64,939	69,785
10.3 Survivors	1,856	1,916	1,840	1,851	1,846	1,787	1,799
10.4 Family and children	14,535	16,381	26,084	26,578	27,743	30,525	30,104
<i>of which: personal social services</i>	14,294	16,164	25,806	26,291	27,284	29,891	29,655
<i>of which: family benefits, income support and tax credits</i>	241	217	278	287	459	634	449
10.5 Unemployment ⁽⁹⁾	2,938	4,029	3,956	3,654	3,468	4,299	4,199
<i>of which: personal social services</i>	2,938	3,009	2,900	2,496	2,641	2,832	2,915
<i>of which: other unemployment benefits</i>	—	1,020	1,056	1,158	828	1,468	1,284
10.6 Housing	356	451	969	792	753	831	847
10.7 Social exclusion n.e.c.	10,788	10,990	6,620	7,904	8,188	7,026	8,722
<i>of which: personal social services</i>	1,081	1,143	1,250	1,300	1,375	1,367	1,463
<i>of which: family benefits, income support and tax credits</i>	9,707	9,846	5,370	6,604	6,813	5,658	7,259
10.8 R&D social protection	24	2	0	2	1	3	0
10.9 Social protection n.e.c.	3,831	3,838	3,684	3,661	3,544	2,123	2,608
Total social protection	110,765	115,597	123,100	128,928	133,497	138,038	145,598
EU transactions⁽¹⁰⁾							
GNI-based contribution (net of abatement and collection costs)	899	2,275	2,957	4,361	3,855	4,071	4,510
derived as:							
<i>EC gross contribution pre-abatement and after deduction of collection costs</i>	9,213	9,737	11,371	12,183	11,780	12,245	12,298
<i>Traditional Own Resources (without deduction of collection costs) and VAT contributions</i>	-5,685	-4,229	-4,539	-4,100	-4,283	-4,614	-4,113
<i>UK abatement</i>	-4,427	-3,233	-3,874	-3,722	-3,641	-3,560	-3,675
EC receipts	-3,310	-3,424	-4,237	-4,555	-3,750	-5,439	-5,332
Attributed aid and CFSP	-635	-736	-799	-697	-704	-668	-705
Total EU transactions	-4,844	-1,885	-2,079	-892	-598	-2,037	-1,527
Total Expenditure on Services	281,385	300,205	327,082	348,663	368,177	388,850	408,926
Accounting adjustments	3,164	4,195	5,642	6,900	-6,087	12,164	14,100
Total Managed Expenditure	284,549	304,400	332,724	355,563	362,090	400,952	423,000

(1) Debt interest figures are gross.

(2) Debt interest payments to the private sector and overseas that exclude all intra-public sector payments of debt interest.

(3) Spending on foreign military aid has yet to be allocated to a departmental level.

(4) General economic, commercial and labour affairs includes the HMT function of employment policies.

(5) R&D Economic affairs is equivalent to the HMT function of science & technology.

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

(7) The level of detail required for COFOG level 2 is not yet available. Health spending is therefore presented on the PESA 2006 basis.

(8) Education not definable level is equivalent to the HMT sub function of training.

(9) From 2002-03, the unemployment benefits line includes the relevant pay costs of Jobcentre Plus staff.

(10) EU transactions are defined as:

- contribution to TME
- plus EC receipts
- less attributed aid
- less Common Foreign and Security Policy

Figures for the above are shown in table C1.

An explanation of why the EU transactions are defined in TES in this way is given in Appendix E.

Introduction

7.1 This chapter describes central government support for local authorities from 2001-02 to 2007-08 (**Tables 7.1 to 7.5**) and local authority expenditure for outturn and estimated outturn years (**Tables 7.6 to 7.10**). It deals primarily with Great Britain – most equivalent spending in Northern Ireland is central government spending carried out by Northern Ireland departments. Where relevant, district council spending in Northern Ireland is included in certain tables in this section.

7.2 In this chapter all data for central government support are on an accruals basis. All outturn data (to 2005-06) fall under the umbrella of National Statistics. Data for all years up to 2005-06 are final outturn figures, except for Northern Ireland local authority expenditure which are provisional outturn; 2006-07 are estimated outturn based on departmental returns for support data, and on local authority budget plans for current expenditure data, and on estimated outturn for capital expenditure data; 2007-08 are based on the spending plans by central government departments that support local authorities and forecasts of local authority expenditure financed locally.

7.3 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.

What's new

7.4 This year local authority expenditure is on a new detailed COFOG presentation. This has led to a number of classification changes across functions, the most significant of which are:

- local authority spending on street lighting has moved from the transport function to the housing and community amenities function. This affects **Tables 7.6 to 7.10**;
- England and Wales local authority spending on crime reduction (which is all current spending) has moved from the public order and safety function to the housing and community amenities function. This affects **Tables 7.6 and 7.7**;
- local authority spending on coast protection has moved from the environment protection function to the agriculture, fisheries and forestry function. This affects **Tables 7.6 to 7.10**;
- local authority spending on emergency planning (which is all current spending) has moved from the public order and safety function to the defence function. This affects **Tables 7.6 and 7.7**;
- England local authority spending on economic development (which is all current spending) has moved from the housing and community amenities function to the enterprise and economic development function. This affects **Tables 7.6 and 7.7**;
- England and Wales local authority spending on food safety (which is all current spending) has moved from the agriculture, fisheries and forestry function to the enterprise and economic development function. This affects **Tables 7.6 and 7.7**;
- local authority spending on environmental initiatives (which is all current spending) has moved from the housing and community amenities function to the environment protection function. This affects **Tables 7.6 and 7.7**;

- England and Wales local authority spending on derelict land reclamation (which is all capital spending) has moved from the general public services function to the environment protection function. This affects **Tables 7.8 and 7.9**;
- local authority spending on council tax benefits administration (which is all current spending) has moved from the social protection function to the general public services function. This affects **Tables 7.6 and 7.7**;
- England and Wales local authority spending on archives (which is all current spending) has moved from the recreation, culture and religion function to the general public services function. This affects **Tables 7.6 and 7.7**;
- England local authority spending on retirement benefits (which is all current spending) has moved from the general public services function to the social protection function. This affects **Tables 7.6 and 7.7**; and
- local authority spending on school crossing patrols (which is all current spending) has moved from the public order and safety function to the transport function. This affects **Tables 7.6 and 7.7**.

7.5 In conjunction with the new COFOG presentation the Northern Ireland Executive have reviewed the way they collect local authority data. They now collect the information direct from local authorities resulting in more accurate and robust data. This has led to changes in their data for all years and to significant revisions to their functional classifications.

7.6 Capital expenditure on the Housing Revenue Account (HRA) has been reclassified from the local authority sector to the public corporation sector. This affects **Tables 7.6, 7.8, 7.9 and 7.10**. See Chapter 8 for further details on this classification change.

7.7 There has been a removal of a double count of erroneously recorded local authority England education spending on adult and community learning and adult education funded by the learning and skills council that was also correctly being captured as central government spending. This affects **Tables 7.6 to 7.10**.

7.8 There has been a correction to police grants for years 2001-02 to 2005-06. These grants are now correctly scored as grants to local authorities. Previously, they had been recorded as grants to the private sector. This affects **Tables 7.1 to 7.3**.

7.9 The government piloted 21 Local Area Agreements (LAAs) in 2005-06 and has progressively extended them to all English areas by 2007-08. LAA expenditure is separately identified in **Table 7.4**. It is brigaded within CLG's DEL baseline but includes contributions from other government departments as well as allocations from CLG's own programmes. This affects **Tables 7.1, 7.2, 7.4 and 7.5**.

7.10 There has been a correction to LDA support grant paid by DTI. This grant is now correctly scored as central government spending on regional development agencies. Previously, it had been recorded as spending both by CLG and by DTI. This affects **Tables 7.1, 7.2 and 7.4**.

Local authority expenditure in the national accounts

7.11 In national accounts total local authority expenditure is defined as the contribution of local authorities to TME. TME is a consolidated measure in the sense that most distributive transactions between parts of the public sector do not add to TME. So, for example, total local authority expenditure defined here excludes capital grants paid to public corporations and interest paid to central government. Local authority expenditure accounts for around one quarter of TME.

The financing of local authority expenditure

7.12 Total local authority expenditure can also be measured as central government support for local authorities within DEL and departmental AME, plus locally financed expenditure in AME, plus some accounting adjustments. **Table 7.1** sets out details of the financing of local authority expenditure defined on this basis.

7.13 Outturn figures and projections for the later years are set out in **Table 7.1**. **Tables 7.2 to 7.5** show further information about central government support and the financing of local authorities for the years 2001-02 to 2007-08.

7.14 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 Supported Capital Expenditure (Revenue) (equivalent is supported borrowing in Scotland). Support may be non-specific, e.g. Revenue Support Grant, or related to specific services, e.g. police grant.

7.15 **Table 7.2** presents a departmental breakdown of central government support for current and capital expenditure by local authorities.

7.16 Local authority current spending can broadly be divided into two categories:

- **main local services**, which local authorities have some discretion over and which are financed by local taxation and revenue, and certain central government specific grants referred to as inside Aggregate External Finance (AEF), and
- **other spending**, financed wholly by central government specific grants (referred to as outside AEF).

7.17 Receipts from the EU that are passed to local authorities by departments are in departmental budgets. The payments of these grants by the department are also included in departmental budgets. Therefore, finance to local authorities in departmental budgets is reduced slightly as a result of the receipt from the EU also being included.

Support for main local services

7.18 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.

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

- Revenue Support Grant (RSG) – an un-hypothecated grant paid to local authorities in England, Scotland and Wales;
- Non-domestic (business) rate payments: the proceeds of National Non-Domestic Rates (NNDR) are pooled separately in England, Scotland and Wales and redistributed to local authorities; and
- Other grants, such as the Dedicated Schools Grant (DSG), Police grant, and other specific and special grants, which fund part of the current expenditure on a specific service or activity.

7.20 **Table 7.1** shows AEF by country and these main components. **Table 7.3** shows AEF in Great Britain by country and grant. Most AEF falls within DEL, with the exception of Scottish

Non-domestic Rates Income (NDRI), equivalent to NNDR payments, which are in locally financed expenditure in other AME, and education maintenance allowances and non-domestic rate outturn adjustments, which are in departmental AME.

Support for other local spending

7.21 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 7.4** shows current specific grants outside AEF by country, for the years 2001-02 to 2007-08. Grants outside AEF are a mixture of support falling within DEL and departmental AME.

Support for local authority capital programmes

7.22 Central government support for local authority capital expenditure comprises capital grants and Supported Capital Expenditure (Revenue) (equivalent is supported borrowing in Scotland). These replaced the system that operated prior to 1 April 2004, credit approvals and capital consents respectively. Supported Capital Expenditure (Revenue) and supported borrowing enable local authorities to borrow or use other forms of credit to finance capital expenditure, with central government providing a revenue stream to support repayment of principal and interest. This is distinct from prudential borrowing where local authorities finance any additional borrowing from their own available resources. **Table 7.5** shows the components of central government capital support within the United Kingdom by country and by service.

Local authority expenditure on services

7.23 The measure of the spending of local authorities that is analysed by function in PESA is local authority expenditure on services. It is largely similar to the national accounts measure of local authority expenditure, which is also shown in the tables. **Appendix E** gives more information on expenditure on services.

7.24 **Tables 7.6 to 7.10** show various analyses of local authority expenditure for the outturn and estimated outturn years: 2001-02 to 2006-07. **Table 7.6** presents total local authority expenditure by function for these years. **Table 7.7** shows local authority current expenditure by country and function for these years.

7.25 The functional categories in **Tables 7.6 to 7.9** are based on the UN Classification of the Functions of Government (COFOG), the international standard, and are consistent with the functional categories used in other PESA chapters except chapters 9 and 10.

7.26 **Tables 7.8 and 7.9** show local authority gross capital expenditure and capital receipts, by country and function for these years. Local authorities have several ways of financing capital expenditure. The main sources are:

- central government support in the form of capital grants and supported capital expenditure (supported borrowing in Scotland);
- capital receipts;
- developer contributions;
- Capital Expenditure from the Revenue Account (CERA); and
- prudential (self-financed) borrowing.

7.27 Gross capital expenditure, split by country and function from 2001-02 to 2006-07, is shown in **Table 7.8**. Gross means that it is before sales of capital assets and depreciation. **Table**

7.9 shows local authority capital receipts within the United Kingdom, again by country and function. **Tables 7.8 and 7.9** use a definition of capital expenditure that is consistent with the national accounts, i.e. excludes financial transactions, and the estimated outturns shown are based on the quarterly returns from local authorities on capital expenditure.

7.28 **Table 7.10** shows total local authority expenditure, broken down by country and economic category.

Data sources and data quality

7.29 The central government support for local authorities data shown in **Tables 7.1 to 7.5** are taken from finance data loaded onto the Treasury spending database by departments.

7.30 The local authority expenditure shown in **Tables 7.6 to 7.10** is based on revenue and capital finance data collections completed by local authorities and sent to the Communities and Local Government and devolved administrations. These carry out quality assurance on the data received, produce aggregate results for publication, and pass aggregate data to the Treasury.

7.31 Information is sought from all local authorities, who derive the material from the accounting records used to produce audited accounts. However, detailed expenditure breakdowns may be of lower quality because of inconsistencies of classification by respondents and resource constraints on quality assurance.

7.32 Spending information received from local authorities is described in terms of local authority services (education, roads etc). The Treasury assign spending to COFOG functional categories used in PESA. In general the read-across from service categories to COFOG categories is clear, but in some cases – for example a reduced level of information available in budget data – the read-across is less straightforward and assumptions are applied.

7.33 Budget data for 2006-07 was collected at the beginning of 2006-07 and reflects local authorities' plans. These data can be subject to revisions as and when final outturn data become available, partly because some grants from central government departments are allocated after budget setting has taken place. HM Treasury will first publish provisional outturn data for 2006-07 in the National Statistics update published on the day of the Pre-Budget Report 2007, and outturn data for 2006-07 in the National Statistics update published on the day of the Budget 2008 and included in PESA 2008.

7.34 Although the quality of the local government expenditure data in PESA is good enough to provide a broad picture of local government spending, the quality is likely to be lower than the quality of the central government data in PESA (including central government support for local authorities). Figures are shown to the nearest £1m so that users performing calculations on the numbers do not introduce errors due to working on rounded numbers. The figures are not accurate to £1m.

7.35 The Treasury are working with CLG and the ONS to improve the quality and timeliness of local authority spending data.

7.36 More information on local authority finance and spending is available from the following sources:

- England – CLG publication Local Government Financial Statistics [<http://www.local.odpm.gov.uk/finance/stats/lgfs/2005/lgfs16/index.htm>]
- Scotland – Scottish Executive publication [<http://www.Scotland.gov.uk/topics/statistics/16945/slgfs>]
- Wales – National Assembly for Wales publication [<http://www.wales.gov.uk/statistics>]

Table 7.1 Financing of local authority expenditure in the United Kingdom, 2001–02 to 2007–08

	National Statistics					accruals, £ million	
	2001–02 outturn	2002–03 outturn	2003–04 outturn	2004–05 outturn	2005–06 outturn	2006–07 estimated outturn	2007–08 plans
Current finance in DEL							
Aggregate External Finance							
England							
Revenue Support Grant	21,122	19,931	24,267	27,010	26,726	3,443	3,163
Non-domestic rate payments	15,144	16,633	15,607	15,000	18,000	17,500	18,500
Dedicated schools grant	—	—	—	—	—	26,580	28,287
Other specific and special grants	10,473	12,866	16,285	17,782	18,707	19,226	18,755
Total England	46,738	49,429	56,159	59,793	63,434	66,749	68,705
Scotland							
Revenue Support Grant	3,940	4,558	5,037	5,266	5,586	5,777	6,027
Specific and special grants	644	666	679	890	905	968	1,057
Total Scotland	4,584	5,224	5,717	6,156	6,491	6,745	7,084
Wales							
Revenue Support Grant	2,146	2,347	2,538	2,612	2,815	3,013	3,184
Non-domestic rate payments	708	673	660	672	672	730	730
Specific and special grants	253	275	352	285	310	360	524
Total Wales	3,107	3,295	3,550	3,569	3,797	4,103	4,438
Great Britain							
Revenue Support Grant	27,208	26,836	31,843	34,889	35,128	12,233	12,374
Non-domestic rate payments	15,852	17,305	16,267	15,672	18,672	18,230	19,230
Dedicated schools grant	—	—	—	—	—	26,580	28,287
Other specific and special grants	11,369	13,807	17,316	18,957	19,923	20,554	20,336
Total AEF Great Britain⁽¹⁾	54,430	57,947	65,426	69,518	73,722	77,597	80,227
Non AEF current grants ⁽²⁾	637	2,151	2,806	3,058	3,487	3,977	5,345
Total current finance in DEL	55,067	60,098	68,231	72,576	77,210	81,575	85,572
Capital support in DEL⁽³⁾							
Capital grants/SCE(C) ⁽²⁾⁽⁴⁾	2,477	3,323	4,282	5,560	6,085	6,692	9,087
Credit approvals/SCE(R) ⁽⁴⁾	3,573	4,068	4,588	4,715	5,171	4,223	4,149
Total capital support in DEL	6,050	7,391	8,870	10,274	11,255	10,915	13,235
Total central government support in DEL	61,116	67,489	77,101	82,850	88,465	92,490	98,808
Current finance in departmental AME							
AEF current grants	498	170	304	461	524	1,558	1,277
Non AEF current grants	13,353	14,230	13,919	16,327	17,260	18,204	19,226
Total current finance in departmental AME	13,851	14,400	14,223	16,788	17,785	19,762	20,503
Total capital support in departmental AME⁽³⁾⁽⁵⁾	96	173	230	96	90	79	69
Total central government support in departmental AME	13,946	14,573	14,454	16,885	17,875	19,840	20,572
Locally financed expenditure							
Local authority self-financed expenditure	17,312	17,495	18,109	21,459	24,033	23,537	25,409
Locally financed support in Scotland in AEF ⁽⁶⁾	1,554	1,718	1,804	1,896	1,897	1,884	1,860
Total locally financed expenditure	18,866	19,213	19,913	23,355	25,930	25,421	27,269
Accounting and other adjustments	6,452	9,080	7,763	7,772	7,051	7,819	11,400
Total local authority expenditure	100,381	110,355	119,231	130,862	139,321	145,569	158,000

(1) Great Britain total only because Northern Ireland do not have any support within AEF.

(2) Includes receipts from the EU that finance grants to local authorities, which are inside departmental budgets.

(3) Excludes debt repayment grants from central government which no longer score in budgets.

(4) A full definition of Supported Capital Expenditure (SCE) is given in Appendix G.

(5) Includes expenditure financed from the Lottery.

(6) Non Domestic Rates Income (NDRI) is locally financed support, in Scotland, in AME. Equivalent to non-domestic rate payments.

Table 7.2 Central government support for local authorities in the United Kingdom by departmental group, 2001–02 to 2007–08

	accruals, £ million						
	National Statistics						
	2001–02 outturn	2002–03 outturn	2003–04 outturn	2004–05 outturn	2005–06 outturn	2006–07 estimated outturn	2007–08 plans
Current finance in DEL							
Education and Skills	3,435	5,535	5,772	5,734	6,929	33,766	36,028
Health	1,133	1,881	1,816	2,148	2,141	1,759	1,863
Transport	1,000	1,363	2,103	2,670	2,577	3,095	2,945
CLG Communities	90	201	2,120	2,232	2,152	2,623	3,204
CLG Local Government	36,658	37,138	40,631	42,989	45,912	22,256	22,509
Home Office	4,241	4,561	5,117	5,357	5,697	5,826	5,914
Constitutional Affairs	318	275	280	299	—	—	—
Trade and Industry	346	386	346	380	385	257	392
Environment, Food and Rural Affairs	-214	-218	-13	2	51	55	17
Culture, Media and Sport	2	12	—	-2	4	23	3
Work and Pensions	339	391	684	653	745	646	828
Scotland ⁽¹⁾	4,633	5,295	5,727	6,293	6,668	7,011	7,389
Wales ⁽¹⁾	3,002	3,203	3,560	3,728	3,887	4,208	4,420
Northern Ireland Executive ⁽¹⁾	66	56	68	73	59	48	55
Cabinet Office	19	19	19	20	1	0	5
Total current finance in DEL	55,067	60,098	68,231	72,576	77,210	81,575	85,572
Current finance in departmental AME							
CLG Communities and Local Government	—	—	—	18	11	142	163
CLG Local Government	498	170	304	461	524	1,119	809
Home Office	—	—	—	—	—	291	304
Trade and Industry	—	1	0	4	2	3	2
Culture, Media and Sport	47	29	55	57	51	44	39
Work and Pensions	13,304	14,200	13,674	16,258	17,183	18,127	19,171
Wales	2	—	190	-9	13	35	14
Total current finance in departmental AME	13,851	14,400	14,223	16,788	17,785	19,762	20,503
Locally financed support in Scotland⁽²⁾	1,554	1,718	1,804	1,896	1,897	1,884	1,860
Total current finance	70,471	76,216	84,259	91,260	96,892	103,220	107,935
Capital support in DEL⁽³⁾							
Education and Skills	1,917	2,463	3,231	3,729	4,060	3,695	5,476
Health	50	72	132	140	122	234	218
Transport	1,250	1,521	1,544	1,706	1,564	1,660	1,901
CLG Communities and Local Government	961	1,125	1,562	2,063	2,584	2,403	2,730
CLG Local Government	83	202	212	256	315	213	142
Home Office	133	327	388	360	376	305	138
Constitutional Affairs	33	44	35	46	0	11	—
Trade and Industry	358	409	507	551	547	513	537
Environment, Food and Rural Affairs	73	79	158	122	144	142	92
Culture, Media and Sport	—	—	—	10	39	105	175
Work and Pensions	-6	-12	-16	1	0	3	2
Scotland ⁽¹⁾	711	680	593	768	829	935	994
Wales ⁽¹⁾	487	481	519	517	670	680	817
Northern Ireland Executive ⁽¹⁾	1	2	6	6	5	7	3
Cabinet Office	—	—	—	—	—	11	8
Total capital support in DEL	6,050	7,391	8,870	10,274	11,255	10,915	13,235
Capital support in departmental AME⁽³⁾							
Financing from the National Lottery	46	110	94	96	90	79	69
Other departmental AME	50	63	136	—	—	—	—
Total capital support in departmental AME	96	173	230	96	90	79	69
Total capital support	6,146	7,564	9,100	10,370	11,345	10,994	13,304
Total central government support	76,617	83,780	93,359	101,631	108,237	114,214	121,239

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

(2) Non-domestic Rates Income (NDRI) is locally financed support in Scotland, in AME. Equivalent to non-domestic rate payments in England and Wales.

(3) Excludes debt repayment grants from central government which no longer score in budgets.

Table 7.3 Aggregate External Finance in Great Britain by country and grant, 2001–02 to 2007–08

	accruals, £ million						
	National Statistics					2006–07 estimated outturn	2007–08 plans outturn
	2001–02 outturn	2002–03 outturn	2003–04 outturn	2004–05 outturn	2005–06 outturn		
England							
Revenue support grant	21,122	19,931	24,267	27,010	26,726	3,443	3,163
Non-domestic rate payments ⁽¹⁾	15,642	16,802	15,911	15,461	18,409	18,207	18,900
Dedicated schools grant	—	—	—	—	—	26,580	28,287
Other education	2,888	3,434	3,472	3,814	4,565	5,033	5,776
Police	3,940	4,210	4,623	5,091	5,422	5,587	5,062
Health	1,440	2,369	2,400	2,352	2,384	1,950	1,914
Magistrates courts	301	302	313	354	—	—	—
Social security	142	167	337	332	475	468	552
Neighbourhood renewal fund	200	300	400	450	525	525	—
Metropolitan railways passenger services grant	10	12	13	16	16	18	18
GLA transport	743	1,052	1,718	2,296	2,218	2,675	2,414
Strategic Rail Authority	215	241	290	214	205	236	250
RDA development fund	346	386	346	380	386	391	389
PFI special grant	127	207	298	427	416	509	563
Supporting people	16	39	1,858	1,856	1,755	1,725	1,734
LA business growth incentive scheme	—	—	—	—	116	412	409
Other	105	147	216	199	341	548	551
Total England	47,236	49,599	56,464	60,254	63,958	68,307	69,981
Scotland⁽²⁾							
Revenue support grant	3,940	4,558	5,037	5,266	5,586	5,777	6,027
NDRI ⁽³⁾	1,554	1,718	1,804	1,896	1,897	1,884	1,860
Police	388	423	442	486	512	513	541
Other Scotland	256	243	237	404	393	455	516
Total Scotland	6,138	6,942	7,521	8,052	8,388	8,629	8,944
Wales⁽²⁾							
Revenue support grant	2,146	2,347	2,538	2,612	2,815	3,013	3,184
Non-domestic rate payments	708	673	660	672	672	730	730
Police	200	217	214	218	230	268	418
Other Wales	53	58	137	67	80	92	106
Total Wales	3,107	3,295	3,550	3,569	3,797	4,103	4,438
Total Great Britain	56,482	59,835	67,534	71,875	76,144	81,039	83,363
<i>of which: AEF grants in DEL</i>	<i>54,430</i>	<i>57,947</i>	<i>65,426</i>	<i>69,518</i>	<i>73,722</i>	<i>77,597</i>	<i>80,227</i>

(1) Non-domestic rate payments differ to those in table 7.1 because they include non-domestic rate outturn adjustments, which are in departmental AME.

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

(3) Non-domestic Rates Income (NDRI) is locally financed support in Scotland, in AME. Equivalent to non-domestic rate payments in England and Wales.

Table 7.4 Current specific grants outside Aggregate External Finance in the United Kingdom by country and grant, 2001–02 to 2007–08

	accruals, £ million						
	National Statistics						
	2001–02 outturn	2002–03 outturn	2003–04 outturn	2004–05 outturn	2005–06 outturn	2006–07 estimated outturn	2007–08 plans
England							
Mandatory student awards	120	63	67	11	11	11	1
LSC grants	—	1,399	1,525	1,655	2,111	1,940	1,906
Rent rebates	4,156	3,977	3,065	4,184	4,234	4,371	4,378
Rent allowances	5,221	5,940	5,967	6,907	7,525	8,130	8,785
Community charge rebates/Council tax benefits	1,982	2,186	2,519	2,946	3,123	3,257	3,482
Environment Agency	–248	–264	–100	–34	–34	–47	–35
Planning delivery grant	—	—	50	98	125	97	92
New deal for communities	55	99	127	157	160	149	131
Police special grants	99	133	275	48	45	261	738
Local area agreements	—	—	—	—	4	472	1,140
Others ⁽¹⁾	377	421	461	471	493	362	506
Total England	11,760	13,953	13,956	16,443	17,797	19,004	21,125
Scotland							
Rent rebates	649	678	678	535	541	552	563
Rent allowances	383	456	560	618	641	670	729
Community charge rebates/Council tax benefits	289	292	307	347	354	361	377
Others ⁽¹⁾	103	126	99	265	242	335	426
Total Scotland	1,424	1,553	1,644	1,766	1,778	1,918	2,095
Wales							
Rent rebates	261	266	190	267	276	282	294
Rent allowances	242	265	244	280	302	312	352
Community charge rebates/Council tax benefits	113	120	132	156	170	177	191
Others	122	167	490	398	364	439	458
Total Wales	738	818	1,056	1,102	1,112	1,210	1,295
Northern Ireland							
Others	67	57	68	74	61	49	57
Total Northern Ireland	67	57	68	74	61	49	57
Total United Kingdom	13,990	16,381	16,725	19,386	20,748	22,181	24,571
<i>Memo: of which within DEL:</i>							
England	351	1,802	2,338	2,313	2,836	3,190	4,419
Scotland	100	126	99	265	242	334	426
Wales	120	167	301	406	351	405	444
Northern Ireland	66	56	68	73	59	48	55
Total within DEL	637	2,151	2,806	3,058	3,487	3,977	5,345

(1) Includes receipts from the EU that finance grants to local authorities, which are inside departmental budgets.

Table 7.5 Central government capital support⁽¹⁾ for local authorities in the United Kingdom by country and service⁽²⁾, 2001–02 to 2007–08

	accruals, £ million						
	National Statistics						
	2001–02 outturn	2002–03 outturn	2003–04 outturn	2004–05 outturn	2005–06 outturn	2006–07 estimated outturn	2007–08 plans
England							
Credit approvals/SCE(R)⁽³⁾							
Housing	684	844	1,159	1,318	1,676	1,123	1,201
Transport	1,183	1,314	1,451	1,423	1,405	1,370	855
Education	565	818	999	1,198	1,375	1,022	1,445
Personal social services	56	56	49	62	53	60	60
Fire services	57	48	53	58	58	58	58
Environment protection	49	9	40	44	22	0	0
Enterprise and economic development	0	0	0	—	—	—	0
Recreation, culture and religion	—	10	—	—	—	—	—
General public services	93	54	132	—	—	—	8
Criminal justice	70	97	76	78	48	73	23
Total credit approvals/SCE(R)	2,757	3,249	3,959	4,180	4,637	3,706	3,650
Capital grants/SCE(C)⁽³⁾							
Housing	114	108	131	112	93	115	115
Transport	67	203	85	264	160	251	896
Education	1,339	1,623	2,219	2,501	2,666	2,615	3,967
Personal social services	7	38	39	59	83	100	103
Fire services	—	—	—	5	5	5	10
Environment protection	24	71	122	78	122	142	92
Enterprise and economic development ⁽⁴⁾	463	535	727	1,072	1,235	1,241	1,470
Recreation, culture and religion	—	—	—	10	39	105	175
General public services ⁽⁴⁾	33	177	187	311	336	624	725
Health	—	—	58	62	45	138	100
Employment policies	1	5	4	1	0	3	3
Criminal Justice	88	264	333	323	315	249	110
Total capital grants/ SCE(C)	2,137	3,024	3,904	4,799	5,100	5,588	7,765
Total England	4,894	6,274	7,864	8,980	9,737	9,294	11,415
Scotland⁽⁵⁾							
Supported borrowing⁽⁶⁾							
Scottish Executive housing	178	160	123	—	—	—	—
Scottish Executive: other	430	458	373	364	355	354	330
Total supported borrowing	607	618	496	364	355	354	330
Capital grants							
Scottish Executive housing	65	26	12	223	209	182	267
Scottish Executive: other ⁽⁴⁾	38	37	85	181	264	399	398
Total capital grants	103	62	97	404	473	581	665
Total Scotland	711	680	593	768	829	935	994
Wales⁽⁵⁾							
Credit approvals/SCE(R)							
National Assembly for Wales	256	259	264	167	163	163	163
Other departments ⁽⁷⁾	3	4	4	4	15	—	6
Total credit approvals/SCE(R)	259	263	268	171	178	163	169
Capital grants							
National Assembly for Wales	231	229	265	350	507	516	654
Other departments ⁽⁷⁾	5	6	10	—	—	—	—
Total capital grants/SCE(C)	236	235	275	350	507	516	654
Total Wales	495	498	543	521	685	680	823
Northern Ireland capital grants⁽⁵⁾	1	2	6	6	5	7	3
Capital grants from the National Lottery	46	110	94	96	90	79	69
United Kingdom Total	6,146	7,564	9,100	10,370	11,345	10,994	13,304
<i>of which:</i>							
Credit approvals/SCE(R)	3,623	4,131	4,723	4,715	5,171	4,223	4,149
Capital grants/SCE(C)	2,523	3,433	4,376	5,656	6,175	6,771	9,156

(1) Excludes debt repayment grants from central government which no longer score in budgets.

(2) The service categories shown are local authority service areas not COFOG categories.

(3) A full definition of Supported Capital Expenditure (SCE) is given in Appendix G.

(4) Includes receipts from the EU that finance grants to local authorities, which are inside departmental budgets.

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

(6) Supported borrowing is the equivalent of credit approvals in England and Wales.

(7) Includes the Home Office and the Department for Constitutional Affairs.

Table 7.6 Local authority current and capital expenditure on services in the United Kingdom by COFOG, 2001–02 to 2006–07⁽¹⁾

	accruals, £ million					
	National Statistics					
	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07
	outturn	outturn	outturn	outturn	outturn	plans
Current						
1. General public services	3,150	3,401	3,638	4,005	4,267	4,568
of which: public and common services	2,846	3,134	3,404	3,621	3,828	4,071
of which: public sector debt interest ⁽²⁾	304	267	234	384	439	497
2. Defence	30	32	33	40	53	60
3. Public order and safety	11,355	11,836	13,088	13,826	14,329	14,609
4. Economic affairs	3,713	4,206	5,302	5,694	5,987	6,053
of which: enterprise and economic development	926	971	1,039	1,274	1,395	1,262
of which: agriculture, fisheries and forestry	9	6	10	9	10	13
of which: transport	2,777	3,229	4,254	4,411	4,582	4,778
5. Environment protection	3,243	3,518	3,827	4,124	4,491	4,741
6. Housing and community amenities	1,668	1,821	2,333	2,462	2,652	2,726
7. Health	476	478	423	312	299	286
8. Recreation, culture and religion	3,106	3,258	3,545	3,613	3,805	3,831
9. Education (includes training)	30,794	32,490	36,108	38,265	40,696	42,311
of which: education	30,778	32,472	36,089	38,246	40,671	42,292
of which: training	16	18	19	19	25	19
10. Social protection	26,337	29,347	32,323	35,007	37,257	38,775
Total local authorities' current expenditure on services	83,873	90,385	100,620	107,346	113,836	117,962
Accounting adjustments	7,394	8,658	6,912	10,232	11,957	12,691
Total local authorities' current expenditure	91,267	99,043	107,532	117,578	125,793	130,653
Capital						
1. General public services	282	349	413	835	944	1,021
of which: public and common services	282	349	413	835	944	1,021
3. Public order and safety	405	512	618	704	684	783
4. Economic affairs	2,092	2,646	2,802	2,974	3,533	3,594
of which: enterprise and economic development	42	-17	2	-13	127	127
of which: employment policies	3	1	0	0	0	0
of which: agriculture, fisheries and forestry	19	34	42	49	52	52
of which: transport	2,028	2,629	2,757	2,938	3,354	3,414
5. Environment protection	124	165	276	362	393	506
6. Housing and community amenities	638	575	561	991	998	1,144
7. Health	2	2	60	63	45	71
8. Recreation, culture and religion	694	663	679	856	1,067	1,350
9. Education (includes training)	2,140	2,286	2,830	3,190	3,725	3,753
of which: education	2,136	2,282	2,823	3,183	3,715	3,737
of which: training	3	4	7	7	10	16
10. Social protection	120	153	171	191	314	361
Total local authorities' capital expenditure on services	6,496	7,352	8,410	10,167	11,704	12,583
Accounting adjustments	2,618	3,960	3,289	3,117	1,824	2,333
Total local authorities' capital expenditure	9,114	11,312	11,699	13,284	13,528	14,916
Total local authorities' expenditure	100,381	110,355	119,231	130,862	139,321	145,569

(1) The local authority current expenditure figures for 2006–07 reflect local authority budgets data, as set at the beginning of 2006–07. This differs from the totals of local authority current expenditure in this table, which reflects latest figures for estimated outturn, as forecast in the public finances section of the Financial Statement and Budget Report in March 2007. The difference in sources is adjusted for within the accounting adjustments.

(2) This excludes all intra-public sector payments of debt interest.

Table 7.7 Local authority current expenditure on services in the United Kingdom by country and COFOG, 2001–02 to 2006–07⁽¹⁾

	accruals, £ million					
	National Statistics					
	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07
	outturn	outturn	outturn	outturn	outturn	plans
England						
1. General public services	2,429	2,651	2,914	3,101	3,075	3,487
<i>of which: public and common services</i>	2,429	2,651	2,914	3,101	3,075	3,487
2. Defence	25	27	28	34	46	52
3. Public order and safety	9,918	10,346	11,468	12,168	12,544	12,727
4. Economic affairs	3,053	3,461	4,516	4,858	5,112	5,126
<i>of which: enterprise and economic development</i>	760	790	833	1,043	1,158	973
<i>of which: agriculture, fisheries and forestry</i>	7	4	7	6	8	10
<i>of which: transport</i>	2,286	2,667	3,676	3,809	3,946	4,143
5. Environment protection	2,626	2,849	3,109	3,357	3,675	3,901
6. Housing and community amenities	1,448	1,573	2,072	2,186	2,346	2,385
7. Health	449	449	391	278	261	249
8. Recreation, culture and religion	2,300	2,394	2,641	2,652	2,799	2,868
9. Education (includes training)	25,994	27,396	30,523	32,319	34,458	36,034
<i>of which: education</i>	25,994	27,396	30,523	32,319	34,458	36,034
10. Social protection	22,341	24,737	27,469	29,847	31,762	33,126
Total England	70,582	75,884	85,130	90,799	96,078	99,956
Scotland						
1. General public services	252	298	305	348	516	342
<i>of which: public and common services</i>	252	298	305	348	516	342
2. Defence	3	3	3	4	4	4
3. Public order and safety	879	903	990	1,026	1,104	1,152
4. Economic affairs	433	497	519	538	586	597
<i>of which: enterprise and economic development</i>	99	106	123	129	144	171
<i>of which: agriculture, fisheries and forestry</i>	1	1	1	1	1	1
<i>of which: transport</i>	333	391	396	409	440	425
5. Environment protection	350	376	396	417	438	455
6. Housing and community amenities	72	81	84	88	95	91
8. Recreation, culture and religion	453	486	527	550	572	543
9. Education (includes training)	3,139	3,343	3,659	3,917	4,112	4,095
<i>of which: education</i>	3,139	3,343	3,659	3,917	4,112	4,095
10. Social protection	2,675	3,112	3,204	3,396	3,613	3,662
Total Scotland	8,257	9,098	9,688	10,284	11,040	10,941
Wales						
1. General public services	165	184	185	172	237	242
<i>of which: public and common services</i>	165	184	185	172	237	242
2. Defence	2	2	2	2	3	3
3. Public order and safety	558	588	630	632	682	730
4. Economic affairs	220	240	256	284	277	316
<i>of which: enterprise and economic development</i>	60	67	72	89	79	103
<i>of which: agriculture, fisheries and forestry</i>	1	2	2	2	2	2
<i>of which: transport</i>	158	171	182	194	196	211
5. Environment protection	179	198	225	247	263	242
6. Housing and community amenities	78	92	105	109	126	148
8. Recreation, culture and religion	197	212	219	243	254	248
9. Education (includes training)	1,661	1,751	1,926	2,028	2,126	2,183
<i>of which: education</i>	1,645	1,734	1,907	2,009	2,101	2,164
<i>of which: training</i>	16	18	19	19	25	19
10. Social protection	1,321	1,497	1,650	1,764	1,883	1,987
Total Wales	4,380	4,765	5,199	5,482	5,850	6,099
Total Great Britain	83,219	89,747	100,016	106,565	112,968	116,996

Table 7.7 Local authority current expenditure on services in the United Kingdom by country and COFOG, 2001–02 to 2006–07⁽¹⁾ (continued)

	accruals, £ million					
	National Statistics					
	2001–02 outturn	2002–03 outturn	2003–04 outturn	2004–05 outturn	2005–06 outturn	2006–07 plans
Northern Ireland						
4. Economic affairs	7	8	10	13	13	14
<i>of which: enterprise and economic development</i>	7	8	10	13	13	14
5. Environment protection	89	94	97	104	115	143
6. Housing and community amenities	70	74	73	79	86	102
7. Health	28	29	32	34	37	38
8. Recreation, culture and religion	156	165	159	167	179	172
Total Northern Ireland	350	370	370	398	429	469
Debt interest ⁽²⁾	304	267	234	384	439	497
Total local authorities' current expenditure on services	83,873	90,385	100,620	107,346	113,836	117,962
Accounting adjustments	7,394	8,658	6,912	10,232	11,957	12,691
Total local authorities' current expenditure	91,267	99,043	107,532	117,578	125,793	130,653

(1) The local authority current expenditure figures for 2006–07 reflect local authority budgets data, as set at the beginning of 2006–07. This differs from the totals of local authority current expenditure in this table, which reflects latest figures for estimated outturn, as forecast in the public finances section of the Financial Statement and Budget Report in March 2007. The difference in sources is adjusted for within the accounting adjustments.

(2) This excludes all intra-public sector payments of debt interest.

Table 7.8 Local authority gross⁽¹⁾ capital expenditure on services in the United Kingdom by country and COFOG, 2001–02 to 2006–07

	accruals, £ million					
	National Statistics					
	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07
	outturn	outturn	outturn	outturn	outturn	plans
England						
1. General public services	459	607	809	1,125	1,229	1,432
<i>of which: public and common services</i>	459	607	809	1,125	1,229	1,432
3. Public order and safety	452	521	618	685	701	774
4. Economic affairs	2,070	2,708	2,781	2,989	3,314	3,277
<i>of which: enterprise and economic development</i>	182	220	202	260	302	352
<i>of which: employment policies</i>	3	1	1	0	0	0
<i>of which: agriculture, fisheries and forestry</i>	38	65	72	66	93	98
<i>of which: transport</i>	1,847	2,422	2,506	2,663	2,919	2,827
5. Environment protection	103	132	236	302	301	350
6. Housing and community amenities	650	570	654	880	954	1,112
7. Health	—	—	58	62	43	63
8. Recreation, culture and religion	630	621	594	697	947	1,196
9. Education (includes training)	2,062	2,287	2,780	3,087	3,492	3,581
<i>of which: education</i>	2,062	2,287	2,780	3,087	3,492	3,581
10. Social protection	158	199	202	221	341	405
Total England	6,584	7,643	8,732	10,048	11,321	12,191
Scotland						
1. General public services	87	92	97	133	162	231
<i>of which: public and common services</i>	87	92	97	133	162	231
3. Public order and safety	40	53	66	65	51	71
4. Economic affairs	196	201	254	316	382	552
<i>of which: enterprise and economic development</i>	12	15	13	20	27	38
<i>of which: agriculture, fisheries and forestry</i>	19	16	20	24	21	30
<i>of which: transport</i>	165	169	221	271	334	484
5. Environment protection	14	16	18	38	53	77
6. Housing and community amenities	86	66	80	144	130	143
8. Recreation, culture and religion	53	76	88	109	110	152
9. Education (includes training)	143	157	172	199	310	417
<i>of which: education</i>	140	153	163	191	292	393
<i>of which: training</i>	4	4	9	8	18	24
10. Social protection	31	30	32	33	38	69
Total Scotland	652	691	805	1,037	1,236	1,712
Wales						
1. General public services	23	37	52	51	60	90
<i>of which: public and common services</i>	23	37	52	51	60	90
3. Public order and safety	26	28	39	43	41	50
4. Economic affairs	129	129	146	171	241	268
<i>of which: enterprise and economic development</i>	16	18	18	26	34	51
<i>of which: agriculture, fisheries and forestry</i>	6	5	5	8	6	10
<i>of which: transport</i>	108	106	123	138	200	208
5. Environment protection	23	22	25	26	37	55
6. Housing and community amenities	157	158	173	189	191	260
8. Recreation, culture and religion	36	49	71	80	76	72
9. Education (includes training)	96	97	115	144	161	174
<i>of which: education</i>	96	97	115	144	161	174
10. Social protection	10	11	14	17	20	16
Total Wales	500	531	635	721	827	985
Total Great Britain	7,736	8,865	10,171	11,806	13,384	14,888

Table 7.8 Local authority gross⁽¹⁾ capital expenditure on services in the United Kingdom by country and COFOG, 2001–02 to 2006–07 (continued)

	accruals, £ million					
	National Statistics					
	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07
	outturn	outturn	outturn	outturn	outturn	plans
Northern Ireland						
4. Economic affairs	0	0	3	3	1	6
<i>of which: enterprise and economic development</i>	0	0	3	3	1	6
5. Environment protection	8	8	15	13	18	40
6. Housing and community amenities	14	14	15	15	19	27
7. Health	2	2	2	1	1	8
8. Recreation, culture and religion	15	15	22	32	43	57
Total Northern Ireland	38	40	57	64	83	138
Total United Kingdom	7,774	8,906	10,228	11,870	13,466	15,026
Memorandum						
United Kingdom gross capital expenditure, from above	7,774	8,906	10,228	11,870	13,466	15,026
United Kingdom capital receipts (see table 7.9)	-1,278	-1,554	-1,818	-1,703	-1,763	-2,443
Total local authorities' capital expenditure on services	6,496	7,352	8,410	10,167	11,704	12,583
Accounting adjustments	2,618	3,960	3,289	3,117	1,824	2,333
Total local authorities' net capital expenditure	9,114	11,312	11,699	13,284	13,528	14,916

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

Table 7.9 Local authority expenditure on services capital receipts in the United Kingdom by country and COFOG, 2001–02 to 2006–07

	accruals, £ million					
	National Statistics					
	2001–02 outturn	2002–03 outturn	2003–04 outturn	2004–05 outturn	2005–06 outturn	2006–07 plans
England						
1. General public services	248	315	480	369	413	548
<i>of which: public and common services</i>	248	315	480	369	413	548
3. Public order and safety	105	83	97	84	103	105
4. Economic affairs	280	350	350	452	376	470
<i>of which: enterprise and economic development</i>	159	234	214	307	228	302
<i>of which: employment policies</i>	—	—	0	—	—	—
<i>of which: agriculture, fisheries and forestry</i>	42	49	53	45	63	78
<i>of which: transport</i>	80	67	82	100	85	90
5. Environment protection	23	11	12	12	8	11
6. Housing and community amenities	240	221	324	196	239	317
8. Recreation, culture and religion	33	83	55	41	85	106
9. Education (includes training)	146	233	221	210	217	399
<i>of which: education</i>	146	233	221	210	217	399
10. Social protection	68	74	74	75	84	126
Total England	1,143	1,371	1,613	1,440	1,524	2,082
Scotland						
1. General public services	35	58	53	92	85	170
<i>of which: public and common services</i>	35	58	53	92	85	170
3. Public order and safety	4	4	5	3	5	6
4. Economic affairs	16	13	27	41	13	23
<i>of which: enterprise and economic development</i>	7	11	16	7	4	9
<i>of which: agriculture, fisheries and forestry</i>	0	0	0	1	0	0
<i>of which: transport</i>	9	2	10	33	8	14
5. Environment protection	0	1	2	0	0	1
6. Housing and community amenities	18	6	9	6	8	15
8. Recreation, culture and religion	4	10	4	7	4	8
9. Education (includes training)	11	15	13	19	17	18
<i>of which: education</i>	11	15	11	18	9	9
<i>of which: training</i>	0	0	2	1	8	8
10. Social protection	10	10	2	4	1	2
Total Scotland	100	116	114	174	133	241
Wales						
1. General public services	5	15	12	11	10	14
<i>of which: public and common services</i>	5	15	12	11	10	14
3. Public order and safety	3	3	2	1	1	2
4. Economic affairs	7	28	3	9	16	16
<i>of which: enterprise and economic development</i>	2	25	1	5	5	8
<i>of which: agriculture, fisheries and forestry</i>	2	3	1	3	6	8
<i>of which: transport</i>	4	0	1	1	5	0
5. Environment protection	0	0	3	0	0	1
6. Housing and community amenities	11	6	26	30	43	60
8. Recreation, culture and religion	0	1	28	6	6	0
9. Education (includes training)	5	7	2	10	5	3
<i>of which: education</i>	5	7	2	10	5	3
10. Social protection	1	2	1	1	0	1
Total Wales	31	63	76	69	80	97
Total Great Britain	1,273	1,549	1,804	1,684	1,737	2,420

Table 7.9 Local authority expenditure on services capital receipts in the United Kingdom by country and COFOG, 2001–02 to 2006–07 (continued)

	accruals, £ million					
	National Statistics					
	2001–02 outturn	2002–03 outturn	2003–04 outturn	2004–05 outturn	2005–06 outturn	2006–07 plans
Northern Ireland						
4. Economic affairs	—	—	1	2	0	0
<i>of which: enterprise and economic development</i>	—	—	1	2	0	0
5. Environment protection	1	1	2	5	6	5
6. Housing and community amenities	1	1	3	4	6	6
7. Health	0	0	0	0	0	0
8. Recreation, culture and religion	3	3	8	8	13	12
Total Northern Ireland	4	5	15	19	26	24
Total United Kingdom capital receipts	1,278	1,554	1,818	1,703	1,763	2,443

Table 7.10 Local authority expenditure on services in the United Kingdom by country and economic category, 2001–02 to 2006–07⁽¹⁾

	accruals, £ million					
	National Statistics					
	2001–02 outturn	2002–03 outturn	2003–04 outturn	2004–05 outturn	2005–06 outturn	2006–07 plans
England						
Pay	41,548	44,107	48,749	51,922	55,091	57,561
Other current expenditure on goods and services	17,235	18,777	22,546	24,185	25,358	25,650
Subsidies	977	1,417	2,251	2,321	2,423	2,765
Current grants to persons	10,822	11,583	11,584	12,370	13,207	13,979
Capital expenditure on assets net of receipts	5,174	6,042	6,824	8,169	9,367	9,616
Capital grants	268	230	295	438	430	493
Total England	76,024	82,156	92,248	99,407	105,875	110,065
Scotland						
Pay	4,485	4,804	5,425	5,906	6,470	6,322
Other current expenditure on goods and services	2,554	2,944	3,031	3,105	3,264	3,275
Subsidies	109	107	82	85	91	87
Current grants to persons	1,107	1,243	1,150	1,188	1,215	1,257
Capital expenditure on assets net of receipts	493	523	618	763	1,040	1,416
Capital grants	59	52	72	101	63	55
Total Scotland	8,808	9,673	10,379	11,147	12,143	12,412
Wales						
Pay	2,306	2,452	2,721	2,917	3,180	3,292
Other current expenditure on goods and services	1,536	1,735	1,934	2,005	2,086	2,186
Current grants to persons	538	578	543	560	584	621
Capital expenditure on assets net of receipts	362	352	435	521	636	734
Capital grants	107	116	123	131	111	155
Total Wales	4,849	5,234	5,757	6,133	6,597	6,988
Great Britain						
Pay	48,339	51,363	56,895	60,744	64,741	67,175
Other current expenditure on goods and services	21,325	23,456	27,511	29,295	30,708	31,112
Subsidies	1,086	1,523	2,333	2,407	2,513	2,852
Current grants to persons	12,468	13,405	13,278	14,119	15,006	15,857
Capital expenditure on assets net of receipts	6,030	6,917	7,877	9,453	11,043	11,766
Capital grants	433	399	490	669	604	702
Total Great Britain	89,681	97,063	108,384	116,687	124,615	129,464
Northern Ireland						
Pay	166	176	187	198	227	244
Other current expenditure on goods and services	184	195	183	199	202	224
Capital expenditure on assets net of receipts	34	36	42	45	57	115
Total Northern Ireland	384	406	413	443	486	583
United Kingdom						
Pay	48,505	51,538	57,082	60,942	64,968	67,420
Other current expenditure on goods and services	21,510	23,651	27,694	29,494	30,910	31,336
Subsidies	1,086	1,523	2,333	2,407	2,513	2,852
Current grants to persons	12,468	13,405	13,278	14,119	15,006	15,857
Local Authority debt interest to private sector ⁽²⁾	304	267	234	384	439	497
Capital expenditure on assets net of receipts	6,063	6,953	7,920	9,498	11,100	11,881
Capital grants	433	399	490	669	604	702
Total United Kingdom expenditure on services	90,369	97,737	109,030	117,514	125,540	130,545
Accounting adjustments	10,012	12,618	10,201	13,348	13,781	15,025
Total local authorities expenditure	100,381	110,355	119,231	130,862	139,321	145,569

(1) The local authority current expenditure figures for 2006–07 reflect local authority budgets data, as set at the beginning of 2006–07. This differs from the totals of local authority current expenditure in this table, which reflects latest figures for estimated outturn, as forecast in the public finances section of the Financial Statement and Budget Report in March 2007. The difference in sources is adjusted for within the accounting adjustments.

(2) This excludes all intra-public sector payments of debt interest. This is not split into individual countries so is only included in the total UK figures.

8

PUBLIC CORPORATIONS

8.1 This chapter sets out what public corporations are, recent developments affecting them, how they are controlled, and how they are scored in public expenditure.

What's new

8.2 Outturn data in this chapter up to 2005-06 are National Statistics following the extension of scope of National Statistics in PESA 2007.

Definition of public corporations

8.3 Public corporation is a term from national accounts – which are produced based on the European System of Accounts (ESA95). So it is the Office for National Statistics (ONS) that determines which bodies are public corporations. A body will be classified as a public corporation where:

- it is classified as a *market body*, that is a body that derives 50% of production cost from the sale of goods or services at economically significant prices. Some charge for regulatory activities, where these provide a significant benefit to the person paying the fee, for example through quality testing;
- it is 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 institutional units separate from their parent departments.

Recent developments

8.4 In June 2006, ONS announced the reclassification of the capital assets of Housing Revenue Accounts (HRA) from the Local Government (LG) sector to the PC sector. Previously the assets had been viewed as being owned by the LG sector with just the current transactions of the HRA scoring to the PC sector. This change is effective from the HRA's inception.

8.5 The treatment of underperforming Self-Financing Public Corporations (SFPCs) has been revised. SFPCs should cover the cost of capital through their payments of interest and dividends. When returns from the SFPC fall short of the department's cost of capital charge, a near-cash underperformance charge equal to the shortfall will be charged to the departmental DEL. This underperformance charge reflects the budgeting guidelines for standard PCs in DEL and is intended to incentivise departments to manage SFPCs appropriately as well as providing visibility of underperformance to Parliament and the wider public.

8.6 British Nuclear Fuel Limited (BNFL), a public corporation, has transferred the bulk of its assets and liabilities to the Nuclear Decommissioning Authority (NDA), part of central government. In the national accounts these assets were shown as having a large (circa £15.6bn) negative value due to the decommissioning and clean-up liabilities being far in excess of their remaining productive value. The transfer from the PC sector to the CG sector has no impact on TME, or the public finances overall, as this is an intra public sector set of transactions. However, the components of the public sector finances are affected as follows:

- Increase to public corporations gross fixed capital formation (GFCF)
- Corresponding reduction to central government GFCF
- Increase to central government payments of capital grants to public corporations, which finances the increased PC GFCF
- Corresponding increase in receipts of capital grants by public corporations.

8.7 Both the expenditure and receipt imputed to the PC sector are included in the Public Corporations Own Financed Capital Expenditure (PCOFCE) line in non-departmental AME. This means that PCOFCE is not distorted by this set of transactions, and is in line with other PC capital spending where that is financed from central government departmental budgets.

8.8 TME is a consolidated measure of expenditure, and in PESA the sectoral split of TME records only the 'own' expenditure components that relate to an individual sector. That is payments from one sector which are used to finance the expenditure of another sector are excluded from the paying sector's own expenditure breakdown, as are the corresponding receipts in the counterparty sector. This is consistent with TME being a consolidated measure of public sector expenditure.

8.9 As such the imputed capital spending of BNFL described above adds to the total PC contribution to TME as presented in this chapter, and in Table 1.15. Likewise the reduction in central government capital expenditure reduces the CG contribution to TME as presented elsewhere in PESA (see Chapter 6 and Table 1.15). The PC expenditure component of TME split by spending relating to the imputed BNFL capital spending is recorded as part of the accounting adjustments in Table 8.1.

The corporate control framework

8.10 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 and reviewed regularly. They vary in form, according to the circumstances of the body. The financial targets should be backed up by performance metrics, again to be reviewed on a regular basis. The nature of the metrics will depend on the nature of the business, but could include costs and standards of service.
- **Investment appraisal and pricing principles.** Public corporations are required to include a suitable rate of return in their corporate plan. This requirement is intended to ensure that resources are used effectively, that consumers experience appropriate prices, and that markets are not distorted.

The required rate will vary between corporations and is set individually by the sponsoring department with, where appropriate, the agreement of the Treasury. The process for assessing the rate of return is described in Chapter 11 of the Consolidated Budgeting Guidance.

- **Monitoring** plays an important role in controlling public corporations' performance in the interests of the taxpayer and the consumer. Sponsor Ministers, departments and the Shareholder Executive, where appropriate, will monitor bodies' performance on a regular basis against all aspects of the controls described.

Self-financing public corporations

8.11 The Treasury has designated some public corporations SFPCs. To be classified as an SFPC, the public corporation must normally 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 from regulatory fees. It must trade profitably and not require subsidies or other financial support from its parent department.

8.12 SFPCs normally score in Departmental AME rather than in DEL – though any subsidies and grants exceptionally paid to them would score in DEL. They also have greater and more individually tailored financial flexibilities. Some SFPCs are also trading funds.

Trading funds

8.13 Where activities of a government department generate income from the supply of goods and services those parts of the department may be designated trading funds by Parliament on the application of the Government. Trading funds may keep unspent funds from one year to the next without having to surrender surpluses to the Exchequer at the end of each year.

8.14 Most trading funds are classified by ONS as public corporations in the national accounts. DVLA is the only trading fund that is treated as a central government body in the national accounts and so in PESA.

8.15 Trading funds are not directly subject to central government administration costs controls. The budgeting treatment of trading funds that are public corporations is normally the same as that of other public corporations.

Public expenditure measurement and control

8.16 The following transactions with and in respect of public corporations accountable to Ministers are normally included in departmental budgets:

- subsidies paid to the public corporation by the Department (in resource DEL);
- capital grants paid to the public corporation by the Department (in capital DEL);
- interest and dividends received from the public corporation (resource DEL, or resource AME if an SFPC);
- equity withdrawals from public corporations (capital DEL, or capital AME if an SFPC) – included with net lending in table 8.1;

- loans and public dividend capital (PDC) invested in the public corporation (capital DEL, or capital AME if an SFPC);
- public corporations' market and overseas borrowing (PCMOB) where, exceptionally, it is permitted (capital DEL, or capital AME if an SFPC); and
- a capital charge in respect of the public corporation (in resource DEL, or resource AME if an SFPC). This is normally the same figure as is recorded in the department's resource accounts. However, budgets normally include capital charges for those public corporations where the department has no investment in the public corporation (whether by way of loan or PDC) even though there would then be none in the accounts.

8.17 Forest Enterprises and London and Continental Railways (LCR) have a different budgeting treatment:

- resource DEL includes: subsidies given to the public corporations; the public corporations' profit(-)/loss(+); and a capital charge / credit on the public corporations' net assets / liabilities;
- capital DEL includes the public corporations' capital expenditure, any loans given by the public corporations to the private sector, and any shares that the public corporations buy in a private sector company.

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

8.19 When PCs are government departments in their own right as is the case for some trading funds, they will normally be assigned a parent department for budgeting purposes, and the budgetary scoring described above will apply, including the cost of capital charge.

8.20 Public corporations controlled by local authorities include the businesses reporting to Transport for London and local authority airports such as Manchester. DEL and Departmental AME include central government support to local authorities, some of which may be used by them to support public corporations, and none of which is identified in PESA as relating to public corporations. The expenditure of these public corporations is not within DEL or departmental AME. The whole of their capital expenditure is included in the public corporations' own financed capital expenditure line in AME. They are included in the bottom line of tables 8.1 and 8.3 which show the total contribution of all public corporations' own expenditure to Total Managed Expenditure (TME).

8.21 Table 8.1 shows the impact on departmental budgets – DEL and Departmental AME – of public corporations accountable to Ministers. It also shows a reconciliation to the impact of all public corporations, including those accountable to local authorities, on TME. PC gross investment in TME is the sum of PC capital expenditure in budgets (Forest Enterprises & LCR only), government capital support in budgets (CG investment grants, net lending to PCs), PCMOB in budgets, and public corporations' own financed capital expenditure. Grants and subsidies in budgets also include those paid to public corporations under schemes that are generally available to the private sector. Any loans between departments and their PCs which are written off by mutual consent will also be shown here. The table covers outturn and plan years. See also the section on BNFL above.

8.22 Table 8.2 shows the contributions of public corporations accountable to Ministers to departmental budgets, by department, for outturn and plan years. PESA 2007 shows a new line of expenditure for Northern Ireland Executive which relates to expenditure incurred in 2003/04 relating to a pilot housing scheme under the Supporting People Programme. This expenditure was originally placed in AME due to the unpredictability of the exact amount of initial outlay. This programme expenditure has subsequently been taken into the Northern Ireland Executive's DEL.

Public corporations in Total Managed Expenditure

8.23 TME measures the current and capital expenditure of the public sector as a whole. It is taken from national accounts compiled by the ONS. TME includes:

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

8.24 TME is a consolidated measure of expenditure. So capital grants and net lending to public corporations, and interest and dividend flows between general government and public corporations are consolidated out. Payments of subsidies to public corporations (like general government's purchases of goods and services from them) are not consolidated out. Instead, these flows contribute to public corporations' gross trading surplus, an income item in the public sector's accounts.

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

8.26 Note that the impact of public corporations on departmental budgets differs from their impact on TME. Accounting adjustments are used to move from DEL *plus* Departmental AME *plus* Own financed capital expenditure (Other AME) to TME (see Appendix D for a full explanation of the accounting adjustments).

8.27 Table 8.3 shows the capital expenditure of each major public corporation sponsored by a central government department and of the biggest public corporations accountable to local authorities. It also identifies those that are self-financing public corporations or trading funds. The table does not identify separately small public corporations controlled by central government departments and most public corporations under local authority control – their capital expenditure is included in the accounting adjustments. It also gives for each department the sum of capital expenditure of the public corporations listed. The total figure for the table includes all public corporations. Capital expenditure is recorded net of any asset sales. In this table, apart from the total line, it includes any capital grants paid by a public corporation net of any received from the private sector or abroad. The table gives individual figures for public corporations for outturn years and for public corporations that are not self-financing for estimated outturn and plan years. Table 8.3 contains a new line showing the expenditure incurred by Forest Enterprise, Scotland. This expenditure had previously been recorded together with that of the Scottish Executive.

Sources of data and data quality

8.28 Information on public corporations' contribution to budgets in **Tables 8.1** and **8.2** is supplied by departments. Most of the data reflect voted income and expenditure and should be of good quality. **Appendix A** has more information.

8.29 Information on public corporations' capital expenditure is sourced from public corporations by departments who in turn supply the data to the Treasury via the COINS database. So there is a 100% survey of public corporations accountable to Ministers – completeness tends to high quality. However, information is provided by departments primarily for PESA: it does not form part of a control total (apart from Forest Enterprises and LCR); and the only appearance in a departmental publication will normally be within the regional expenditure tables in departmental reports. Information in **Table 8.3** may therefore not be as up to date as the information in the other tables in this chapter.

Further Information

8.30 More information is available in the departmental reports of government departments and in the annual reports and accounts of individual public corporations. A fuller list of public corporations is available on the ONS website at http://www.statistics.gov.uk/downloads/theme_economy/MA23.xls. *Sector classification for the national accounts*.

Table 8.1 Public corporations' contribution to budgets⁽¹⁾ and Total Managed Expenditure, 2001–02 to 2007–08

	accruals, £ million						
	National Statistics						
	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08
	outturn	outturn	outturn	outturn	outturn	estimated	plans
						outturn	outturn
Resource DEL							
CG dividends from PCs (–)	–16	–13	–25	–32	–44	–48	–38
CG interest from PCs (–)	–34	–50	–50	–60	–66	–85	–97
Subsidies to PCs	701	754	1,617	748	769	823	1,377
Loan write off – mutual consent	—	—	—	—	5	—	—
Cost of capital charge	16	–2	58	30	32	3	18
Profit(–)/loss(+) of FE and LCR ⁽²⁾	221	275	362	401	330	319	239
Total resource DEL	887	964	1,962	1,088	1,026	1,013	1,499
Resource AME							
CG dividends from SFPCs (–)	–42	–34	–30	–44	–53	–83	–45
CG interest from SFPCs (–)	—	–12	–2	–1	–1	—	—
Subsidies to SFPCs	2	2	37	2	2	2	70
Cost of capital charge of SFPCs	199	182	170	162	156	176	176
Total resource AME	159	137	176	119	104	95	202
Total public corporations' contribution to resource budget⁽¹⁾	1,046	1,101	2,138	1,207	1,130	1,109	1,702
Capital DEL							
CG investment grants to PCs	765	1,061	309	335	340	292	295
Capital expenditure by FE and LCR ⁽²⁾⁽³⁾	1,006	979	900	676	607	506	276
Net lending to PCs	76	–50	–144	–225	–108	–161	126
Market and overseas borrowing	—	—	—	—	4	17	—
Total capital DEL	1,847	1,990	1,065	785	843	653	697
Capital AME							
Net lending to SFPCs	–50	–50	46	520	–120	426	50
Total capital AME	–50	–50	46	520	–120	426	50
Total public corporations' contribution to capital budget	1,797	1,940	1,111	1,305	723	1,079	747
Other AME:							
PC own-financed capital expenditure ⁽⁴⁾	2,340	3,504	2,375	3,091	5,323	4,266	4,508
Accounting adjustments	–1,838	–1,494	–4,026	–3,382	12,198	–3,682	–4,100
Public corporations' expenditure in TME	4,395	6,005	3,876	4,775	21,975	5,680	5,600
<i>of which:</i>							
PC current expenditure in TME	258	561	390	379	345	335	300
PC gross investment in TME	4,137	5,444	3,486	4,396	21,630	5,345	5,300

(1) Data in this table differ from those shown for public corporations in Tables 1.15 and 2.4. Central government subsidies to public corporations are classified as central government own spending in national accounts, and are shown as such in Tables 1.15 and 2.4. In Table 8.1 subsidies are shown as part of public corporations' contribution to resource budget. Subsidies are removed in the accounting adjustments and do not form part of public corporations' expenditure in TME.

(2) Forest Enterprises and LCR have different budgeting rules such that the profit/loss scores in resource DEL and capital expenditure scores in capital DEL.

(3) Includes NIE NHS trust capital expenditure. Amounts are less than £3m a year.

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

Table 8.2 Public corporations' contribution to budgets⁽¹⁾ by departmental group, 2001–02 to 2007–08

	accruals, £ million						
	National Statistics					2006–07 estimated outturn	2007–08 plans
	2001–02 outturn	2002–03 outturn	2003–04 outturn	2004–05 outturn	2005–06 outturn		
Resource DEL							
Health	0	3	3	—	—	—	0
Transport	183	221	1,186	336	260	238	143
Communities and Local Government	41	39	37	40	22	1	18
Home Office	–1	–3	–2	—	—	—	–4
Defence	18	14	14	–4	–7	–49	–14
Foreign and Commonwealth Office	139	146	157	164	181	180	185
Trade and Industry	–5	–1	–8	–2	5	4	395
Environment, Food and Rural Affairs	85	104	75	76	74	77	69
Work and Pensions	143	113	108	108	108	131	92
Scotland	42	44	108	89	80	75	89
Wales	16	17	19	21	21	62	58
Northern Ireland Executive	226	266	267	259	280	295	471
Chancellor's Departments	—	—	—	—	1	—	–1
Total resource DEL	887	964	1,962	1,088	1,026	1,013	1,499
Resource AME							
Defence	36	14	10	1	–7	—	–5
International Development	54	50	51	56	71	89	87
Trade and Industry	—	–6	–2	—	—	—	68
Northern Ireland Executive	—	—	35	—	—	—	—
Chancellor's Departments	69	79	81	62	39	6	52
Total resource AME	159	137	176	119	104	95	202
Total public corporations' contribution to resource budget	1,046	1,101	2,138	1,207	1,130	1,109	1,702
Capital DEL							
Health	0	0	3	—	—	—	—
Transport	1,477	1,740	933	686	637	558	304
Communities and Local Government	68	75	63	51	19	11	5
Home Office	–6	–2	0	—	—	—	—
Defence	–2	5	–5	–74	–76	–4	–51
Foreign and Commonwealth Office	23	6	37	39	39	39	39
International Development	19	17	17	19	16	17	—
Trade and Industry	–1	–1	5	–48	–58	22	–1
Environment, Food and Rural Affairs	7	14	4	–2	–3	6	8
Culture, Media and Sport	—	—	0	0	—	—	0
Work and Pensions	5	6	7	7	3	6	6
Scotland	262	144	50	44	213	36	193
Wales	—	—	—	—	—	—	—
Northern Ireland Executive	–5	–16	–52	55	55	–36	193
Chancellor's Departments	—	—	—	8	–2	—	—
Cabinet Office	1	2	1	—	—	—	—
Total capital DEL	1,847	1,990	1,065	785	843	653	697
Capital AME							
Defence	–50	–50	–4	—	—	–5	—
Trade and Industry	—	—	50	520	–120	430	50
Total capital AME	–50	–50	46	520	–120	426	50
Total public corporations' contribution to capital budget	1,797	1,940	1,111	1,305	723	1,079	747
Total public corporations' contribution to budgets	2,843	3,041	3,249	2,512	1,853	2,188	2,448

(1) Data in this table differ from those shown for public corporations in Tables 1.15 and 2.4. Central government subsidies to public corporations are classified as central government own spending in national accounts, and are shown as such in Table 1.15 and 2.4. In Table 8.2 subsidies are shown as part of public corporations' contribution to resource budget.

Table 8.3 Public corporations' capital expenditure, 2001–02 to 2007–08

	accruals, £ million						
	National Statistics						
	2001–02 outturn	2002–03 outturn	2003–04 outturn	2004–05 outturn	2005–06 outturn	2006–07 estimated outturn	2007–08 plans
Health							
Medicines and Healthcare Products Regulatory Agency ^{(T)(1)}	4	3	5	#	#	#	#
NHS Estates ^(T)	1	0	0	#	#	#	#
Total Health	5	3	5	—	—	—	—
Transport							
Civil Aviation Authority	1	1	2	12	8	#	#
Driving Standards Agency ^(T)	3	6	11	7	2	#	#
London Continental Railways	994	963	897	674	601	504	275
London Regional Transport ⁽²⁾	700	439	635	—	—	—	—
National Air Traffic Services ⁽³⁾	25	—	—	—	—	—	—
Network Rail ⁽⁴⁾	—	1,822	—	—	—	—	—
Vehicle and Operator Services Agency ^(T)	30	11	11	15	15	#	#
Total Transport	1,753	3,242	1,557	708	627	504	275
Communities and Local Government							
Audit Commission	1	—	—	—	—	—	—
Fire Service College ^(T)	4	2	4	—	1	1	2
Housing Action Trusts ⁽⁵⁾	66	34	26	15	4	0	17
Housing Revenue Account	662	40	–53	813	2,341	2,410	1,808
Ordnance Survey ^(T)	—	—	—	14	15	25	—
QEII Conference Centre ^(T)	1	0	2	1	1	1	1
Total Communities and Local Government	734	76	–20	843	2,361	2,435	1,828
Home Office							
Forensic Science Service ^(T)	11	—	9	—	9	9	9
Total Home Office	11	—	9	—	9	9	9
Constitutional Affairs							
Land Registry ^(T)	28	21	24	29	43	38	77
Total Constitutional Affairs	28	21	24	29	43	38	77
Defence							
Army Base Repair Organisation ^(T)	—	3	—	5	4	4	4
Defence Aviation Repair Agency ^(T)	6	7	8	12	3	3	3
Defence Science and Technology Laboratory ^{(T)(6)}	10	10	9	12	12	45	41
Hydrographic Office ^(T)	5	4	7	7	13	14	8
Meteorological Office ^(T)	48	49	31	21	25	34	26
Navy, Army and Air Force Institute	1	4	3	3	3	3	3
QinetiQ ⁽⁵⁾⁽⁶⁾	36	67	41	64	48	*	*
Total Defence	105	143	99	124	109	*	*
Foreign and Commonwealth Office							
BBC World Service	17	—	31	31	31	31	31
British Council	6	11	16	16	16	8	14
Total Foreign and Commonwealth Office	23	11	47	47	47	39	45
International Development							
Commonwealth Development Corporation ⁽⁵⁾	—	–2	4	–25	—	*	*
Total International Development	—	–2	4	–25	—	*	*
Trade and Industry							
British Energy	—	230	429	433	283	*	*
British Nuclear Fuels Limited ⁽⁵⁾	514	463	307	289	–260	*	*
Companies House ^(T)	1	10	7	8	12	13	1
Patent Office ^(T)	0	1	2	2	2	—	—
Royal Mail Holdings ⁽⁵⁾	155	163	56	132	170	*	*
Total Trade and Industry	670	867	800	864	207	*	*

Table 8.3 Public corporations' capital expenditure, 2001–02 to 2007–08 (continued)

	accruals, £ million						
	National Statistics					2006–07 estimated outturn	2007–08 plans
	2001–02 outturn	2002–03 outturn	2003–04 outturn	2004–05 outturn	2005–06 outturn		
Environment, Food and Rural Affairs							
British Waterways	1	18	5	5	—	#	#
Forest Enterprise	5	13	3	–2	1	–1	–1
Total Environment, Food and Rural Affairs	6	31	8	3	1	–1	–1
Culture, Media and Sport							
Channel Four Television Corporation ⁽⁵⁾	16	3	3	7	5	*	*
Historic Royal Palaces Trust	1	1	—	—	0	*	*
Tote ⁽⁵⁾	15	20	20	20	24	*	*
Total Culture, Media and Sport	31	24	23	27	30	*	*
Work and Pensions							
Remploy	10	7	7	11	3	4	12
Total Work and Pensions	10	7	7	11	3	4	12
Scotland							
Caledonian MacBrayne	2	9	4	8	9	6	6
Forest Enterprise	7	3	–1	2	3	2	1
Highlands and Islands Airports	9	9	7	4	10	4	4
Housing Revenue Account	207	179	119	42	96	203	152
Scottish Water	474	241	205	167	541	580	580
Total Scotland	699	441	336	223	658	794	743
Wales							
Housing Revenue Account	34	10	–66	–13	65	53	40
Total Wales	34	10	–66	–13	65	53	40
Northern Ireland Executive							
Northern Ireland Driver and Vehicle Testing Agency ⁽⁷⁾	1	1	1	1	1	2	2
Northern Ireland Housing Executive	25	–49	–1	83	84	68	92
Northern Ireland Public Trust Port Authority	—	—	—	—	17	—	11
Northern Ireland Transport Holding Company	35	39	28	4	4	45	122
Northern Ireland other ⁽⁷⁾	—	—	1	1	3	1	—
Total Northern Ireland Executive	61	–8	29	89	109	115	227
Chancellor's Departments							
Crown Estate ⁽⁵⁾	30	32	33	60	50	*	*
OGCbuying.solutions ⁽⁷⁾	0	0	1	12	—	#	#
Royal Mint ⁽⁵⁾⁽⁷⁾	5	4	4	4	—	*	*
Total Chancellor's Departments	35	37	37	76	50	*	*
Local Government							
London Underground Limited ⁽³⁾	—	—	—	847	1,009	1,080	1,100
Total Local Government	—	—	—	847	1,009	1,080	1,100
Accounting adjustments	–69	541	589	546	16,305	–586	54
Total public corporations' capital expenditure	4,137	5,444	3,486	4,396	21,630	5,345	5,255

Data unavailable. Capital expenditure by public corporations in years where data are unavailable form part of the accounting adjustments.

(T) Denotes public corporation with trading fund status.

(S) Denotes self-financing public corporation (SFPC). The estimated outturn and plans for capital expenditure by SFPCs are not shown individually in this table but are represented by *. The figures are included in the overall total.

(1) From 1 April 2003, the Medicines and Healthcare products Regulatory Agency (MHRA) replaced the Medical Devices Agency (MDA) and the Medicines Control Agency (MCA).

(2) In July 2000, Transport for London (TfL) was established and all subordinate parts of London Regional Transport (LRT), except London Underground, were transferred to TfL. In July 2003 LRT was wound up and London Underground transferred to TfL. TfL is part of the Greater London Authority.

(3) National Air Traffic Services was transferred to the private sector as a Public/Private Partnership in 2001.

(4) In the national accounts Network Rail was classified as a public corporation from October 2002 to March 2003. From April 2003, it is a private sector company. Number provided by ONS.

(5) Housing Action Trusts are central government bodies in national accounts and treated as public corporations in PESA.

(6) From July 2001 certain activities of the Defence Evaluation and Research Agency (DERA) were transferred to the publicly owned company QinetiQ, with the remaining activities undertaken by the reduced trading fund which was renamed the Defence Science and Technology Laboratory.

(7) NIE NHS trust capital expenditure.

Introduction

9.1 This chapter presents analyses of public expenditure by country and region (CRA). In this chapter, data for all years up to and including 2005-06 are National Statistics. Readers need to bear in mind two points about this chapter:

- Most public spending is planned to benefit categories of individuals and enterprises irrespective of location, or where locations are prioritised using national criteria. The regional analyses presented in this chapter show where the individuals and enterprises that benefited from public spending were located. It does not mean that all such spending was planned to benefit a particular region, though a proportion of public spending is planned on a regional basis.
- The information in this chapter and Chapter 10 was gathered in a separate data collection project during the winter of 2006-07. Therefore, the figures in this chapter are not wholly consistent with the figures in other PESA chapters. In particular readers should note that because of this earlier collection the functional categories of spending used in Chapters 9 and 10 are consistent with the PESA 2006 presentation rather than the new detailed COFOG presentation used in the other PESA 2007 chapters. See Chapter 4 for further details on the COFOG change. PESA 2008 will present the country and regional analysis on the new detailed COFOG basis.

What's New

9.2 As outlined in PESA 2006 we have broadened the coverage of identifiable spending in England and Wales in particular, so that almost all spending by Whitehall departments is treated as identifiable where there is equivalent spending by a devolved administration. A supplementary note on this improvement is available on the Treasury website.¹ In previous PESA publications a simplifying assumption was used in the country and regional analysis that all the spending of a devolved administration was identifiable even when the equivalent spending of England or England and Wales was treated as non-identifiable. This change in coverage improves the comparability of the country and regional statistics within PESA. In general the effects of this change are modest:

- The overall effect of the changes is to increase spending per head for England and Wales by about £100. The relative position of spending per head by country remains unchanged;
- Most functions are not materially affected by this change. However, attributed spending on the public order and safety function for England and Wales has risen relative to spending for Scotland and Northern Ireland.

¹http://www.hm-treasury.gov.uk/economic_data_and_tools/finance_spending_statistics/pes_cra/country_region.cfm

This change means some areas of Whitehall spending are being included in the country and regional analysis exercise for the first time and in some cases the methods of allocation are still provisional (more detail is given in **Appendix A**). The Treasury will work with departments on improving and refining these methods for PESA 2008.

9.3 We have also considered with the devolved administrations whether they can identify areas of their spending that benefit individuals and enterprises outside that particular country using methods that are being applied by the Whitehall departments. Previously comparable expenditure by the devolved administrations was assumed to benefit that particular country. We have identified Scottish Executive spending on museums and galleries, and National Assembly of Wales spending on sympathetic management of natural environments, the National Museum of Wales, and the Arts Council of Wales, and have included these improved allocations in PESA 2007. The overall impact of this change, however, is very small, with the Scottish Executive and the National Assembly of Wales allocating spending of about £20m outside Scotland and Wales respectively. The Treasury will consider with the DAs whether any further areas of spending can be identified for PESA 2008.

9.4 This year departments have been required to formally signed off their return by a statistician, an accountant or finance director in the department as being produced in accordance with the CRA guidance. With the exception of DfT, who have badged their statistics as experimental, all departments have signed off their return. See para 9.26 for further details and **Appendix A** for further details.

How public expenditure is planned and controlled

9.5 Public expenditure is planned and controlled on a departmental basis, except where devolved responsibility lies with the Scottish Parliament, National Assembly for Wales and the Northern Ireland Assembly, or with local authorities. Departmental expenditure management means that in several areas expenditure is planned on a UK-wide or GB-wide basis rather than by reference to a single country. For example, the Department for Work and Pensions is responsible for the operation of the social security benefit system throughout Great Britain.

9.6 The regional analysis of expenditure shows the outturns of the regional locations of the individuals, enterprises and communities for whose benefit expenditure was incurred. The extent to which these outturns reflect public expenditure that was planned with a specifically regional dimension will vary from programme to programme.

9.7 The PESA CRA is a statistical analysis. It plays no direct part in resource allocation. However, the information revealed in the CRA can inform decisions on resource allocation and performance management.

METHODS AND DATA QUALITY

The process of apportionment of expenditure by country and region

9.8 In order to provide information on the split of expenditure by country and region, the Treasury asks the UK government departments and devolved administrations to undertake an annual statistical exercise. The exercise takes the devolved administration spending and the subset of departmental spending that can be identified as benefiting the population of individual regions. It asks departments and devolved administrations to apportion that spending between countries and regions following guidance issued jointly by the Treasury and ONS. The Treasury then collates departments' and devolved administration returns and combines these with the known spending of local authorities to produce the analyses of public expenditure by country and region that are published in this chapter and in Departmental Reports.

9.9 The figures in this chapter therefore include a wider coverage of expenditure for Scotland, Wales and Northern Ireland than that for which the devolved administrations and the Secretaries of State for Scotland, Wales and Northern Ireland are directly responsible.

How to attribute expenditure to countries and regions

9.10 In most of the tables in this chapter, expenditure is attributed to a specific country or region using the 'for' basis of measuring regional expenditure, which records the regions that benefited from the spending, or whom the spending was for. The exception is **Table 9.20**, which allocates expenditure on an 'in' basis, which records the country or region in which the expenditure was incurred.

9.11 For much spending the 'in' and 'for' bases would in practice offer the same result.

9.12 There are limitations on our ability to offer a picture of 'who benefits':

- There are practical difficulties. For example, schools 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.
- There are also significant definitional problems associated with working out 'who benefits'. For example, in the main country and regional analyses, agricultural support is treated as benefiting the farmers who receive subsidies rather than the final consumers of food.
- There are also issues around collecting accurate country and regional data in a cost efficient way. Departments and devolved administrations are encouraged but not required to allocate all expenditure on the basis of 'who benefits'. If spending is not significant (less than £20m on capital or current) and/or relevant data for allocating this to regions are not available, departments may use some statistical proxy instead, for example: using straight population shares, or using the same regional allocation proportions as other related spending. Further, it is not practical or cost effective to collect local authority spending data on the basis of 'who benefits'. Instead, local authority spending is assumed to benefit the area where the expenditure is incurred.

9.13 The other main limitation of the ‘for’ basis of measuring regional spending is that this can only cover the amount of spending (now some 83 per cent of TME²), which can be identified as benefiting individual regions. The remaining spending cannot be attributed as benefiting specific regions, for example because it is spent for the benefit of the UK as a whole. This boundary to the main country and regional analysis is explained further below.

Identifiable expenditure on services

9.14 The country and regional analyses are set within the overall framework of Total Expenditure on Services (TES, which is explained in detail in **Appendix E**). For the country and regional analyses, TES is divided into identifiable and non-identifiable expenditure:

- Identifiable expenditure is that which can be recognised as having been incurred for the benefit of individuals, enterprises or communities within particular regions. Examples are most health, education and transport services, and spending on social security and on pensions.
- Non-identifiable expenditure is that which cannot be so identified, for example because it is deemed to be incurred on behalf of the United Kingdom as a whole, e.g. defence expenditure, overseas representation, and tax collection.

9.15 All expenditure that is identifiable has been allocated by some recognised means or other. Where precise accounting data on the recipients’ location are not available, allocation is based on other available information, following rules set down in the Treasury’s guidance for departments. For example: administration costs incurred centrally in support of regional spending are attributed to regions in the same proportions as the spending that they support. In some cases departments are still using approximations to regional benefits, for instance where the immediate beneficiaries’ head office locations mask the final recipients’ location. Inevitably, such attribution affects data quality.

Treatment of expenditure financed by the European Community

9.16 Expenditure financed by EC receipts has been treated as identifiable (or, occasionally, not identifiable) according to the characteristics of the expenditure itself. Receipts from the EC are treated as non-identifiable within TES. This treatment means that regional expenditure includes the expenditure financed by EC receipts. The payments to the EC have been attributed to ‘outside UK’, because these are transfer payments that the EC then spends.

Data on public expenditure by country and region

9.17 The tables present the spending attributed to the English regions alongside the spending attributed to Scotland, Wales and Northern Ireland. Although the figures are comparable, care is still needed when making comparisons because of the different scope of public sector activities in different countries. For example, water supply is a public sector function in Scotland and Northern Ireland, but is in the private sector in England and Wales.

9.18 The data cover central government, local government and public corporations. While most data are outturn data, the returns include some provisional outturn data for local authorities where final outturn was not available (2005-06). Data for central government, local government and public corporations for 2006-07 and central government and public corporations for 2007-08 are based on plans data. Data are on an accruals basis.

²TME outturn are consistent with the joint ONS/HMT Monthly Public Sector Finance Statistics release of 20 November 2006. TME plans are consistent with the Pre-Budget Report 2006.

9.19 The plans data includes some unallocated provision, which departments have not yet allocated to programmes of expenditure totalling £5.8bn in 2006-07 and £8.2bn in 2007-08. This means it is not possible to establish an accurate regional distribution for these data, and it is therefore classified as non-identifiable. This treatment leads to a small inconsistency in the split of TES between identifiable and non-identifiable expenditure over the series. That is, non-identifiable expenditure in 2006-07 and 2007-08 is slightly higher than earlier years as a result of including data that when allocated by departments could be identifiable by region.

9.20 The information in this chapter on the spending of Whitehall departments and devolved administrations was gathered in a separate data collection project based on aggregate data available on the Treasury's public spending database after the Pre-Budget Report 2006, to allow departments and devolved administrations sufficient time to complete regional allocations. So these data predate the data used for the remaining PESA chapters, which are consistent with the 2007 Budget. Therefore, the figures in this chapter are not wholly consistent with the figures in other PESA chapters. The inconsistency will reflect both that other PESA numbers will be more up to date and that post-PBR classification changes will not have been taken into the CRA.

9.21 Information on spending by local authorities in the CRA is based on data supplied by the CLG, DfES, DWP and devolved administrations consistent with Chapter 7, except for the reclassification of HRA capital expenditure from the local authority sector to the public corporation sector. Spending by function to the English local authorities is attributed to regions by HMT from information supplied by the CLG. Following the requirement to report the local authority data on a new detailed COFOG presentation there have been a number of functional classification changes in the local authority data which has also affected the PESA 2006 functional presentation used in this chapter. See Chapter 7 for further detail on these changes. This has meant English local authority spending attributed to regions by function has been updated for all years. However, for years 2001-02 to 2003-04 current English local authority spending by function is attributed to regions based on an average of the 2004-05 and 2005-06 current functional allocations because earlier years data were not available 'in' time 'for' PESA 2007.

More information on methods

9.22 Information available on the Treasury's website includes:

- an article and memorandum following the McLean Report "Identifying the Flow of Domestic and European Expenditure into the English Regions" published on the Treasury's website³ on 5 April 2004 which discusses the in and for bases of allocating spending;
- the detailed guidance⁴ issued to departments on how to attribute various types of spending between the countries and regions using the 'for' method. This guidance was agreed between HM Treasury and ONS; and
- in the weeks after PESA publication some additional tables relating to the CRA, and the database underlying the CRA, will be published on the website.

³http://www.hm-treasury.gov.uk/media/E13/8B/CRA_memorandum.pdf

⁴http://www.hm-treasury.gov.uk/economic_data_and_tools/finance_spending_statistics/pes_publications/pespub_index.cfm

Data quality

9.23 The CRA is intended to give a broad picture of relative spending for the benefit of different regions and countries. Small differences in regional spending should not be treated as significant. Figures are presented un-rounded in this chapter to allow readers to have reasonably precise figures for use in calculations without introducing rounding errors. However, the figures are not accurate to the level implied by this presentation.

9.24 The CRA cannot be a precise measure because, as discussed above:

- the concept of who benefits is open to judgement;
- there are simplifying assumptions made in order to keep compliance costs down. For example, local authority spending is deemed to benefit the region where the spending body is even though some of the spending will actually benefit non-residents.
- spending is apportioned and apportionment methods vary. For example, public service pensions spending is allocated on the basis of the postcodes of recipients, giving a very good regional allocation. Other apportionments require more judgement. So the attribution to regions in this chapter is likely to be less accurate than the attributions of data to categories in other parts of PESA, which are normally taken directly from departmental accounting systems;
- there is a de minimis limit before spending is apportioned.

9.25 Departments and the Treasury take steps to ensure that data quality is good enough for the CRA to be used:

- The Treasury and the ONS have issued clear guidance to departments and devolved administrations to obtain consistency and have published the guidance.
- The Treasury meets departments to discuss methods of allocation.
- Departments and devolved administrations devote considerable resources to the work. They are encouraged to involve their statisticians in preparing their returns to the Treasury. The return is then signed off by a statistician, an accountant or finance director in the department as being produced in accordance with the CRA guidance and where applicable he or she comments on data quality. Further details on specific areas of data quality in the CRA from these statements are available in **Appendix A**.
- For many departments, an extract from the CRA appears in their Departmental Report, giving departments a direct interest in the quality of the data that they supply.

THE TABLES

Tables on expenditure for a country or region

9.26 Most of the tables in this chapter provide a country and region analysis of identifiable

spending for the six-year period from 2001-02 to 2006-07.

9.27 Table 9.1 shows total identifiable expenditure on services. Table 9.2 shows it on a per head basis. Table 9.3 shows it in real terms. Table 9.4 shows it on a real terms per head basis.

9.28 Tables 9.5 to 9.10 give more detail of total identifiable spending, for years 2001-02 to 2006-07, by broad function, and split on a capital and current basis.

9.29 Table 9.11 shows the sum of capital and current identifiable spending, by function on a per head basis. Table 9.12 shows Table 9.11 per head figures as percentages of the UK totals.

9.30 Table 9.13 shows expenditure by local authorities. This table now includes plans information for 2006-07. Table 9.14 shows Table 9.13 on a per head basis.

9.31 Table 9.15 is an equivalent tabulation for expenditure by central government and public corporations. This table includes plans information for 2006-07 and 2007-08. Table 9.16 shows Table 9.15 on a per head basis. Central government includes the devolved administrations.

9.32 Table 9.17 shows for Scotland, Wales and Northern Ireland, the relative contributions of the spending of the devolved administrations, local authorities and UK departments under each functional heading. This table covers 2005-06 only.

9.33 Table 9.18 shows expenditure by local authorities by function.

9.34 Table 9.19 shows expenditure, for 2005-06 only, of Whitehall departments by country and region and by function and sub-function. Departmental spending here includes spending by their NDPBs and their public corporations. This table does not include spending by the devolved administrations.

9.35 In the weeks following publication of PESA 2007, Treasury will publish supplementary country and regional tables on the Treasury website. This will include Tables 9.17 and 9.19 for the years 2001-02 to 2005-06.

Analysis of certain non-identifiable expenditure

9.36 Table 9.20 provides some regional analysis of the non-identifiable expenditure that cannot be analysed as benefiting a country or region. It shows which departments incurred the non-identifiable spending. It also shows in which country and region departments incurred pay costs that form part of their non-identifiable expenditure. Because these pay costs are measured on an 'in' basis they are not directly equivalent to the 'for' expenditures in the other tables. The table covers 2005-06 only. Note that this table does not show total departmental pay costs in a region – only the total pay costs in non-identifiable expenditure.

Table 9.1 Total identifiable expenditure on services by country and region, 2001-02 to 2006-07

	accruals, £ million																	
	National Statistics							National Statistics										
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
North East	15,559	16,424	17,925	18,895	19,990	20,881	5	5	5	5	5	5	5	5	5	5	5	5
North West	38,714	41,276	45,148	48,381	51,215	53,584	12	12	12	12	12	12	12	12	12	12	12	12
Yorkshire and Humberside	26,606	28,321	30,737	33,142	35,188	36,687	8	8	8	8	8	8	8	8	8	8	8	8
East Midlands	20,181	21,218	23,319	25,415	26,719	28,142	6	6	6	6	6	6	6	6	6	6	6	6
West Midlands	26,991	28,695	31,589	34,057	36,257	37,964	8	8	8	8	8	8	8	8	8	8	8	8
Eastern	23,910	25,849	28,692	30,776	32,852	34,207	7	7	7	7	7	7	7	7	7	7	7	7
London	43,511	47,345	53,632	56,671	61,376	63,795	14	14	14	14	14	14	14	14	14	14	14	14
South East	35,704	38,205	42,369	46,320	48,660	51,722	11	11	11	11	11	11	11	11	11	11	11	11
South West	24,521	25,482	28,290	30,628	32,425	34,138	8	7	7	7	7	7	7	7	7	7	7	7
Total England	255,696	272,815	301,702	324,285	344,682	361,119	80	79	79	79	79	79	79	79	79	79	79	79
Scotland	31,770	33,500	36,817	38,486	41,671	44,050	10	10	10	10	10	10	10	10	10	10	10	10
Wales	17,460	19,015	20,514	21,751	23,028	24,233	5	6	5	5	5	5	5	5	5	5	5	5
Northern Ireland	11,831	12,603	13,386	14,172	15,024	16,263	4	4	4	4	4	4	4	4	4	4	4	4
UK identifiable expenditure	316,758	337,932	372,419	398,694	424,405	445,665	99	98	98	98	97	97	97	97	97	97	97	97
Outside UK	4,247	7,639	8,821	11,031	11,674	13,259	1	2	2	2	2	2	2	2	2	2	2	2
Total identifiable expenditure	321,004	345,571	381,240	409,725	436,080	458,923	100	100	100	100	100	100	100	100	100	100	100	100
	accruals, £ million																	
	National Statistics							National Statistics										
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Identifiable expenditure	321,004	345,571	381,240	409,725	436,080	458,923	82	82	84	83	83	83	82	82	84	83	83	83
Non-identifiable expenditure	54,749	56,242	58,887	62,136	65,516	70,333	14	13	13	13	13	13	14	13	13	13	13	13
Total Expenditure on Services	375,753	401,813	440,128	471,861	501,596	529,257	96	95	96	96	96	95	96	95	96	96	96	95
Accounting adjustments	14,334	19,054	16,189	19,180	21,239	25,370	4	5	4	4	4	4	4	5	4	4	4	5
Total Managed Expenditure	390,087	420,867	456,317	491,041	522,835	554,627	100	100	100	100	100	100	100	100	100	100	100	100

Table 9.2 Total identifiable expenditure on services by country and region per head, 2001–02 to 2006–07

	Index (UK identifiable expenditure = 100)																	
	accruals, £ per head						National Statistics											
	National Statistics			National Statistics			2001–02		2002–03		2003–04		2004–05		2005–06		2006–07	
	outturn	outturn	plans	outturn	outturn	plans	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	plans
North East	6,125	6,471	7,059	7,424	7,814	8,177	114	114	113	111	111	111	111	111	111	111	111	111
North West	5,716	6,085	6,635	7,087	7,481	7,798	107	107	106	106	106	106	106	106	106	106	106	106
Yorkshire and Humberside	5,346	5,672	6,136	6,577	6,949	7,188	100	100	98	99	99	99	99	99	99	99	99	98
East Midlands	4,817	5,025	5,484	5,938	6,205	6,491	90	88	88	89	88	88	88	88	88	88	88	88
West Midlands	5,111	5,410	5,938	6,385	6,757	7,065	95	95	95	96	95	96	96	96	96	96	96	96
Eastern	4,427	4,767	5,252	5,604	5,928	6,144	83	84	84	84	84	84	84	84	84	84	84	83
London	5,942	6,423	7,259	7,629	8,164	8,404	111	113	116	114	114	114	114	114	114	114	114	114
South East	4,450	4,749	5,243	5,711	5,960	6,304	83	83	84	86	84	86	86	85	85	85	85	86
South West	4,960	5,130	5,659	6,079	6,398	6,677	93	90	90	91	90	91	91	91	91	91	91	91
England	5,171	5,495	6,051	6,474	6,835	7,121	96	96	97	97	97	97	97	97	97	97	97	97
Scotland	6,273	6,627	7,280	7,578	8,179	8,623	117	116	116	114	116	114	114	116	116	116	116	117
Wales	6,000	6,504	6,982	7,367	7,784	8,139	112	114	112	111	112	111	111	110	110	110	110	111
Northern Ireland	7,003	7,428	7,862	8,286	8,713	9,385	131	130	126	124	124	124	124	124	124	124	124	127
UK identifiable expenditure	5,358	5,697	6,253	6,663	7,049	7,362	100	100	100	100	100	100	100	100	100	100	100	100

Table 9.3 Total identifiable expenditure on services by country and region in real terms⁽¹⁾, 2001–02 to 2006–07

	accruals, £ million					
	National Statistics					
	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07
	outturn	outturn	outturn	outturn	outturn	plans
North East	17,311	17,725	18,787	19,272	19,990	20,376
North West	43,073	44,545	47,317	49,345	51,215	52,288
Yorkshire and Humberside	29,602	30,564	32,214	33,802	35,188	35,800
East Midlands	22,453	22,899	24,439	25,921	26,719	27,461
West Midlands	30,030	30,967	33,106	34,736	36,257	37,046
Eastern	26,602	27,897	30,070	31,389	32,852	33,380
London	48,410	51,095	56,209	57,800	61,376	62,252
South East	39,724	41,230	44,404	47,243	48,660	50,471
South West	27,281	27,500	29,650	31,239	32,425	33,313
England	284,486	294,422	316,196	330,745	344,682	352,387
Scotland	35,347	36,154	38,586	39,252	41,671	42,985
Wales	19,426	20,521	21,500	22,184	23,028	23,647
Northern Ireland	13,163	13,601	14,029	14,455	15,024	15,869
UK identifiable expenditure	352,423	364,697	390,311	406,636	424,405	434,888
Outside UK	4,725	8,244	9,245	11,251	11,674	12,938
Total identifiable expenditure	357,148	372,941	399,556	417,887	436,080	447,826
Non-identifiable expenditure	60,913	60,697	61,716	63,373	65,516	68,632
Total Expenditure on Services	418,061	433,638	461,272	481,260	501,596	516,459
Accounting adjustments	15,948	20,563	16,967	19,562	21,239	24,756
Total Managed Expenditure	434,009	454,201	478,239	500,822	522,835	541,215

(1) 2005-06 prices.

Table 9.4 Total identifiable expenditure on services by country and region per head in real terms⁽¹⁾, 2001–02 to 2006–07

	accruals, £ per head					
	National Statistics					
	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07
	outturn	outturn	outturn	outturn	outturn	plans
North East	6,815	6,984	7,398	7,572	7,814	7,980
North West	6,360	6,567	6,954	7,228	7,481	7,610
Yorkshire and Humberside	5,948	6,121	6,431	6,708	6,949	7,014
East Midlands	5,359	5,423	5,747	6,057	6,205	6,334
West Midlands	5,687	5,838	6,223	6,512	6,757	6,894
Eastern	4,926	5,145	5,504	5,716	5,928	5,995
London	6,611	6,932	7,608	7,781	8,164	8,200
South East	4,951	5,126	5,495	5,825	5,960	6,151
South West	5,519	5,536	5,931	6,200	6,398	6,516
England	5,753	5,930	6,342	6,603	6,835	6,949
Scotland	6,980	7,152	7,630	7,729	8,179	8,414
Wales	6,675	7,019	7,318	7,514	7,784	7,943
Northern Ireland	7,792	8,016	8,240	8,451	8,713	9,158
UK identifiable expenditure	5,962	6,148	6,554	6,796	7,049	7,184

(1) 2005-06 prices.

Table 9.5a Identifiable current expenditure on services by function, country and region, 2001–02

	accruals, £ million														Total			
	General public services	EU transactions	International services	Debt interest	Defence	Public order and safety	Enterprise and economic development	Science and technology	Employment policies	Agriculture, fisheries and forestry	Transport	Environment protection	Housing and community amenities	Health		Recreation, culture and religion	Education and training	Social protection
North East	195	—	8	—	2	1,009	215	27	229	278	180	222	120	2,660	259	2,115	6,956	14,475
North West	461	—	21	—	5	2,535	350	91	456	559	644	636	328	6,851	492	5,520	17,130	36,078
Yorkshire and Humberside	280	—	15	—	4	1,511	369	74	335	821	378	346	200	4,692	397	3,941	11,665	25,027
East Midlands	251	—	13	—	4	1,167	198	62	166	531	347	277	145	3,681	287	3,153	8,816	19,099
West Midlands	356	—	16	—	6	1,558	227	72	423	563	443	328	187	5,101	349	4,238	11,896	25,763
Eastern	347	—	16	—	6	1,322	134	147	206	595	372	359	150	4,500	336	3,709	10,661	22,860
London	670	—	22	—	6	3,911	416	151	437	186	1,311	543	642	8,110	685	6,706	16,680	40,476
South East	505	—	24	—	7	2,142	207	179	218	534	516	600	266	7,064	524	5,628	15,439	33,851
South West	342	—	15	—	5	1,407	183	65	176	1,065	327	426	155	4,467	308	3,444	10,832	23,217
England	3,406	—	151	—	44	16,561	2,300	868	2,646	5,133	4,519	3,736	2,194	47,127	3,635	38,453	110,075	240,846
Scotland	598	—	15	—	7	1,462	332	202	644	521	679	576	469	5,403	675	4,881	12,820	29,282
Wales	364	—	8	—	4	1,027	284	36	118	222	412	251	14	3,009	396	2,529	7,664	16,339
Northern Ireland	248	—	5	—	1	1,141	176	49	213	352	172	113	379	1,777	272	1,610	4,543	11,050
UK current identifiable expenditure	4,616	—	179	—	55	20,190	3,091	1,155	3,621	6,228	5,781	4,677	3,055	57,315	4,978	47,473	135,103	297,517
Outside the UK	3	-1,534	3,267	—	26	—	21	172	7	—	4	2	—	260	74	11	1,877	4,189
Total current identifiable expenditure	4,619	-1,534	3,446	—	81	20,190	3,112	1,327	3,628	6,228	5,785	4,679	3,055	57,575	5,052	47,483	136,979	301,706
Non-identifiable spending	3,916	-3,310	926	22,732	24,075	1,462	71	172	—	—	170	131	—	141	2,165	—	—	52,651
Total current expenditure on services	8,535	-4,844	4,372	22,732	24,156	21,652	3,183	1,499	3,628	6,228	5,955	4,810	3,055	57,717	7,217	47,483	136,979	354,357

All data in this table are National Statistics

Table 9.5b Identifiable capital expenditure on services by function, country and region, 2001–02

All data in this table are National Statistics

	General public services	EU transactions	International services	Debt interest	Defence	Public order and safety	Enterprise and economic development	Science and technology	Employment policies	Agriculture, fisheries and forestry	Transport	Environment protection	Housing and community amenities	Health	Recreation, culture and religion	Education and training	Social protection	Total
North East	14	—	2	—	0	43	115	3	4	5	188	62	220	85	127	186	31	1,084
North West	30	—	4	—	0	136	554	10	6	10	433	105	501	242	213	339	52	2,636
Yorkshire and Humberside	27	—	2	—	0	85	101	9	5	9	318	57	317	118	137	345	50	1,579
East Midlands	27	—	1	—	0	65	47	7	3	8	278	25	58	202	94	250	17	1,082
West Midlands	16	—	2	—	0	80	80	8	6	9	343	12	145	121	118	256	31	1,228
Eastern	34	—	1	—	0	63	72	18	3	0	430	30	-108	167	110	221	10	1,050
London	36	—	0	—	0	170	89	16	6	19	1,052	30	632	324	224	400	37	3,035
South East	67	—	0	—	0	112	74	27	3	17	583	49	79	276	159	393	15	1,853
South West	42	—	2	—	0	77	121	7	2	23	288	64	114	204	98	248	13	1,303
England	292	—	16	—	0	831	1,254	105	37	100	3,913	435	1,959	1,738	1,279	2,639	254	14,850
Scotland	126	—	—	—	0	112	171	13	3	73	341	35	943	295	138	208	31	2,489
Wales	32	—	—	—	0	58	318	4	2	6	217	28	239	-4	88	121	13	1,121
Northern Ireland	32	—	—	—	0	54	86	11	0	19	87	8	232	70	30	150	2	781
UK capital identifiable expenditure	482	—	16	—	0	1,053	1,828	133	42	198	4,557	506	3,373	2,099	1,536	3,118	300	19,241
Outside the UK	0	—	52	—	—	—	2	—	—	—	0	—	—	—	3	0	—	58
Total capital identifiable expenditure	482	—	68	—	0	1,053	1,830	133	42	198	4,558	506	3,373	2,099	1,539	3,118	300	19,299
Non-identifiable spending	304	—	79	—	1,267	149	67	46	—	—	37	7	—	23	119	—	—	2,098
Total capital expenditure on services	787	—	147	—	1,267	1,203	1,897	179	42	198	4,594	513	3,373	2,122	1,658	3,118	300	21,397

Table 9.6a Identifiable current expenditure on services by function, country and region, 2002–03

	accruals, £ million														Total			
	General public services	EU transactions	International services	Debt interest	Defence	Public order and safety	Enterprise and economic development	Science and technology	Employment policies	Agriculture, fisheries and forestry	Transport	Environment protection	Housing and community amenities	Health		Recreation, culture and religion	Education and training	Social protection
North East	206	—	9	—	1	1,102	329	33	205	178	211	229	133	2,906	239	2,245	7,422	15,448
North West	485	—	23	—	3	2,749	405	111	402	418	733	664	353	7,713	508	5,797	18,181	38,543
Yorkshire and Humberside	292	—	16	—	2	1,621	571	91	298	417	432	522	208	5,194	390	4,191	12,451	26,698
East Midlands	264	—	13	—	2	1,269	322	77	149	380	394	294	160	3,809	292	3,357	9,297	20,080
West Midlands	373	—	17	—	3	1,681	314	89	370	325	502	348	199	5,287	358	4,477	12,693	27,036
Eastern	364	—	17	—	4	1,441	162	187	182	383	414	421	169	5,190	324	3,985	11,306	24,549
London	688	—	23	—	5	4,219	434	198	392	245	1,533	588	606	8,983	745	7,174	18,204	44,036
South East	530	—	25	—	5	2,327	233	228	193	381	611	647	313	7,697	538	6,039	16,003	35,769
South West	360	—	16	—	12	1,543	203	81	160	708	378	501	175	4,784	325	3,665	11,158	24,068
England	3,562	—	160	—	37	17,952	2,972	1,096	2,350	3,435	5,207	4,214	2,317	51,564	3,717	40,929	116,715	256,227
Scotland	636	—	16	—	6	1,524	331	202	617	556	867	601	342	6,212	679	4,993	13,308	30,891
Wales	402	—	9	—	2	1,124	581	45	103	265	461	291	57	3,333	397	2,802	7,983	17,855
Northern Ireland	258	—	5	—	0	1,101	225	55	202	339	199	124	430	1,932	273	1,830	4,824	11,798
UK current identifiable expenditure	4,858	—	189	—	44	21,701	4,108	1,398	3,272	4,595	6,734	5,231	3,147	63,042	5,066	50,553	142,831	316,771
Outside the UK	4	1,539	3,513	—	4	—	22	189	10	—	3	2	—	311	105	4	1,910	7,616
Total current identifiable expenditure	4,862	1,539	3,703	—	48	21,701	4,130	1,586	3,282	4,595	6,737	5,233	3,147	63,354	5,172	50,557	144,741	324,386
Non-identifiable spending	4,168	-3,424	987	21,821	25,930	1,695	104	186	—	—	128	130	—	111	2,549	—	—	54,386
Total current expenditure on services	9,030	-1,885	4,690	21,821	25,978	23,395	4,235	1,773	3,282	4,595	6,865	5,364	3,147	63,465	7,721	50,557	144,741	378,773

All data in this table are National Statistics

Table 9.6b Identifiable capital expenditure on services by function, country and region, 2002–03

All data in this table are National Statistics

	General public services	EU transactions	International services	Debt interest	Defence	Public order and safety	Enterprise and economic development	Science and technology	Employment policies	Agriculture, fisheries and forestry	Transport	Environment protection	Housing and community amenities	Health	Recreation, culture and religion	Education and training	Social protection	Total
North East	22	—	2	—	—	51	69	8	5	5	225	24	82	115	112	207	49	976
North West	—3	—	4	—	—	157	502	21	9	15	689	76	344	257	187	406	68	2,733
Yorkshire and Humberside	38	—	2	—	—	107	0	19	7	6	399	78	203	192	158	352	64	1,623
East Midlands	40	—	1	—	—	69	8	14	3	9	365	23	62	170	122	235	18	1,138
West Midlands	54	—	2	—	—	95	107	15	9	16	486	33	93	258	143	313	35	1,659
Eastern	47	—	0	—	—	59	81	29	4	6	515	34	—104	192	122	291	24	1,301
London	21	—	—1	—	—	260	91	48	9	29	1,127	22	546	346	245	478	90	3,309
South East	70	—	1	—	—	131	124	50	4	17	819	47	104	364	190	470	44	2,435
South West	48	—	2	—	—	87	136	13	4	30	383	45	86	165	127	274	16	1,413
England	337	—	12	—	—	1,016	1,118	218	54	132	5,007	382	1,416	2,059	1,406	3,025	407	16,588
Scotland	150	—	—	—	—	113	124	21	4	42	382	28	855	467	193	195	37	2,609
Wales	29	—	—	—	—	69	151	4	3	8	261	25	219	121	136	117	16	1,160
Northern Ireland	58	—	—	—	—	63	87	5	0	19	105	9	164	100	50	130	14	805
UK capital identifiable expenditure	574	—	12	—	—	1,261	1,480	248	62	200	5,754	443	2,655	2,746	1,784	3,467	474	21,161
Outside the UK	0	—	23	—	—	—	1	—	—	—	0	—	—	—	—2	1	—	23
Total capital identifiable expenditure	575	—	34	—	—	1,261	1,481	248	62	200	5,754	443	2,655	2,746	1,782	3,468	474	21,185
Non-identifiable spending	359	—	102	—	1,103	30	55	39	—	—	17	18	—	20	112	—	—	1,856
Total capital expenditure on services	934	—	137	—	1,103	1,291	1,537	287	62	200	5,771	461	2,655	2,767	1,894	3,468	474	23,040

Table 9.7a Identifiable current expenditure on services by function, country and region, 2003–04

	accruals, £ million														Total			
	General public services	EU transactions	International services	Debt interest	Defence	Public order and safety	Enterprise and economic development	Science and technology	Employment policies	Agriculture, fisheries and forestry	Transport	Environment protection	Housing and community amenities	Health		Recreation, culture and religion	Education and training	Social protection
North East	224	—	9	—	2	1,200	496	34	216	203	238	232	171	3,193	259	2,547	7,795	16,818
North West	529	—	24	—	4	3,015	387	119	427	394	853	676	429	8,754	531	6,501	19,308	41,952
Yorkshire and Humberside	317	—	17	—	3	1,787	613	99	316	452	489	377	258	5,953	423	4,698	13,190	28,992
East Midlands	289	—	14	—	3	1,392	252	76	153	429	444	296	199	4,420	309	3,746	9,921	21,944
West Midlands	406	—	21	—	3	1,841	341	78	386	359	579	370	243	5,918	391	5,009	13,563	29,509
Eastern	402	—	19	—	5	1,596	164	195	185	479	526	385	215	5,727	346	4,503	12,214	26,961
London	733	—	25	—	6	4,654	425	251	400	308	2,643	655	567	9,983	833	7,998	19,458	48,941
South East	578	—	28	—	6	2,567	229	223	192	460	739	669	378	8,654	555	6,674	17,400	39,352
South West	392	—	18	—	12	1,698	198	74	162	728	419	453	212	5,452	348	4,098	12,331	26,593
England	3,869	—	176	—	43	19,750	3,106	1,149	2,438	3,812	6,929	4,113	2,672	58,055	3,996	45,775	125,181	281,062
Scotland	667	—	17	—	3	1,656	418	212	570	621	967	638	685	7,042	749	5,265	14,497	34,008
Wales	419	—	10	—	2	1,210	581	41	107	274	422	341	159	3,818	419	2,974	8,495	19,274
Northern Ireland	285	—	6	—	0	1,121	200	50	154	367	240	133	458	2,162	272	1,869	5,172	12,487
UK current identifiable expenditure	5,240	—	208	—	49	23,736	4,305	1,452	3,269	5,073	8,558	5,225	3,974	71,077	5,435	55,883	153,346	346,830
Outside the UK	4	2,007	3,963	—	—	0	24	135	8	—	5	40	—	308	115	4	2,103	8,717
Total current identifiable expenditure	5,244	2,007	4,172	—	49	23,736	4,329	1,588	3,277	5,073	8,563	5,265	3,974	71,384	5,550	55,887	155,449	355,547
Non-identifiable spending	4,585	-4,237	1,025	23,032	27,370	1,801	105	223	—	—	110	142	—	177	2,538	—	—	56,871
Total current expenditure on services	9,830	-2,230	5,197	23,032	27,418	25,537	4,435	1,811	3,277	5,073	8,672	5,407	3,974	71,561	8,088	55,887	155,449	412,418

All data in this table are National Statistics

Table 9.7b Identifiable capital expenditure on services by function, country and region, 2003–04

All data in this table are National Statistics

	General public services	EU transactions	International services	Debt interest	Defence	Public order and safety	Enterprise and economic development	Science and technology	Employment policies	Agriculture, fisheries and forestry	Transport	Environment protection	Housing and community amenities	Health	Recreation, culture and religion	Education and training	Social protection	Total
North East	3	—	4	—	9	49	87	12	22	10	260	30	131	130	135	214	11	1,108
North West	64	—	1	—	9	144	510	31	41	14	789	97	519	347	190	434	6	3,196
Yorkshire and Humberside	47	—	1	—	5	93	60	31	31	19	490	63	141	226	147	385	7	1,745
East Midlands	56	—	0	—	7	76	40	21	14	16	397	28	102	195	135	279	10	1,375
West Midlands	57	—	2	—	9	93	170	20	42	16	557	46	145	314	216	370	23	2,079
Eastern	86	—	2	—	5	61	74	37	18	15	616	43	47	259	121	334	14	1,731
London	36	—	4	—	12	278	80	79	40	12	1,797	42	681	512	353	658	105	4,691
South East	60	—	0	—	14	112	169	62	18	28	1,126	75	148	405	180	536	85	3,017
South West	53	—	2	—	8	88	125	17	13	48	491	56	70	224	133	340	28	1,697
England	461	—	15	—	78	995	1,316	310	238	179	6,524	481	1,985	2,612	1,609	3,548	289	20,640
Scotland	195	—	—	—	—	139	142	53	125	46	702	29	636	298	186	227	31	2,809
Wales	58	—	—	—	—	80	188	8	13	15	327	24	136	119	123	137	12	1,241
Northern Ireland	42	—	—	—	—	54	38	10	0	26	92	15	250	120	55	185	11	899
UK capital identifiable expenditure	756	—	15	—	78	1,267	1,685	381	376	266	7,645	549	3,007	3,149	1,973	4,098	344	25,589
Outside the UK	1	—	48	—	—	—	1	36	—	—	0	8	—	—	9	2	—	104
Total capital identifiable expenditure	757	—	63	—	78	1,267	1,686	418	376	266	7,645	557	3,007	3,149	1,982	4,100	344	25,693
Non-identifiable spending	269	—	87	—	1,354	124	70	56	—	—	12	25	—	26	-6	—	—	2,017
Total capital expenditure on services	1,025	—	150	—	1,431	1,391	1,756	473	376	266	7,657	582	3,007	3,175	1,976	4,100	344	27,710

Table 9.8a Identifiable current expenditure on services by function, country and region, 2004–05

	General public services	EU transactions	International services	Debt interest	Defence	Public order and safety	Enterprise and economic development	Science and technology	Employment policies	Agriculture, fisheries and forestry	Transport	Environment protection	Housing and community amenities	Health	Recreation, culture and religion	Education and training	Social protection	Total
North East	245	—	10	—	2	1,292	412	42	226	206	221	239	165	3,570	275	2,699	8,122	17,726
North West	563	—	27	—	4	3,285	615	135	448	408	932	701	427	9,489	530	6,873	20,299	44,735
Yorkshire and Humberside	339	—	20	—	4	1,907	607	105	331	483	473	489	280	6,650	412	4,995	13,863	30,957
East Midlands	309	—	17	—	4	1,515	305	86	158	452	439	343	211	4,941	346	4,006	10,578	23,709
West Midlands	431	—	21	—	3	2,023	428	85	409	374	658	393	238	6,629	377	5,278	14,400	31,747
Eastern	428	—	22	—	5	1,726	170	223	193	549	415	448	220	6,468	367	4,704	12,955	28,893
London	773	—	29	—	7	5,021	478	275	422	366	2,070	664	546	11,191	768	8,513	20,284	51,407
South East	612	—	32	—	7	2,805	252	239	199	476	741	882	404	9,600	581	7,114	18,672	42,616
South West	415	—	20	—	7	1,878	193	77	165	715	459	513	218	6,089	394	4,350	13,148	28,642
England	4,114	—	198	—	41	21,454	3,460	1,266	2,552	4,029	6,410	4,673	2,708	64,627	4,049	48,532	132,319	300,431
Scotland	729	—	20	—	6	1,727	431	215	641	624	856	672	293	7,279	819	5,656	15,155	35,123
Wales	411	—	12	—	3	1,284	590	41	115	196	490	374	69	4,130	466	3,148	8,962	20,288
Northern Ireland	293	—	7	—	0	1,146	204	52	169	369	222	143	433	2,290	277	1,932	5,469	13,006
UK current identifiable expenditure	5,546	—	236	—	50	25,610	4,685	1,574	3,477	5,217	7,978	5,862	3,503	78,326	5,611	59,268	161,906	368,848
Outside the UK	4	3,660	4,203	—	—	0	23	162	10	—	6	41	—	497	136	4	2,196	10,944
Total current identifiable expenditure	5,550	3,660	4,439	—	50	25,610	4,708	1,736	3,486	5,217	7,984	5,903	3,503	78,823	5,748	59,272	164,103	379,792
Non-identifiable spending	4,842	-4,552	1,171	24,834	28,288	1,602	115	228	—	—	136	125	—	174	2,573	—	—	59,535
Total current expenditure on services	10,392	-892	5,609	24,834	28,337	27,212	4,823	1,964	3,486	5,217	8,120	6,028	3,503	78,997	8,320	59,272	164,103	439,327

All data in this table are National Statistics

Table 9.8b Identifiable capital expenditure on services by function, country and region, 2004–05

All data in this table are National Statistics

	General public services	EU transactions	International services	Debt interest	Defence	Public order and safety	Enterprise and economic development	Science and technology	Employment policies	Agriculture, fisheries and forestry	Transport	Environment protection	Housing and community amenities	Health	Recreation, culture and religion	Education and training	Social protection	Total
North East	38	—	1	—	3	58	124	16	7	7	267	21	105	144	130	213	35	1,169
North West	104	—	2	—	3	165	542	27	14	12	864	84	690	402	195	480	63	3,647
Yorkshire and Humberside	82	—	1	—	1	134	144	29	10	17	491	92	310	242	154	419	57	2,185
East Midlands	92	—	1	—	2	87	45	21	5	10	440	39	221	212	149	360	22	1,706
West Midlands	93	—	1	—	3	143	142	22	14	5	627	53	290	310	145	436	26	2,311
Eastern	99	—	0	—	2	88	90	41	6	6	667	49	88	244	121	368	15	1,883
London	152	—	2	—	4	320	48	71	14	23	1,874	56	1,078	601	258	726	37	5,264
South East	170	—	0	—	5	156	221	52	6	21	1,194	100	439	451	213	645	32	3,704
South West	78	—	1	—	3	94	150	20	5	48	516	55	159	261	178	407	13	1,987
England	908	—	10	—	26	1,245	1,504	299	80	150	6,940	550	3,379	2,868	1,543	4,054	299	23,854
Scotland	166	—	—	—	—	162	174	68	22	48	760	67	984	404	219	246	41	3,362
Wales	87	—	—	—	—	96	198	14	4	15	352	30	206	108	171	159	21	1,462
Northern Ireland	8	—	—	—	—	83	57	20	—	22	119	38	426	143	56	190	4	1,167
UK capital identifiable expenditure	1,170	—	10	—	26	1,586	1,933	402	107	235	8,171	685	4,995	3,522	1,990	4,649	366	29,846
Outside the UK	0	—	4	—	—	—	16	36	—	—	0	8	—	1	23	—	—	88
Total capital identifiable expenditure	1,170	—	14	—	26	1,586	1,948	438	107	235	8,171	692	4,995	3,523	2,014	4,649	366	29,933
Non-identifiable spending	518	—	118	—	1,612	107	28	62	—	—	21	28	—	28	78	—	—	2,601
Total capital expenditure on services	1,688	—	132	—	1,637	1,693	1,977	500	107	235	8,192	720	4,995	3,551	2,092	4,649	366	32,534

Table 9.9a Identifiable current expenditure on services by function, country and region, 2005–06

All data in this table are National Statistics

	General public services	EU transactions	International services	Debt interest	Defence	Public order and safety	Enterprise and economic development	Science and technology	Employment policies	Agriculture, fisheries and forestry	Transport	Environment protection	Housing and community amenities	Health	Recreation, culture and religion	Education and training	Social protection	Total
North East	260	—	12	—	4	1,331	424	60	226	206	245	278	195	3,865	294	2,836	8,347	18,580
North West	612	—	30	—	7	3,439	620	154	451	467	898	792	543	10,306	609	7,319	20,910	47,156
Yorkshire and Humberside	374	—	24	—	5	2,078	579	129	332	485	495	455	280	7,271	459	5,314	14,309	32,587
East Midlands	338	—	19	—	5	1,569	388	103	159	416	481	363	159	5,410	338	4,256	10,966	24,969
West Midlands	460	—	24	—	6	2,146	378	99	410	436	638	468	209	7,262	426	5,673	15,021	33,656
Eastern	460	—	24	—	8	1,817	169	274	193	448	445	493	102	6,904	396	5,142	13,553	30,429
London	829	—	32	—	10	5,355	526	291	427	271	2,114	801	993	11,908	909	9,111	21,543	55,121
South East	665	—	35	—	10	2,952	258	270	199	512	787	997	290	10,240	629	7,610	19,375	44,827
South West	448	—	22	—	7	1,913	195	91	164	887	520	639	174	6,644	379	4,661	13,390	30,134
England	4,445	—	222	—	61	22,600	3,536	1,471	2,561	4,127	6,624	5,287	2,945	69,809	4,438	51,922	137,412	317,460
Scotland	962	—	22	—	6	1,820	533	248	631	650	1,079	995	391	8,011	852	5,961	15,645	37,805
Wales	518	—	13	—	3	1,373	595	59	116	316	479	415	100	4,334	488	3,308	9,236	21,351
Northern Ireland	323	—	7	—	0	1,211	200	53	164	487	226	159	478	2,529	305	2,024	5,598	13,765
UK current identifiable expenditure	6,248	—	264	—	70	27,003	4,863	1,831	3,470	5,580	8,408	6,856	3,915	84,683	6,083	63,215	167,892	390,380
Outside the UK	5	3,632	4,851	—	—	0	25	168	10	—	17	42	0	396	145	4	2,208	11,504
Total current identifiable expenditure	6,253	3,632	5,115	—	70	27,003	4,888	1,999	3,480	5,580	8,425	6,898	3,915	85,079	6,228	63,219	170,100	401,884
Non-identifiable spending	4,980	-3,724	1,126	26,682	29,834	1,466	115	245	—	—	144	142	—	199	2,653	—	—	63,862
Total current expenditure on services	11,233	-92	6,241	26,682	29,905	28,469	5,003	2,244	3,480	5,580	8,569	7,040	3,915	85,278	8,881	63,219	170,100	465,746

Table 9.9b Identifiable capital expenditure on services by function, country and region, 2005–06

All data in this table are National Statistics

	General public services	EU transactions	International services	Debt interest	Defence	Public order and safety	Enterprise and economic development	Science and technology	Employment policies	Agriculture, fisheries and forestry	Transport	Environment protection	Housing and community amenities	Health	Recreation, culture and religion	Education and training	Social protection	Total
North East	39	—	1	—	2	54	55	20	23	6	272	30	272	175	122	284	54	1,410
North West	108	—	0	—	4	160	580	36	43	13	841	231	786	393	210	574	81	4,059
Yorkshire and Humberside	52	—	3	—	3	134	63	42	33	16	495	117	567	307	178	520	73	2,601
East Midlands	99	—	0	—	4	86	17	28	14	10	407	42	248	207	109	432	46	1,751
West Midlands	112	—	1	—	6	130	140	30	45	16	604	50	428	239	188	553	58	2,601
Eastern	117	—	0	—	4	94	73	59	19	9	715	62	354	269	136	470	41	2,422
London	188	—	0	—	6	375	19	113	42	30	2,118	45	1,512	506	328	892	81	6,255
South East	170	—	0	—	5	152	185	74	18	19	1,106	166	625	266	187	791	69	3,833
South West	67	—	0	—	4	89	68	25	14	59	534	225	225	322	149	460	47	2,291
England	952	—	6	—	38	1,273	1,199	428	251	178	7,092	970	5,016	2,686	1,606	4,976	551	27,222
Scotland	96	—	—	—	2	153	72	78	69	69	904	207	1,130	361	248	401	76	3,866
Wales	91	—	—	—	2	97	176	20	14	10	410	44	291	141	148	191	41	1,677
Northern Ireland	20	—	—	—	1	69	47	19	0	31	127	49	462	143	94	181	17	1,260
UK capital identifiable expenditure	1,158	—	6	—	43	1,593	1,495	545	334	289	8,533	1,270	6,900	3,330	2,096	5,750	685	34,025
Outside the UK	0	—	33	—	35	—	33	50	—	—	0	8	—	1	12	—	—	171
Total capital identifiable expenditure	1,158	—	39	—	78	1,593	1,528	594	334	289	8,533	1,278	6,900	3,331	2,107	5,750	685	34,195
Non-identifiable spending	456	—	132	—	716	103	39	89	—	—	10	32	—	47	31	—	—	1,654
Total capital expenditure on services	1,614	—	171	—	794	1,696	1,566	683	334	289	8,543	1,310	6,900	3,378	2,138	5,750	685	35,850

Table 9.10a Identifiable current expenditure on services by function, country and region, 2006–07

	General public services	EU transactions	International services	Debt interest	Defence	Public order and safety	Enterprise and economic development	Science and technology	Employment policies	Agriculture, fisheries and forestry	Transport	Environment protection	Housing and community amenities	Health	Recreation, culture and religion	Education and training	Social protection	Unallocated provision	Total
North East	295	—	10	—	5	1,300	415	61	219	209	280	265	197	4,184	291	2,932	8,611	—	19,272
North West	683	—	26	—	9	3,366	623	151	437	418	985	961	538	10,997	598	7,676	21,582	—	49,051
Yorkshire and Humberside	422	—	20	—	6	2,034	569	131	321	437	557	449	302	7,729	468	5,551	14,811	—	33,805
East Midlands	364	—	16	—	6	1,525	381	105	154	391	548	351	167	5,895	357	4,451	11,357	—	26,069
West Midlands	499	—	20	—	9	2,113	363	97	397	415	724	456	212	7,799	437	5,943	15,469	—	34,954
Eastern	497	—	21	—	11	1,792	169	255	187	411	514	502	111	7,262	410	5,449	14,063	—	31,653
London	926	—	29	—	13	5,253	478	298	409	217	2,371	809	894	12,080	953	9,603	22,422	—	56,754
South East	721	—	31	—	21	2,932	279	252	193	496	1,028	1,131	293	10,714	659	8,058	20,169	—	46,976
South West	482	—	19	—	10	1,876	212	91	159	894	600	743	188	7,066	405	4,899	13,919	—	31,563
England	4,889	—	192	—	91	22,190	3,489	1,440	2,476	3,888	7,607	5,668	2,901	73,725	4,577	54,563	142,402	—	330,097
Scotland	783	—	19	—	8	1,955	567	252	614	672	1,267	1,174	361	8,644	816	6,186	16,021	—	39,339
Wales	614	—	11	—	4	1,359	574	55	112	371	475	397	134	4,659	499	3,431	9,549	—	22,246
Northern Ireland	382	—	7	—	1	1,243	220	52	163	446	250	194	518	2,691	308	2,156	6,097	—	14,729
UK current identifiable expenditure	6,668	—	229	—	104	26,746	4,850	1,799	3,365	5,377	9,598	7,433	3,914	89,719	6,201	66,337	174,070	—	406,411
Outside the UK	5	4,378	5,289	—	48	0	40	145	9	—	37	34	0	605	160	5	2,308	—	13,062
Total current identifiable expenditure	6,673	4,378	5,519	—	152	26,746	4,890	1,943	3,375	5,377	9,635	7,467	3,915	90,323	6,361	66,342	176,378	—	419,473
Non-identifiable spending	4,975	-7,090	1,131	27,166	30,836	1,494	118	327	—	67	137	249	—	167	2,742	—	1	2,081	64,402
Total current expenditure on services	11,648	-2,712	6,650	27,166	30,988	28,240	5,008	2,271	3,375	5,444	9,772	7,716	3,915	90,491	9,103	66,342	176,379	2,081	483,875

Table 9.10b Identifiable capital expenditure on services by function, country and region, 2006–07

	General public services	EU transactions	International services	Debt interest	Defence	Public order and safety	Enterprise and economic development	Science and technology	Employment policies	Agriculture, fisheries and forestry	Transport	Environment protection	Housing and community amenities	Health	Recreation, culture and religion	Education and training	Social protection	Unallocated provision	Total
North East	40	—	1	—	1	63	96	16	1	2	293	47	287	282	143	281	55	—	1,609
North West	118	—	3	—	1	190	590	29	2	11	915	289	837	714	201	547	87	—	4,533
Yorkshire and Humberside	52	—	2	—	1	154	105	33	1	12	539	117	633	414	208	526	83	—	2,882
East Midlands	110	—	1	—	1	98	47	22	1	7	460	51	283	378	139	423	50	—	2,073
West Midlands	125	—	1	—	1	152	169	25	1	9	688	74	458	489	236	522	62	—	3,010
Eastern	126	—	1	—	1	111	87	45	1	4	800	73	295	353	165	454	40	—	2,554
London	199	—	1	—	2	439	31	92	2	39	2,292	61	1,798	660	434	910	80	—	7,040
South East	187	—	1	—	2	179	209	60	1	15	1,266	208	635	925	229	762	69	—	4,746
South West	70	—	0	—	1	104	77	21	1	53	613	185	245	498	218	441	48	—	2,575
England	1,027	—	9	—	11	1,490	1,413	344	12	153	7,864	1,105	5,470	4,713	1,972	4,866	574	—	31,022
Scotland	78	—	0	—	0	209	111	75	49	90	1,232	264	1,188	491	266	550	107	—	4,711
Wales	123	—	0	—	0	118	221	16	1	13	445	67	350	220	158	219	36	—	1,987
Northern Ireland	41	—	0	—	0	95	72	18	0	44	142	77	413	189	116	276	53	—	1,534
UK capital identifiable expenditure	1,268	—	10	—	11	1,912	1,816	452	62	301	9,683	1,513	7,421	5,613	2,513	5,911	769	—	39,254
Outside the UK	1	—	31	—	5	—	72	36	—	—	1	8	—	0	44	—	—	—	197
Total capital identifiable expenditure	1,269	—	41	—	16	1,912	1,888	489	62	301	9,683	1,521	7,421	5,613	2,557	5,911	769	—	39,451
Non-identifiable spending	374	—	159	—	1,218	156	48	81	—	—	9	24	—	80	84	—	—	3,696	5,931
Total capital expenditure on services	1,643	—	200	—	1,234	2,068	1,936	570	62	301	9,693	1,545	7,421	5,693	2,641	5,911	769	3,696	45,382

Table 9.11 UK identifiable expenditure on services by function, country and region, per head, 2001–02 to 2006–07

		accruals, £ per head														Total	
		General public services	International services	Defence	Public order and safety	Enterprise and economic development	Science and technology	Employment policies	Agriculture, fisheries and forestry	Transport	Environment protection	Housing and community amenities	Health	Recreation, culture and religion	Education and training	Social protection	Total
2001–02																	
North East	82	4	1	414	130	12	92	111	145	112	134	1,081	152	906	2,750	6,125	
North West	73	4	1	394	134	15	68	84	159	109	122	1,047	104	865	2,537	5,716	
Yorkshire and Humberside	62	4	1	321	94	17	68	167	140	81	104	967	107	861	2,354	5,346	
East Midlands	66	3	1	294	58	17	40	129	149	72	48	927	91	812	2,108	4,817	
West Midlands	70	4	1	310	58	15	81	109	149	64	63	989	88	851	2,259	5,111	
Eastern	70	3	1	256	38	31	39	110	149	72	8	864	83	728	1,976	4,427	
London	96	3	1	557	69	23	60	28	323	78	174	1,152	124	970	2,283	5,942	
South East	71	3	1	281	35	26	27	69	137	81	43	915	85	750	1,926	4,450	
South West	78	4	1	300	62	15	36	220	124	99	55	945	82	747	2,194	4,960	
England	75	3	1	352	72	20	54	106	171	84	84	988	99	831	2,231	5,171	
Scotland	143	3	1	311	99	42	128	117	201	121	279	1,125	161	1,005	2,538	6,273	
Wales	136	3	1	373	207	14	41	78	216	96	87	1,032	166	910	2,638	6,000	
Northern Ireland	166	3	1	707	155	36	126	219	153	72	362	1,093	179	1,042	2,691	7,003	
UK identifiable expenditure	86	3	1	359	83	22	62	109	175	88	109	1,005	110	856	2,291	5,358	
2002–03																	
North East	90	4	1	454	157	16	83	72	172	100	85	1,190	138	966	2,943	6,471	
North West	71	4	0	428	134	19	61	64	210	109	103	1,175	102	915	2,690	6,085	
Yorkshire and Humberside	66	4	0	346	114	22	61	85	166	120	82	1,079	110	910	2,506	5,672	
East Midlands	72	3	1	317	78	22	36	92	180	75	52	942	98	850	2,206	5,025	
West Midlands	80	4	0	335	79	20	71	64	186	72	55	1,046	94	903	2,400	5,410	
Eastern	76	3	1	277	45	40	34	72	171	84	12	993	82	789	2,089	4,767	
London	96	3	1	608	71	33	54	37	361	83	156	1,266	134	1,038	2,482	6,423	
South East	75	3	1	306	44	35	25	49	178	86	52	1,002	90	809	1,995	4,749	
South West	82	4	2	328	68	19	33	148	153	110	53	996	91	793	2,249	5,130	
England	79	3	1	382	82	26	48	72	206	93	75	1,080	103	885	2,359	5,495	
Scotland	155	3	1	324	90	44	123	118	247	124	237	1,321	173	1,026	2,640	6,627	
Wales	147	3	1	408	250	17	36	93	247	108	95	1,182	182	998	2,736	6,504	
Northern Ireland	187	3	0	686	184	35	119	211	179	78	350	1,198	190	1,155	2,852	7,428	
UK identifiable expenditure	92	3	1	387	94	28	56	81	211	96	98	1,109	115	911	2,416	5,697	

Data in this table from 2001–02 to 2005–06 are National Statistics

Table 9.11 UK identifiable expenditure on services by function, country and region, per head, 2001–02 to 2006–07 (continued)

		accruals, £ per head														Total	
Data in this table from 2001–02 to 2005–06 are National Statistics		General public services	International services	Defence	Public order and safety	Enterprise and economic development	Science and technology	Employment policies	Agriculture, fisheries and forestry	Transport	Environment protection	Housing and community amenities	Health	Recreation, culture and religion	Education and training	Social protection	Total
2003–04																	
North East	89	5	4	4	492	230	18	93	84	196	103	119	1,309	155	1,087	3,074	7,059
North West	87	4	2	2	464	132	22	69	60	241	114	139	1,337	106	1,019	2,838	6,635
Yorkshire and Humberside	73	3	1	1	375	134	26	69	94	195	88	80	1,234	114	1,015	2,635	6,136
East Midlands	81	3	2	2	345	69	23	39	105	198	76	71	1,085	104	947	2,336	5,484
West Midlands	87	4	2	2	364	96	18	81	71	213	78	73	1,171	114	1,011	2,554	5,938
Eastern	89	4	2	2	303	44	42	37	90	209	78	48	1,096	86	886	2,238	5,252
London	104	4	3	3	668	68	45	60	43	601	94	169	1,421	161	1,172	2,648	7,259
South East	79	4	2	2	332	49	35	26	60	231	92	65	1,121	91	892	2,164	5,243
South West	89	4	4	4	357	65	18	35	155	182	102	56	1,135	96	888	2,472	5,659
England	87	4	2	2	416	89	29	54	80	270	92	93	1,217	112	989	2,517	6,051
Scotland	171	3	1	1	355	111	52	137	132	330	132	261	1,451	185	1,086	2,873	7,280
Wales	162	3	1	1	439	262	17	41	98	255	124	101	1,340	185	1,059	2,896	6,982
Northern Ireland	192	3	0	0	690	140	36	90	231	195	87	416	1,340	192	1,207	3,044	7,862
UK identifiable expenditure	101	4	2	2	420	101	31	61	90	272	97	117	1,246	124	1,007	2,581	6,253
2004–05																	
North East	111	4	2	2	530	210	23	92	84	192	102	106	1,459	159	1,144	3,205	7,424
North West	98	4	1	1	505	169	24	68	62	263	115	164	1,449	106	1,077	2,982	7,087
Yorkshire and Humberside	84	4	1	1	405	149	27	68	99	191	115	117	1,368	112	1,075	2,762	6,577
East Midlands	94	4	1	1	374	82	25	38	108	205	89	101	1,204	116	1,020	2,477	5,938
West Midlands	98	4	1	1	406	107	20	79	71	241	84	99	1,301	98	1,071	2,704	6,385
Eastern	96	4	1	1	330	47	48	36	101	197	91	56	1,222	89	924	2,362	5,604
London	124	4	1	1	719	71	47	59	52	531	97	219	1,587	138	1,244	2,735	7,629
South East	96	4	1	1	365	58	36	25	61	239	121	104	1,239	98	957	2,306	5,711
South West	98	4	2	2	392	68	19	34	151	194	113	75	1,260	114	944	2,612	6,079
England	100	4	1	1	453	99	31	53	83	267	104	122	1,347	112	1,050	2,647	6,474
Scotland	176	4	1	1	372	119	56	131	132	318	146	251	1,513	205	1,162	2,992	7,578
Wales	169	4	1	1	467	267	19	40	71	285	137	93	1,435	216	1,120	3,043	7,367
Northern Ireland	176	4	0	0	719	152	42	99	229	200	105	502	1,422	195	1,241	3,200	8,286
UK identifiable expenditure	112	4	1	1	455	111	33	60	91	270	109	142	1,368	127	1,068	2,712	6,663

Table 9.11 UK identifiable expenditure on services by function, country and region, per head, 2001–02 to 2006–07 (continued)

		accruals, £ per head														Total	
		General public services	International services	Defence	Public order and safety	Enterprise and economic development	Science and technology	Employment policies	Agriculture, fisheries and forestry	Transport	Environment protection	Housing and community amenities	Health	Recreation, culture and religion	Education and training	Social protection	Total
2005–06																	
North East	117	5	2	541	187	31	97	83	202	121	183	1,579	162	1,220	3,284	7,814	
North West	105	4	2	526	175	28	72	70	254	149	194	1,563	120	1,153	3,066	7,481	
Yorkshire and Humberside	84	5	1	437	127	34	72	99	196	113	167	1,496	126	1,152	2,840	6,949	
East Midlands	101	4	2	384	94	30	40	99	206	94	95	1,304	104	1,089	2,557	6,205	
West Midlands	107	5	2	424	96	24	85	84	232	97	119	1,398	114	1,160	2,810	6,757	
Eastern	104	4	2	345	44	60	38	82	209	100	82	1,295	96	1,013	2,453	5,928	
London	135	4	2	762	72	54	62	40	563	113	333	1,651	164	1,331	2,876	8,164	
South East	102	4	2	380	54	42	27	65	232	142	112	1,287	100	1,029	2,382	5,960	
South West	102	4	2	395	52	23	35	187	208	171	79	1,375	104	1,011	2,651	6,398	
England	107	5	2	473	94	38	56	85	272	124	158	1,437	120	1,128	2,736	6,835	
Scotland	208	4	2	387	119	64	137	141	389	236	299	1,643	216	1,249	3,086	8,179	
Wales	206	4	2	497	261	27	44	110	300	155	132	1,513	215	1,183	3,136	7,784	
Northern Ireland	198	4	1	742	143	42	95	301	205	120	545	1,549	231	1,279	3,256	8,713	
UK identifiable expenditure	123	4	2	475	106	39	63	97	281	135	180	1,462	136	1,145	2,800	7,049	
Data in this section do not form part of National Statistics																	
2006–07																	
North East	131	4	2	534	200	30	86	83	224	122	189	1,749	170	1,258	3,394	8,177	
North West	117	4	1	517	177	26	64	62	276	182	200	1,704	116	1,197	3,154	7,798	
Yorkshire and Humberside	93	4	1	429	132	32	63	88	215	111	183	1,596	132	1,190	2,918	7,188	
East Midlands	109	4	2	374	99	29	36	92	233	93	104	1,447	114	1,124	2,631	6,491	
West Midlands	116	4	2	421	99	23	74	79	263	99	125	1,542	125	1,203	2,890	7,065	
Eastern	112	4	2	342	46	54	34	74	236	103	73	1,368	103	1,060	2,533	6,144	
London	148	4	2	750	67	51	54	34	614	115	355	1,678	183	1,385	2,964	8,404	
South East	111	4	3	379	59	38	24	62	280	163	113	1,418	108	1,075	2,466	6,304	
South West	108	4	2	387	57	22	31	185	237	181	85	1,479	122	1,044	2,732	6,677	
England	117	4	2	467	97	35	49	80	305	134	165	1,547	129	1,172	2,819	7,121	
Scotland	168	4	2	424	133	64	130	149	489	282	303	1,788	212	1,319	3,157	8,623	
Wales	247	4	2	496	267	24	38	129	309	156	163	1,639	221	1,226	3,219	8,139	
Northern Ireland	244	4	0	772	168	40	94	283	226	156	537	1,662	245	1,403	3,549	9,385	
UK identifiable expenditure	131	4	2	473	110	37	57	94	319	148	187	1,575	144	1,194	2,888	7,362	

Table 9.12 UK identifiable expenditure on services by function, country and region, per head indexed, 2001–02 to 2006–07

		Index (UK identifiable expenditure = 100)															
		Data in this table from 2001–02 to 2005–06 are National Statistics															
		General public services	International services	Defence	Public order and safety	Enterprise and economic development	Science and technology	Employment policies	Agriculture, fisheries and forestry	Transport	Environment protection	Housing and community amenities	Health	Recreation, culture and religion	Education and training	Social protection	Total
2001–02																	
	North East	95	127	99	115	156	54	148	102	83	128	123	108	138	106	120	114
	North West	84	115	72	110	160	68	110	77	91	125	113	104	94	101	111	107
	Yorkshire and Humberside	71	107	86	89	114	76	110	153	80	92	96	96	97	101	103	100
	East Midlands	77	99	101	82	70	76	65	118	85	82	45	92	82	95	92	90
	West Midlands	82	107	114	86	70	69	131	100	85	73	58	98	80	99	99	95
	Eastern	82	93	110	71	46	140	62	101	85	82	7	86	75	85	86	83
	London	112	91	88	155	83	105	98	26	185	89	160	115	113	113	100	111
	South East	83	91	88	78	42	118	44	63	78	92	40	91	77	88	84	83
	South West	90	109	103	84	74	67	58	203	71	113	50	94	75	87	96	93
	England	87	102	94	98	86	90	88	97	97	96	77	98	90	97	97	96
	Scotland	166	89	143	86	119	195	206	108	115	138	256	112	146	117	111	117
	Wales	158	88	140	104	249	64	67	72	124	110	80	103	151	106	115	112
	Northern Ireland	192	89	78	197	186	164	203	202	87	82	333	109	162	122	117	131
	UK identifiable expenditure	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
2002–03																	
	North East	98	124	67	117	166	58	148	89	82	104	87	107	119	106	122	114
	North West	78	114	57	111	142	70	108	79	100	114	105	106	89	100	111	107
	Yorkshire and Humberside	72	110	67	89	121	80	109	105	79	126	84	97	95	100	104	100
	East Midlands	79	99	73	82	83	78	64	114	85	78	54	85	85	93	91	88
	West Midlands	88	106	64	86	84	71	127	80	88	75	56	94	82	99	99	95
	Eastern	83	94	99	71	48	144	61	89	81	88	12	89	71	87	86	84
	London	105	88	86	157	76	120	97	46	171	87	160	114	116	114	103	113
	South East	81	94	81	79	47	125	44	61	84	90	53	90	78	89	83	83
	South West	90	106	311	85	72	69	59	184	73	115	54	90	79	87	93	90
	England	86	102	99	99	87	95	86	89	98	97	77	97	89	97	98	96
	Scotland	170	91	151	84	95	159	219	146	117	130	242	119	149	113	109	116
	Wales	161	90	89	105	266	60	64	115	117	113	97	107	158	110	113	114
	Northern Ireland	204	90	2	177	195	126	212	261	85	82	358	108	165	127	118	130
	UK identifiable expenditure	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

Table 9.12 UK identifiable expenditure on services by function, country and region, per head indexed, 2001–02 to 2006–07 (continued)

Data in this table from 2001–02 to 2005–06 are National Statistics

Index (UK identifiable expenditure = 100)

	General public services	International services	Defence	Public order and safety	Enterprise and economic development	Science and technology	Employment policies	Agriculture, fisheries and forestry	Transport	Environment protection	Housing and community amenities	Health	Recreation, culture and religion	Education and training	Social protection	Total
2003–04																
North East	89	137	196	117	228	59	153	94	72	106	102	105	125	108	119	113
North West	86	98	86	111	131	71	112	67	89	117	119	107	85	101	110	106
Yorkshire and Humberside	72	93	70	89	134	84	113	105	72	91	68	99	91	101	102	98
East Midlands	81	91	109	82	68	74	64	117	73	79	60	87	84	94	91	88
West Midlands	86	114	110	87	96	60	132	79	78	81	62	94	92	100	99	95
Eastern	89	101	89	72	43	138	61	101	77	81	41	88	69	88	87	84
London	103	105	120	159	68	145	97	48	221	97	144	114	129	116	103	116
South East	78	94	116	79	49	115	42	67	85	95	56	90	73	89	84	84
South West	88	104	183	85	64	59	57	173	67	105	48	91	77	88	96	90
England	86	102	115	99	88	95	88	89	99	95	80	98	90	98	98	97
Scotland	169	90	27	85	110	170	225	147	121	136	223	116	149	108	111	116
Wales	161	90	36	105	260	54	67	109	94	128	86	108	148	105	112	112
Northern Ireland	190	90	1	164	139	116	147	257	72	90	355	108	154	120	118	126
UK identifiable expenditure	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
2004–05																
North East	99	108	153	117	190	69	153	92	71	94	75	107	125	107	118	111
North West	87	105	77	111	153	71	113	68	97	105	115	106	84	101	110	106
Yorkshire and Humberside	74	102	84	89	135	81	113	109	71	105	82	100	88	101	102	99
East Midlands	83	99	104	82	74	76	64	118	76	82	71	88	91	96	91	89
West Midlands	88	102	92	89	97	61	133	78	89	76	70	95	77	100	100	96
Eastern	86	97	96	73	43	146	61	111	73	83	39	89	70	86	87	84
London	111	102	115	158	64	141	98	57	197	89	154	116	109	116	101	114
South East	86	97	110	80	53	109	42	67	88	111	73	91	77	90	85	86
South West	87	102	146	86	61	58	56	166	72	103	53	92	89	88	96	91
England	89	101	106	100	90	95	88	92	99	95	86	98	88	98	98	97
Scotland	157	95	96	82	108	168	218	145	118	133	177	111	161	109	110	114
Wales	150	95	69	103	241	57	67	78	106	125	65	105	170	105	112	110
Northern Ireland	157	95	4	158	138	128	165	251	74	96	354	104	154	116	118	124
UK identifiable expenditure	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

Table 9.12 UK identifiable expenditure on services by function, country and region, per head indexed, 2001–02 to 2006–07
(continued)

Data in this table from 2001–02 to 2005–06 are National Statistics		Index (UK identifiable expenditure = 100)																
		General public services	International services	Defence	Public order and safety	Enterprise and economic development	Science and technology	Employment policies	Agriculture, fisheries and forestry	Transport	Environment protection	Housing and community amenities	Health	Recreation, culture and religion	Education and training	Social protection	Total	
2005–06																		
	North East	95	112	105	114	177	79	154	85	72	89	102	108	119	106	117	111	
	North West	86	99	82	111	166	70	114	72	90	111	108	107	88	101	110	106	
	Yorkshire and Humberside	68	117	78	92	120	85	114	101	70	84	93	102	93	101	101	98	
	East Midlands	82	98	108	81	89	77	64	101	73	70	53	89	77	95	91	88	
	West Midlands	87	103	116	89	91	61	134	87	82	72	66	96	84	101	100	96	
	Eastern	85	97	120	73	41	153	61	84	74	74	46	89	71	88	88	84	
	London	110	96	117	160	69	136	99	41	200	83	185	113	121	116	103	116	
	South East	83	97	100	80	51	107	42	67	82	106	62	88	74	90	85	85	
	South West	83	98	114	83	49	58	56	192	74	126	44	94	77	88	95	91	
	England	87	101	104	100	89	95	88	88	97	92	88	98	88	98	98	97	
	Scotland	169	96	84	82	112	162	217	145	138	175	166	112	159	109	110	116	
	Wales	167	96	92	105	247	68	69	113	107	115	74	103	158	103	112	110	
	Northern Ireland	161	96	44	156	136	106	151	309	73	89	304	106	170	112	116	124	
	UK identifiable expenditure	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	
Data in this section do not form part of National Statistics																		
2006–07																		
	North East	100	105	117	113	182	81	152	88	70	83	101	111	118	105	117	111	
	North West	89	107	79	109	160	71	113	67	87	123	107	108	81	100	109	106	
	Yorkshire and Humberside	71	107	72	91	120	86	112	94	67	75	98	101	92	100	101	98	
	East Midlands	83	101	92	79	90	79	63	98	73	63	55	92	79	94	91	88	
	West Midlands	89	102	101	89	90	61	131	84	82	67	67	98	87	101	100	96	
	Eastern	85	99	110	72	42	145	60	79	74	70	39	87	72	89	88	83	
	London	113	97	107	158	61	138	96	36	193	78	189	107	127	116	103	114	
	South East	84	97	149	80	54	102	42	66	88	110	60	90	75	90	85	86	
	South West	82	97	111	82	51	59	55	197	75	123	45	94	85	88	95	91	
	England	89	101	106	99	88	95	87	85	96	90	88	98	90	98	98	97	
	Scotland	129	96	82	89	121	172	229	159	154	191	162	114	147	110	109	117	
	Wales	189	96	79	105	242	64	67	138	97	106	87	104	154	103	111	110	
	Northern Ireland	186	96	24	163	153	108	167	302	71	106	287	106	170	118	123	127	
	UK identifiable expenditure	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	

Table 9.13 Total local authority identifiable expenditure on services by country and region, 2001–02 to 2006–07

	As a percentage of total spending in that region (from Table 9.1)																
	accruals, £ million						National Statistics										
	National Statistics			National Statistics			2001–02		2002–03		2003–04		2004–05		2005–06		2006–07
	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	plans	plans
North East	4,341	4,511	5,017	5,336	5,855	6,088	28	27	28	28	28	29	29	29	29	29	29
North West	10,970	11,666	13,138	14,298	15,161	15,766	28	28	29	29	30	30	30	30	30	29	29
Yorkshire and Humberside	7,415	7,857	8,697	9,543	10,348	10,742	28	28	28	28	29	29	29	29	29	29	29
East Midlands	5,548	5,943	6,734	7,466	7,799	8,117	27	28	29	29	29	29	29	29	29	29	29
West Midlands	7,663	8,302	9,296	10,181	10,962	11,416	28	29	29	29	30	30	30	30	30	30	30
Eastern	6,954	7,551	8,608	9,240	10,107	10,502	29	29	30	30	30	31	31	31	31	31	31
London	16,524	17,753	20,024	21,534	23,885	24,793	38	37	37	37	38	38	38	39	39	39	39
South East	10,677	11,552	12,737	14,050	14,943	15,531	30	30	30	30	30	30	30	31	31	30	30
South West	6,594	7,061	7,945	8,572	9,156	9,520	27	28	28	28	28	28	28	28	28	28	28
England	76,686	82,196	92,195	100,219	108,216	112,474	30	30	31	31	31	31	31	31	31	31	31
Scotland	9,015	9,852	10,498	11,189	12,239	12,615	28	29	29	29	29	29	29	29	29	29	29
Wales	4,883	5,244	5,690	6,120	6,662	7,040	28	28	28	28	28	28	28	28	29	29	29
Northern Ireland	384	406	413	443	486	583	3	3	3	3	3	3	3	3	3	4	4
UK local authority identifiable expenditure	90,968	97,698	108,797	117,971	127,603	132,713	29	29	29	29	29	30	30	30	30	30	30
Non-identifiable expenditure	350	306	269	391	438	449	1	1	0	1	1	1	1	1	1	1	1
Total local authority expenditure on services	91,318	98,004	109,066	118,362	128,041	133,162	24	24	25	25	25	25	25	25	25	25	25
Accounting adjustments	9,052	12,287	10,103	12,262	11,683	14,748	63	64	62	64	64	64	64	55	58	58	58
Total local authority expenditure	100,370	110,291	119,169	130,624	139,724	147,910	26	26	26	26	27	27	27	27	27	27	27

Table 9.14 Total local authority identifiable expenditure on services by country and region per head, 2001–02 to 2006–07

	accruals, £ per head														Index (UK identifiable expenditure = 100)													
	National Statistics							National Statistics							National Statistics							National Statistics						
	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07	plans	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07	plans	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07	plans							
North East	1,709	1,778	1,976	2,097	2,288	2,384		111	108	108	106	106	108	109	105	104	106	106	104	104	105	105						
North West	1,620	1,720	1,931	2,094	2,215	2,294		105	104	106	106	106	104	105	97	96	95	96	96	96	96	96						
Yorkshire and Humberside	1,490	1,573	1,736	1,894	2,043	2,105		86	85	87	88	88	85	85	86	85	87	88	85	85	85	85						
East Midlands	1,324	1,407	1,584	1,744	1,811	1,872		94	95	96	96	97	96	97	94	95	96	96	96	96	96	97						
West Midlands	1,451	1,565	1,747	1,909	2,043	2,125		84	85	86	86	85	86	86	84	85	86	85	86	86	86	86						
Eastern	1,288	1,393	1,576	1,683	1,824	1,886		147	146	148	147	147	150	149	86	87	86	88	86	86	86	86						
London	2,257	2,408	2,710	2,899	3,177	3,266		87	87	86	86	86	86	86	87	86	87	86	86	86	86	85						
South East	1,331	1,436	1,576	1,732	1,830	1,893		101	101	101	101	101	101	101	116	118	114	112	113	113	113	113						
South West	1,334	1,421	1,589	1,701	1,807	1,862		109	109	106	106	105	106	108	15	15	13	13	13	13	13	15						
England	1,551	1,656	1,849	2,001	2,146	2,218		100	100	100	100	100	100	100	100	100	100	100	100	100	100	100						
Scotland	1,780	1,949	2,076	2,203	2,402	2,469																						
Wales	1,678	1,794	1,937	2,073	2,252	2,365																						
Northern Ireland	227	239	242	259	282	337																						
UK local authority identifiable expenditure	1,539	1,647	1,827	1,972	2,119	2,192		100	100	100	100	100	100	100	100	100	100	100	100	100	100	100						

Table 9.15 Total central government and public corporations' identifiable expenditure on services by country and region, 2001–02 to 2007–08

	accruals, £ million														As a percentage of total spending in that region (from Table 9.1)							
	National Statistics							National Statistics							National Statistics							
	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08	
North East	11,218	11,913	12,908	13,559	14,136	14,793	15,629	72	73	72	72	71	71	71	71	72	72	72	71	71	71	71
North West	27,744	29,610	32,010	34,083	36,054	37,818	39,860	72	72	71	70	70	70	71	72	71	70	70	70	70	71	71
Yorkshire and Humberside	19,191	20,464	22,041	23,599	24,840	25,945	27,117	72	72	72	71	71	71	71	72	72	71	71	71	71	71	71
East Midlands	14,633	15,276	16,585	17,949	18,921	20,025	21,118	73	72	71	71	71	71	71	72	71	70	70	70	70	71	71
West Midlands	19,328	20,393	22,293	23,876	25,294	26,548	28,217	72	71	71	70	70	70	70	71	70	70	69	69	69	70	70
Eastern	16,956	18,299	20,084	21,536	22,744	23,705	25,505	71	71	70	70	70	69	69	70	69	69	69	69	69	69	69
London	26,986	29,592	33,608	35,136	37,491	39,002	40,861	62	63	63	62	61	61	61	62	63	62	62	61	61	61	61
South East	25,027	26,652	29,631	32,270	33,717	36,190	38,670	70	70	70	70	70	69	69	70	70	70	70	69	69	70	70
South West	17,927	18,421	20,346	22,057	23,270	24,619	26,188	73	72	72	72	72	72	72	72	72	72	72	72	72	72	72
Total England	179,011	190,619	209,506	224,066	236,466	248,645	263,165	70	70	69	69	69	69	69	70	69	69	69	69	69	69	69
Scotland	22,755	23,649	26,319	27,297	29,432	31,435	32,752	72	71	71	71	71	71	71	71	71	71	71	71	71	71	71
Wales	12,577	13,771	14,824	15,630	16,366	17,192	17,978	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72
Northern Ireland ⁽¹⁾	11,447	12,197	12,973	13,730	14,538	15,679	16,201	97	97	97	97	97	97	97	97	97	97	97	97	97	97	96
UK central government and public corporations' identifiable expenditure	225,790	240,234	263,622	280,723	296,802	312,952	330,095	71	71	71	71	70	70	70	71	70	70	70	70	70	70	70
Outside UK	4,247	7,639	8,821	11,031	11,674	13,259	14,760	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Total central government and public corporations' identifiable expenditure	230,037	247,873	272,444	291,754	308,477	326,211	344,856	72	72	71	71	71	71	71	72	71	71	71	71	71	71	71
Non-identifiable expenditure	54,399	55,936	58,618	61,745	65,078	69,884	74,458	99	99	100	99	99	99	99	99	99	99	99	99	99	99	99
Total central government and public corporations' expenditure on services	284,436	303,809	331,062	353,499	373,555	396,095	419,314	76	76	75	75	74	74	75	76	75	75	74	74	75	75	75
Accounting adjustments	5,281	6,767	6,086	6,918	9,556	10,622	6,910	37	36	38	36	45	42	37	36	38	36	36	45	45	42	42
Total central government and public corporations' expenditure	289,717	310,576	337,148	360,417	383,111	406,716	426,224	74	74	74	74	73	73	74	74	73	73	73	73	73	73	73

(1) The relative weighting of Northern Ireland is higher in this table because spending that in Great Britain is undertaken by local authorities, in Northern Ireland is mostly undertaken by Northern Ireland departments.

Table 9.16 Total central government and public corporations' identifiable expenditure on services by country and region per head, 2001–02 to 2007–08

	accruals, £ per head														Index (UK identifiable expenditure = 100)							
	National Statistics							National Statistics							National Statistics							
	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08	
North East	4,417	4,694	5,083	5,328	5,525	5,793	6,113	116	116	115	114	112	113	116	107	108	106	106	107	107	107	107
North West	4,096	4,365	4,704	4,992	5,266	5,504	5,785	101	101	99	100	100	97	101	91	89	88	89	89	89	89	91
Yorkshire and Humberside	3,856	4,099	4,400	4,683	4,905	5,083	5,283	96	96	95	95	96	96	96	82	83	83	84	83	84	84	82
East Midlands	3,493	3,617	3,900	4,194	4,394	4,619	4,843	96	96	95	95	96	96	96	82	82	83	85	84	86	86	82
West Midlands	3,660	3,845	4,190	4,476	4,714	4,941	5,235	95	95	95	95	96	96	96	95	95	95	95	96	96	96	96
Eastern	3,140	3,375	3,677	3,922	4,104	4,258	4,553	96	96	99	103	101	101	98	82	82	83	85	84	86	86	82
London	3,685	4,015	4,549	4,766	4,987	5,138	5,339	95	95	92	92	93	93	94	95	95	95	95	95	95	95	95
South East	3,119	3,313	3,667	3,979	4,130	4,411	4,690	118	113	114	113	112	111	113	113	116	114	113	112	111	111	113
South West	3,626	3,708	4,070	4,378	4,592	4,815	5,089	177	177	178	172	171	171	177	100	100	100	100	100	100	100	100
England	3,620	3,839	4,202	4,473	4,689	4,903	5,163	95	95	95	95	95	95	95	118	116	118	115	117	118	118	118
Scotland	4,493	4,678	5,204	5,375	5,777	6,154	6,404	113	113	116	114	113	112	113	113	116	114	113	112	111	111	113
Wales	4,322	4,710	5,046	5,294	5,532	5,775	6,014	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Northern Ireland ⁽¹⁾	6,776	7,189	7,620	8,028	8,431	9,048	9,305	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
UK central government and public corporations' identifiable expenditure	3,820	4,050	4,427	4,692	4,929	5,170	5,427	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

(1) The relative weighting of Northern Ireland is higher in this table because spending that in Great Britain is undertaken by local authorities, in Northern Ireland is mostly undertaken by Northern Ireland departments.

Table 9.17 Identifiable expenditure on services for Scotland, Wales and Northern Ireland, 2005–06

All the data in this table are National Statistics

	General public services	International services	Defence	Public order and safety	Enterprise and economic development	Science and technology	Employment policies	Agriculture, fisheries and forestry	Transport	Environment protection	Housing and community amenities	Health	Recreation, culture and religion	Education and training	Social protection	Total
Scotland																
Scottish Executive	386	—	2	806	270	108	509	680	931	134	1,208	8,351	180	1,948	443	15,956
Scotland Office ⁽¹⁾	4	—	—	2	—	—	—	—	—	—	—	—	—	—	—	6
Scotland local authorities	593	—	4	1,150	167	—	—	22	765	491	313	—	678	4,405	3,650	12,239
UK public corporations	—	—	—	—	—	—	—	—	6	—	—	—	—	—	—	6
UK government departments	75	22	2	16	167	219	191	17	280	578	0	20	242	8	11,628	13,465
Total identifiable expenditure in Scotland	1,058	22	8	1,974	605	326	699	719	1,983	1,202	1,521	8,371	1,100	6,362	15,721	41,671
Wales																
National Assembly for Wales	266	—	—	28	516	—	—	315	326	150	49	4,473	87	1,195	147	7,555
Wales Office ⁽¹⁾	4	—	—	—	—	—	—	—	—	—	—	—	—	—	—	4
Wales local authorities	287	—	3	721	108	—	—	3	392	300	339	—	325	2,282	1,903	6,662
UK public corporations	—	—	—	—	—	—	—	—	3	—	—	—	—	—	—	3
UK government departments	51	13	2	720	147	79	130	8	168	10	4	2	224	22	7,227	8,805
Total identifiable expenditure in Wales	609	13	5	1,469	771	79	130	326	889	459	392	4,476	636	3,500	9,277	23,028
Northern Ireland																
Northern Ireland Executive	295	—	—	69	212	47	164	516	334	81	841	2,632	94	2,203	4,734	12,223
Northern Ireland Office	33	—	—	1,091	—	—	—	—	—	—	—	—	—	—	56	1,179
Northern Ireland Court Service	—	—	—	116	—	—	—	—	—	—	—	—	—	—	—	116
Northern Ireland local authorities	—	—	—	—	14	—	—	—	—	126	99	39	208	—	—	486
UK government departments	15	7	1	3	21	25	0	3	19	0	0	1	97	2	825	1,019
Total identifiable expenditure in Northern Ireland	342	7	1	1,280	247	72	164	519	353	208	941	2,671	399	2,205	5,615	15,024

All the spending of the devolved administrations is identifiable except for spending by the Scottish Executive on Lockerbie.

(1) Scotland Office and Wales Office are no longer separate departments, but are now entities within the Department for Constitutional Affairs.

Table 9.18 Local authority identifiable expenditure on services by function, country and region, 2001–02 to 2006–07

	accruals, £ millions													
	General public services	Defence	Public order and safety	Enterprise and economic development	Employment policies	Agriculture, fisheries and forestry	Transport	Environment protection	Housing and community amenities	Health	Recreation, culture and religion	Education and training	Social protection	Total
2001–02														
North East	151	1	511	82	1	0	204	134	268	25	221	1,523	1,219	4,341
North West	352	2	1,375	107	1	–1	532	388	631	64	466	3,971	3,083	10,970
Yorkshire and Humberside	204	2	912	73	0	0	364	242	386	42	300	2,918	1,972	7,415
East Midlands	197	2	684	42	1	2	251	203	135	32	218	2,323	1,459	5,548
West Midlands	260	2	930	84	0	2	341	256	192	46	287	3,064	2,198	7,663
Eastern	277	4	868	35	0	–4	339	282	–40	44	266	2,864	2,020	6,954
London	499	4	2,647	287	1	–1	1,377	490	523	93	473	4,596	5,538	16,524
South East	418	4	1,502	21	–	3	381	441	253	64	432	4,117	3,041	10,677
South West	282	3	836	52	0	3	265	271	172	41	233	2,535	1,899	6,594
England	2,640	25	10,264	783	3	4	4,054	2,706	2,520	449	2,897	27,910	22,431	76,686
Scotland	304	3	915	104	–	19	490	364	347	–	502	3,271	2,696	9,015
Wales	184	2	580	75	–	6	262	201	259	–	233	1,752	1,330	4,883
Northern Ireland ^(b)	–	–	–	7	–	–	–	96	83	29	168	–	–	384
UK identifiable expenditure	3,128	30	11,760	969	3	29	4,805	3,368	3,209	478	3,800	32,933	26,457	90,968
2002–03														
North East	173	1	536	79	0	1	227	146	144	25	218	1,602	1,360	4,511
North West	354	3	1,439	101	0	1	737	425	486	64	427	4,212	3,419	11,666
Yorkshire and Humberside	235	2	963	62	0	–5	415	281	293	42	320	3,059	2,188	7,857
East Midlands	228	2	710	58	–	1	306	221	115	32	236	2,417	1,617	5,943
West Midlands	326	2	972	95	0	6	440	280	145	46	301	3,253	2,435	8,302
Eastern	319	4	892	21	–	–1	399	314	–22	44	283	3,048	2,249	7,551
London	533	4	2,824	280	–	3	1,686	523	402	93	460	4,834	6,111	17,753
South East	460	4	1,572	33	–	3	490	483	254	64	450	4,361	3,378	11,552
South West	314	4	874	48	0	11	322	298	143	41	237	2,663	2,105	7,061
England	2,943	27	10,783	776	1	19	5,022	2,970	1,961	449	2,932	29,449	24,862	82,196
Scotland	333	3	952	110	–	17	558	390	320	–	551	3,486	3,132	9,852
Wales	207	2	613	60	–	4	276	220	255	–	260	1,841	1,505	5,244
Northern Ireland ^(b)	–	–	–	8	–	–	–	102	88	31	178	–	–	406
UK identifiable expenditure	3,483	32	12,348	954	1	40	5,857	3,683	2,624	480	3,921	34,776	29,500	97,698

Table 9.18 Local authority identifiable expenditure on services by function, country and region, 2001–02 to 2006–07 (continued)

	accruals, £ millions													
	General public services	Defence	Public order and safety	Enterprise and economic development	Employment policies	Agriculture, fisheries and forestry	Transport	Environment protection	Housing and community amenities	Health	Recreation, culture and religion	Education and training	Social protection	Total
2003–04														
North East	164	1	596	87	—	2	247	159	206	28	239	1,775	1,513	5,017
North West	445	3	1,590	118	0	-3	803	483	673	62	452	4,708	3,806	13,138
Yorkshire and Humberside	256	2	1,060	66	0	5	483	308	272	43	330	3,425	2,446	8,697
East Midlands	257	2	802	35	—	0	348	249	183	32	283	2,732	1,812	6,734
West Midlands	347	2	1,085	113	—	-2	479	321	213	47	306	3,668	2,717	9,296
Eastern	376	4	999	28	0	3	465	355	115	41	309	3,406	2,505	8,608
London	585	5	3,150	291	0	1	2,349	584	327	89	519	5,459	6,663	20,024
South East	476	5	1,732	36	—	7	541	544	204	65	470	4,884	3,774	12,737
South West	338	4	974	47	—	13	385	331	156	41	271	3,024	2,360	7,945
England	3,243	28	11,988	821	0	27	6,099	3,333	2,349	449	3,180	33,081	27,597	92,195
Scotland	349	3	1,051	119	—	20	607	412	274	—	610	3,818	3,234	10,498
Wales	225	2	667	89	—	5	305	247	187	—	261	2,039	1,663	5,691
Northern Ireland ^(b)	—	—	—	12	—	—	—	109	85	34	173	—	—	413
UK identifiable expenditure	3,817	33	13,706	1,041	0	52	7,011	4,102	2,894	483	4,224	38,938	32,495	108,797
2004–05														
North East	210	1	627	106	0	0	267	170	178	19	251	1,884	1,622	5,336
North West	508	3	1,676	156	0	0	881	511	894	49	460	4,981	4,179	14,298
Yorkshire and Humberside	303	3	1,118	80	0	6	509	359	451	34	363	3,610	2,706	9,543
East Midlands	304	3	856	65	0	1	404	281	286	26	291	2,930	2,019	7,466
West Midlands	398	3	1,171	132	—	-9	515	351	364	35	333	3,902	2,986	10,181
Eastern	405	5	1,075	34	0	0	516	387	147	32	308	3,614	2,716	9,240
London	739	6	3,337	315	0	2	2,315	638	636	66	539	5,794	7,148	21,534
South East	611	6	1,869	48	0	7	580	592	481	50	489	5,254	4,064	14,050
South West	377	5	1,039	59	—	21	384	357	246	30	274	3,227	2,553	8,572
England	3,856	34	12,769	995	0	27	6,372	3,646	3,683	340	3,308	35,196	29,993	100,219
Scotland	389	4	1,088	142	—	24	647	454	267	—	652	4,097	3,425	11,189
Wales	212	2	674	109	—	7	330	273	255	—	317	2,162	1,780	6,120
Northern Ireland ^(b)	—	—	—	14	—	—	—	112	90	35	191	—	—	443
UK identifiable expenditure	4,456	40	14,530	1,261	0	58	7,349	4,485	4,294	375	4,468	41,455	35,198	117,971

Data in this table from 2001–02 to 2005–06 are National Statistics

Table 9.19 Departmental group expenditure on services by sub-function, country and region, 2005–06

All the data in this table are National Statistics

	accruals, £ million																		
	North East	North West	Yorkshire and Humberside	East Midlands	West Midlands	Eastern	London	South East	South West	England	Scotland	Wales	Northern Ireland	UK identifiable expenditure	Outside the UK	Total identifiable expenditure	Non-identifiable expenditure	Total expenditure on services	
EDUCATION AND SKILLS																			
Public order and safety																			
Administration of justice	7	17	13	7	11	8	16	13	10	102	—	—	—	102	—	102	—	102	
Total public order and safety	7	17	13	7	11	8	16	13	10	102	—	—	—	102	—	102	—	102	
Employment policies																			
Employment policies	1	2	2	1	2	2	2	3	2	17	—	—	—	17	10	27	—	27	
Total employment policies	1	2	2	1	2	2	2	3	2	17	—	—	—	17	10	27	—	27	
Health																			
Central and other health services	0	1	1	1	1	1	1	1	1	8	—	—	—	8	—	8	—	8	
Total health	0	1	1	1	1	1	1	1	1	8	—	—	—	8	—	8	—	8	
Education and training																			
Further education	386	920	650	527	759	591	1,074	913	611	6,429	—	—	—	6,429	—	6,429	—	6,429	
Higher education	369	819	691	516	560	484	1,511	1,069	527	6,547	—	—	—	6,547	3	6,549	—	6,549	
Other education and training	68	176	126	111	129	128	157	185	122	1,201	0	5	0	1,207	1	1,208	—	1,208	
Primary schools	3	7	5	3	5	3	7	4	3	40	—	—	—	40	—	40	—	40	
Secondary schools	42	73	68	60	89	45	246	73	52	748	—	—	—	748	0	748	—	748	
Student support	93	268	178	147	201	163	365	258	176	1,849	—	—	—	1,849	0	1,849	—	1,849	
Training	107	256	190	151	210	225	300	254	172	1,866	9	17	2	1,893	—	1,893	—	1,893	
Under fives	41	82	58	37	55	36	87	52	38	486	0	—	—	486	—	486	—	486	
Total education and training	1,108	2,602	1,965	1,552	2,008	1,676	3,747	2,808	1,700	19,166	9	22	2	19,198	4	19,203	—	19,203	
Social protection																			
Family benefits, income support and tax credits	1	1	1	1	1	1	2	2	1	10	—	—	—	10	—	10	—	10	
Personal social services	30	77	52	40	55	48	85	70	42	499	—	—	—	499	—	499	—	499	
Public service occupational pensions	58	150	110	91	110	105	84	158	121	988	8	83	1	1,079	28	1,107	—	1,107	
Total social protection	88	228	163	132	166	155	171	229	164	1,497	8	83	1	1,588	28	1,616	—	1,616	
TOTAL EDUCATION AND SKILLS	1,204	2,851	2,143	1,693	2,188	1,842	3,937	3,054	1,878	20,790	16	105	3	20,913	42	20,955	—	20,955	

Table 9.19 Departmental group expenditure on services by sub-function, country and region, 2005–06 (continued)

	National Statistics											accruals, £ million							
	North East	North West	Yorkshire and Humberside	East Midlands	West Midlands	Eastern	London	South East	South West	England	Scotland	Wales	Northern Ireland	UK identifiable expenditure	Outside the UK	Total identifiable expenditure	Non-identifiable expenditure	Total expenditure on services	
HEALTH																			
Agriculture, fisheries and forestry																			
Other agriculture, food and fisheries policy	6	15	11	9	12	12	16	18	11	109	11	6	3	129	—	129	—	129	
Total agriculture, fisheries and forestry	6	15	11	9	12	12	16	18	11	109	11	6	3	129	—	129	—	129	
Health																			
Central and other health services	42	111	78	58	78	73	129	109	71	748	—	—	—	748	388	1,137	—	1,137	
Medical services	3,978	10,526	7,465	5,529	7,388	7,031	12,147	10,318	6,859	71,240	0	—	1	71,240	—	71,240	—	71,240	
Total health	4,019	10,637	7,543	5,586	7,465	7,104	12,277	10,427	6,930	71,988	0	—	1	71,989	388	72,377	—	72,377	
Social protection																			
Personal social services	12	31	22	16	22	21	36	31	20	210	—	—	—	210	—	210	—	210	
Public service occupational pensions	-135	-369	-254	-195	-243	-266	-335	-435	-307	-2,539	-22	-197	-3	-2,761	-84	-2,846	—	-2,846	
Total social protection	-124	-338	-232	-179	-221	-246	-298	-404	-287	-2,329	-22	-197	-3	-2,551	-84	-2,635	—	-2,635	
TOTAL HEALTH	3,901	10,314	7,322	5,416	7,256	6,870	11,994	10,041	6,654	69,768	-11	-191	0	69,567	304	69,871	—	69,871	
TRANSPORT⁽¹⁾																			
Defence																			
Civil defence	0	0	0	0	0	0	0	0	0	0	0	0	0	0	—	0	—	0	
Total defence	0	0	0	0	0	0	0	0	0	0	0	0	0	0	—	0	—	0	
Public order and safety																			
Police	5	32	19	13	23	-3	25	34	14	162	6	14	—	181	—	181	—	181	
Total public order and safety	5	32	19	13	23	-3	25	34	14	162	6	14	—	181	—	181	—	181	

(1) DfT have boded their statistics as experimental as they do not meet National Statistics requirements. See Appendix A for further details.

Table 9.19 Departmental group expenditure on services by sub-function, country and region, 2005–06 (continued)

All the data in this table are National Statistics

	North East	North West	Yorkshire and Humberside	East Midlands	West Midlands	Eastern	London	South East	South West	England	Scotland	Wales	Northern Ireland	UK identifiable expenditure	Outside the UK	Total identifiable expenditure	Non-identifiable expenditure	Total expenditure on services	
Science and technology																			
Science and technology	1	5	3	2	4	2	4	5	3	29	0	1	0	30	—	30	15	45	
Total science and technology	1	5	3	2	4	2	4	5	3	29	0	1	0	30	—	30	15	45	
Transport																			
Local public transport	24	60	43	25	37	31	96	43	30	389	0	0	0	389	2	391	—	391	
National roads	81	305	109	275	349	264	33	411	341	2,168	19	11	12	2,210	0	2,210	—	2,210	
Other transport	12	29	19	19	24	16	39	46	23	227	14	12	6	258	6	264	154	418	
Railways	108	439	257	179	294	172	617	705	237	3,007	247	145	1	3,399	9	3,409	—	3,409	
Total transport	225	832	428	498	705	483	783	1,204	631	5,790	280	168	19	6,257	17	6,274	154	6,428	
TOTAL TRANSPORT	232	869	450	514	731	482	813	1,243	648	5,981	286	183	19	6,469	17	6,486	168	6,654	
COMMUNITIES AND LOCAL GOVERNMENT																			
General public services																			
Public and common services	39	90	65	58	67	65	112	93	68	658	4	3	0	665	—	665	3	668	
Total general public services	39	90	65	58	67	65	112	93	68	658	4	3	0	665	—	665	3	668	
International services																			
International development assistance	—	0	—	—	—	—	—	—	—	0	—	—	—	0	3	3	—	3	
Total general public services	—	0	—	—	—	—	—	—	—	0	—	—	—	0	3	3	—	3	
Defence																			
Civil defence	1	3	1	3	3	3	7	5	4	31	—	—	—	31	—	31	—	31	
Total defence	1	3	1	3	3	3	7	5	4	31	—	—	—	31	—	31	—	31	
Public order and safety																			
Fire	2	4	3	3	4	3	6	5	3	34	2	1	0	36	0	36	—	36	
Total public order and safety	2	4	3	3	4	3	6	5	3	34	2	1	0	36	0	36	—	36	

Table 9.19 Departmental group expenditure on services by sub-function, country and region, 2005–06 (continued)

	National Statistics											accruals, £ million					
	North East	North West	Yorkshire and Humberside	East Midlands	West Midlands	London	South East	South West	England	Scotland	Wales	Northern Ireland	UK identifiable expenditure	Outside the UK	Total identifiable expenditure	Non-identifiable expenditure	Total expenditure on services
Enterprise and economic development																	
Economic development and trade	175	275	227	109	194	90	1	109	106	1,286	—	—	1,286	—	1,286	—	1,286
Support for business	0	0	0	0	0	0	0	0	0	0	—	—	0	—	0	—	0
Total enterprise and economic development	175	275	227	109	194	90	1	109	106	1,286	—	—	1,286	—	1,286	—	1,286
Employment policies																	
Employment policies	1	4	3	3	5	3	16	5	2	44	2	1	47	—	47	—	47
Total Employment policies	1	4	3	3	5	3	16	5	2	44	2	1	47	—	47	—	47
Environment protection																	
Environment protection	1	3	2	1	1	1	1	1	2	14	—	—	14	—	14	—	14
Total environment protection	1	3	2	1	1	1	1	1	2	14	—	—	14	—	14	—	14
Housing and community amenities																	
Local authority housing	19	116	49	-45	-23	-141	462	-130	-53	254	0	0	254	—	254	—	254
Other housing and community services	26	53	33	24	27	19	48	-45	23	209	0	3	212	0	213	—	213
Other social housing	67	150	48	81	117	287	769	522	113	2,154	—	—	2,154	—	2,154	—	2,154
Total housing and community amenities	112	319	130	59	121	166	1,279	348	84	2,617	0	4	2,621	0	2,621	—	2,621
Social protection																	
Housing benefits	—	—	0	0	0	1	—	—	—	2	—	—	2	—	2	—	2
Personal social services	1	1	1	1	1	1	14	2	1	23	—	—	23	—	23	—	23
Public service occupational pensions	0	0	—	0	0	0	0	1	—	1	—	—	1	—	1	—	1
Total social protection	1	2	1	1	1	2	15	2	1	27	—	—	27	—	27	—	27
TOTAL COMMUNITIES AND LOCAL GOVERNMENT	332	700	434	237	397	334	1,438	568	270	4,711	8	8	4,727	3	4,731	3	4,733
HOME OFFICE																	
General public services																	
Public and common services	1	4	3	2	3	3	4	4	3	26	3	2	31	—	31	—	31
Total general public services	1	4	3	2	3	3	4	4	3	26	3	2	31	—	31	—	31

Table 9.19 Departmental group expenditure on services by sub-function, country and region, 2005–06 (continued)

All the data in this table are National Statistics

	North East	North West	Yorkshire and Humberside	East Midlands	West Midlands	Eastern	London	South East	South West	England	Scotland	Wales	Northern Ireland	UK identifiable expenditure	Outside the UK	Total identifiable expenditure	Non-identifiable expenditure	Total expenditure on services	
Public order and safety																			
Administration of justice	79	207	130	79	118	76	220	110	81	1,101	1	77	—	1,179	—	1,179	—	1,179	
Immigration and citizenship	0	2	1	1	2	2	28	3	1	40	—	—	—	40	—	40	1,518	1,558	
Other public order and safety	16	42	29	21	30	23	59	33	22	276	1	17	—	294	—	294	16	310	
Police	101	263	176	133	187	160	531	239	152	1,943	—	101	—	2,043	—	2,043	—	2,043	
Prisons and offender programmes	161	495	358	244	338	229	589	347	201	2,963	—	166	—	3,129	—	3,129	—	3,129	
Total public order and safety	358	1,009	695	479	676	490	1,428	731	457	6,323	2	361	—	6,685	—	6,685	1,534	8,219	
Social protection																			
Public service occupational pensions	2	4	3	2	3	2	5	3	2	27	—	2	—	29	—	29	—	29	
Total social protection	2	4	3	2	3	2	5	3	2	27	—	2	—	29	—	29	—	29	
TOTAL HOME OFFICE	361	1,017	701	483	682	495	1,437	739	462	6,376	4	364	1	6,745	—	6,745	1,534	8,280	
CONSTITUTIONAL AFFAIRS⁽²⁾																			
General public services																			
Public and common services	4	8	6	5	7	7	8	17	8	69	3	4	1	77	5	82	20	102	
Total general public services	4	8	6	5	7	7	8	17	8	69	3	4	1	77	5	82	20	102	
Public order and safety																			
Administration of justice	329	728	222	249	296	258	634	353	443	3,512	6	308	2	3,828	—	3,828	—	3,828	
Total public order and safety	329	728	222	249	296	258	634	353	443	3,512	8	308	2	3,828	—	3,828	—	3,828	

(2) Excludes spending by the Northern Ireland Court Service, Scotland Office, and Wales Office.

Table 9.19 Departmental group expenditure on services by sub-function, country and region, 2005–06 (continued)

	National Statistics											accruals, £ million							
	North East	North West	Yorkshire and Humberside	East Midlands	West Midlands	Eastern	London	South East	South West	England	Scotland	Wales	Northern Ireland	UK identifiable expenditure	Outside the UK	Total identifiable expenditure	Non- identifiable expenditure	Total expenditure on services	
Recreation, culture and religion																			
Heritage, arts, libraries and films	0	0	0	0	0	0	0	0	0	1	0	0	0	1	0	1	1	1	1
Total recreation, culture and religion	0	0	0	0	0	0	0	0	0	1	0	0	0	1	0	1	1	1	1
Social protection																			
Public sector occupational pensions	0	-1	-1	0	-1	-1	-2	-2	-1	-8	-1	0	0	-10	-	-10	-	-10	-10
Total social protection	0	-1	-1	0	-1	-1	-2	-2	-1	-8	-1	0	0	-10	-	-10	-	-10	-10
TOTAL CONSTITUTIONAL AFFAIRS	333	735	227	254	302	264	640	368	450	3,574	8	312	3	3,896	5	3,901	20	3,921	
LAW OFFICERS' DEPARTMENTS																			
Public order and safety																			
Administration of justice	7	22	12	10	14	12	40	19	10	147	0	8	1	156	-	156	34	190	
Other public order and safety	28	75	46	36	52	37	95	56	32	457	0	29	1	487	-	487	-	487	
Total public order and safety	34	97	58	46	66	50	135	75	43	604	0	37	2	643	-	643	34	678	
TOTAL LAW OFFICERS DEPARTMENTS	34	97	58	46	66	50	135	75	43	604	0	37	2	643	-	643	34	678	
DEFENCE																			
International services																			
Other international services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	47	47	47
Total international services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	47	47	47
Defence																			
National defence	2	2	2	2	4	2	2	3	2	21	2	2	1	26	35	61	29,248	29,309	
Total defence	2	2	2	2	4	2	2	3	2	21	2	2	1	26	35	61	29,248	29,309	
Enterprise and economic development																			
Economic development and trade	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	39	39	39
Total enterprise and economic development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	39	39	39

Table 9.19 Departmental group expenditure on services by sub-function, country and region, 2005–06 (continued)

	accruals, £ million																		
	North East	North West	Yorkshire and Humberside	East Midlands	West Midlands	Eastern	London	South East	South West	England	Scotland	Wales	Northern Ireland	UK identifiable expenditure	Outside the UK	Total identifiable expenditure	Non-identifiable expenditure	Total expenditure on services	
Social protection																			
Personal social services	—	—	—	—	—	—	4	—	—	4	—	—	—	4	—	4	—	4	4
Public service occupational pensions	38	72	95	116	75	136	39	325	316	1,211	104	55	21	1,391	97	1,488	—	1,488	
State pensions	58	123	79	67	66	85	54	149	132	813	94	62	24	992	74	1,065	—	1,065	
Total social protection	96	195	175	183	141	220	97	474	448	2,028	198	117	45	2,387	170	2,557	—	2,557	
TOTAL DEFENCE	97	197	177	185	145	222	99	477	449	2,049	199	119	46	2,413	205	2,619	29,334	31,952	
FOREIGN AND COMMONWEALTH OFFICE																			
International services																			
Other international services	11	29	22	19	23	24	32	35	22	217	22	13	7	259	365	624	1,211	1,836	
Total international services	11	29	22	19	23	24	32	35	22	217	22	13	7	259	365	624	1,211	1,836	
TOTAL FOREIGN AND COMMONWEALTH OFFICE II	29	29	22	19	23	24	32	35	22	217	22	13	7	259	365	624	1,211	1,836	
INTERNATIONAL DEVELOPMENT																			
International services																			
International development assistance	—	—	—	—	—	—	—	—	—	—	—	—	—	—	4,424	4,424	—	4,423	
Other international services	—	—	—	—	—	—	—	—	—	—	—	—	—	—	29	29	—	29	
Total international services	—	—	—	—	—	—	—	—	—	—	—	—	—	—	4,452	4,452	0	4,452	
Social protection																			
Public service occupational pensions	3	8	6	5	6	6	9	9	6	58	6	3	2	70	34	104	—	104	
Total social protection	3	8	6	5	6	6	9	9	6	58	6	3	2	70	34	104	—	104	
TOTAL INTERNATIONAL DEVELOPMENT	3	8	6	5	6	6	9	9	6	58	6	3	2	70	4,487	4,556	0	4,556	

All the data in this table are National Statistics

Table 9.19 Departmental group expenditure on services by sub-function, country and region, 2005–06 (continued)

	National Statistics											accruals, £ million							
	North East	North West	Yorkshire and Humberside	East Midlands	West Midlands	Eastern	London	South East	South West	England	Scotland	Wales	Northern Ireland	UK identifiable expenditure	Outside the UK	Total identifiable expenditure	Non-identifiable expenditure	Total expenditure on services	
TRADE AND INDUSTRY																			
General public services																			
Public and common services	0	1	1	1	0	0	1	1	1	1	0	0	0	7	0	7	—	7	
Total general public services	0	1	1	1	0	0	1	1	1	1	0	0	0	7	0	7	—	7	
International services																			
International development assistance	—	—	—	—	—	—	—	—	—	—	—	—	—	—	3	3	—	3	
Other international services	—	—	—	—	—	—	—	—	—	—	—	—	—	—	59	59	—	59	
Total international services	—	—	—	—	—	—	—	—	—	—	—	—	—	—	62	62	—	62	
Public order and safety																			
Police	—	0	—	—	—	—	—	—	—	—	0	—	—	1	—	1	—	1	
Total public order and safety	—	0	—	—	—	—	—	—	—	—	0	—	—	1	—	1	—	1	
Enterprise and economic development																			
Economic development and trade	47	163	81	46	64	47	46	77	40	611	51	16	4	681	24	705	115	820	
Support for business	143	558	200	161	83	50	67	181	46	1,488	113	130	17	1,748	33	1,781	—	1,781	
Total enterprise and economic development	190	721	282	207	148	96	112	258	86	2,099	164	146	20	2,429	57	2,486	115	2,601	
Science and technology																			
Science and technology	70	162	150	112	107	309	361	302	95	1,669	199	69	19	1,956	218	2,174	318	2,493	
Total science and technology	70	162	150	112	107	309	361	302	95	1,669	199	69	19	1,956	218	2,174	318	2,493	
Employment policies																			
Employment policies	0	1	1	1	1	1	2	2	1	11	1	0	0	12	—	12	—	12	
Total employment policies	0	1	1	1	1	1	2	2	1	11	1	0	0	12	—	12	—	12	

Table 9.19 Departmental group expenditure on services by sub-function, country and region, 2005–06 (continued)

	accruals, £ million																	
	North East	North West	Yorkshire and Humberside	East Midlands	West Midlands	Eastern	London	South East	South West	England	Scotland	Wales	Northern Ireland	UK identifiable expenditure	Outside the UK	Total identifiable expenditure	Non-identifiable expenditure	Total expenditure on services
Environment protection																		
Environmental protection	6	70	6	5	5	0	1	330	129	553	564	6	0	1,123	—	1,123	—	1,123
Environmental research	2	8	8	2	2	11	11	25	21	89	14	3	0	106	50	156	174	331
Total environment protection	8	78	14	7	8	12	11	355	150	642	578	9	0	1,229	50	1,279	174	1,454
Health																		
Health research	2	18	5	9	5	41	74	34	7	194	20	2	—	216	9	225	246	471
Total health	2	18	5	9	5	41	74	34	7	194	20	2	—	216	9	225	246	471
Recreation, culture and religion																		
Broadcasting	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	7	7
Heritage, arts, libraries and films	3	6	5	3	3	10	19	17	3	70	6	2	1	79	—	79	—	79
Total recreation, culture and religion	3	6	5	3	3	10	19	17	3	70	6	2	1	79	—	79	7	86
Social protection																		
Family benefits, income support and tax credits	2	5	4	3	4	5	9	8	4	44	4	2	—	50	—	50	—	50
Public service occupational pensions	3	66	6	5	7	9	9	46	34	185	15	5	2	206	3	209	—	209
Unemployment benefits	4	9	27	7	124	8	9	26	14	228	12	12	0	253	—	253	—	253
Total social protection	8	80	37	15	135	21	28	79	53	457	32	19	2	509	3	512	—	512
TOTAL TRADE AND INDUSTRY	283	1,068	494	354	407	490	608	1,048	395	5,147	1,001	248	43	6,439	399	6,838	861	7,699
ENVIRONMENT, FOOD AND RURAL AFFAIRS																		
Enterprise and economic development																		
Economic development and trade	10	15	12	6	11	5	—	7	6	72	—	—	—	72	—	72	—	72
Total enterprise and economic development	10	15	12	6	11	5	—	7	6	72	—	—	—	72	—	72	—	72

Table 9.19 Departmental group expenditure on services by sub-function, country and region, 2005–06 (continued)

	All the data in this table are National Statistics											accruals, £ million							
	North East	North West	Yorkshire and Humberside	East Midlands	West Midlands	Eastern	London	South East	South West	England	Scotland	Wales	Northern Ireland	UK identifiable expenditure	Outside the UK	Total identifiable expenditure	Non-identifiable expenditure	Total expenditure on services	
Agriculture, fisheries and forestry																			
Forestry	111	219	258	251	233	248	61	291	475	2,147	6	1	—	2,154	—	2,154	—	2,154	
Market support under CAP	17	106	46	33	35	29	33	53	127	479	—	—	—	479	—	479	—	479	
Other agriculture, food and fisheries policy	81	139	186	132	172	166	189	166	303	1,533	—	—	—	1,533	—	1,533	—	1,533	
Total agriculture, fisheries and forestry	208	465	490	416	440	443	283	509	904	4,159	6	1	—	4,167	—	4,167	—	4,167	
Environment protection																			
Environmental protection	116	354	188	106	134	125	138	172	296	1,629	—	—	—	1,629	—	1,629	—	1,629	
Total environment protection	116	354	188	106	134	125	138	172	296	1,629	—	—	—	1,629	—	1,629	—	1,629	
Housing and community amenities																			
Other housing and community services	0	1	0	0	0	0	1	1	0	4	—	—	—	4	—	4	—	4	
Total housing and community amenities	0	1	0	0	0	0	1	1	0	4	—	—	—	4	—	4	—	4	
Education and training																			
Primary schools	0	0	0	0	0	0	0	0	0	1	—	—	—	1	—	1	—	1	
Total education and training	0	0	0	0	0	0	0	0	0	1	—	—	—	1	—	1	—	1	
Social protection																			
Public sector occupational pensions	1	1	1	1	1	1	2	1	1	9	—	1	—	10	—	10	—	10	
Total social protection	1	1	1	1	1	1	2	1	1	9	—	1	—	10	—	10	—	10	
TOTAL ENVIRONMENT, FOOD AND RURAL AFFAIRS	335	836	691	529	587	575	424	690	1,207	5,874	6	2	—	5,882	—	5,882	—	5,882	
CULTURE, MEDIA AND SPORT																			
International services																			
International development assistance	2	1	5	1	2	0	0	0	0	11	—	—	—	11	—	11	—	11	
Total international services	2	1	5	1	2	0	0	0	0	11	—	—	—	11	—	11	—	11	
Enterprise and economic development																			
Support for business	1	3	1	1	2	3	25	5	3	44	3	1	0	48	1	49	—	49	
Total enterprise and economic development	1	3	1	1	2	3	25	5	3	44	3	1	0	48	1	49	—	49	

Table 9.19 Departmental group expenditure on services by sub-function, country and region, 2005–06 (continued)

All the data in this table are National Statistics

	accruals, £ million																		
	North East	North West	Yorkshire and Humberside	East Midlands	West Midlands	Eastern	London	South East	South West	England	Scotland	Wales	Northern Ireland	UK identifiable expenditure	Outside the UK	Total identifiable expenditure	Non-identifiable expenditure	Total expenditure on services	
Recreation, culture and religion																			
Broadcasting	0	0	0	0	0	0	0	0	0	1	0	92	0	94	0	94	2,677	2,771	
Heritage, arts, libraries and films	58	81	77	65	81	72	249	117	81	880	11	12	5	909	136	1,045	—	1,045	
Lottery	71	182	137	72	111	88	325	130	118	1,235	218	112	89	1,654	—	1,654	—	1,654	
Other recreation, culture and religion	3	5	4	3	4	3	11	5	4	41	4	4	2	51	2	53	—	53	
Sport and recreation	7	14	10	11	15	9	39	15	9	129	2	1	0	131	1	132	—	132	
Total recreation, culture and religion	139	282	229	151	210	172	625	266	212	2,286	235	222	96	2,839	139	2,978	2,677	5,655	
TOTAL CULTURE, MEDIA AND SPORT	141	285	235	153	214	175	650	272	215	2,341	239	223	96	2,898	140	3,038	2,677	5,715	
WORK AND PENSIONS																			
General public services																			
Public and common services	12	19	14	5	8	4	13	5	5	85	10	6	—	101	—	101	—	101	
Total general public services	12	19	14	5	8	4	13	5	5	85	10	6	—	101	—	101	—	101	
Science and technology																			
Science and technology	1	1	1	1	1	1	1	1	1	6	1	1	—	7	—	7	—	7	
Total science and technology	1	1	1	1	1	1	1	1	1	6	1	1	—	7	—	7	—	7	
Employment policies																			
Employment policies	247	485	358	168	447	206	448	208	173	2,740	188	128	—	3,055	—	3,055	—	3,055	
Total employment policies	247	485	358	168	447	206	448	208	173	2,740	188	128	—	3,055	—	3,055	—	3,055	

Table 9.19 Departmental group expenditure on services by sub-function, country and region, 2005–06 (continued)

	All the data in this table are National Statistics											accruals, £ million							
	North East	North West	Yorkshire and Humberside	East Midlands	West Midlands	Eastern	London	South East	South West	England	Scotland	Wales	Northern Ireland	UK identifiable expenditure	Outside the UK	Total identifiable expenditure	Non- identifiable expenditure	Total expenditure on services	
Housing and community amenities																			
Other housing and community services	-6	-11	-9	-4	-8	-5	-10	-5	-5	-62	-	-	-	-62	-	-62	-	-62	
Total Housing and Community amenities	-6	-11	-9	-4	-8	-5	-10	-5	-5	-62	-	-	-	-62	-	-62	-	-62	
Health																			
Medical services	0	0	0	0	0	0	0	0	0	0	0	0	0	1	-	1	-	1	
Total Health	0	0	0	0	0	0	0	0	0	0	0	0	0	1	-	1	-	1	
Social protection																			
Administration and miscellaneous services	507	899	823	96	325	76	716	102	80	3,623	164	80	-	3,867	-	3,867	-	3,867	
Family benefits, income support and tax credits	847	2,321	1,492	1,103	1,636	1,243	2,962	1,673	1,237	14,513	1,686	980	-	17,180	2	17,182	-	17,182	
Housing benefits	70	123	93	94	100	118	105	158	93	955	100	63	14	1,132	-	1,132	-	1,132	
incapacity, disability and injury benefits	1,367	3,552	2,071	1,632	2,173	1,628	1,983	2,044	1,659	18,109	2,503	1,846	-	22,457	64	22,521	-	22,521	
Personal social services	1	3	2	1	2	1	2	2	1	15	2	2	-	19	-	19	-	19	
Public sector occupational pensions	-1	-2	-1	0	0	-	-1	-	-	-6	0	0	-	-6	-	-6	-	-6	
State pensions	2,557	6,295	4,550	3,954	4,929	5,260	4,760	7,618	5,227	45,149	4,748	2,881	-	52,779	1,874	54,653	-	54,653	
Unemployment benefits	124	280	214	152	273	161	446	196	116	1,963	228	111	-	2,302	-	2,302	-	2,302	
Widows' benefits	40	111	74	64	83	80	86	114	71	721	90	45	-	856	17	872	-	872	
Total social protection	5,512	13,581	9,317	7,095	9,521	8,567	11,060	11,906	8,484	85,043	9,520	6,007	14	100,584	1,957	102,540	-	102,540	
TOTAL WORK AND PENSIONS	5,766	14,076	9,681	7,265	9,968	8,773	11,511	12,114	8,657	87,812	9,719	6,141	14	103,685	1,957	105,642	-	105,642	
CHANCELLOR'S DEPARTMENTS																			
General public services																			
Public and common services	17	46	34	30	37	41	63	63	35	365	37	19	12	432	-	432	4,974	5,406	
Total general public services	17	46	34	30	37	41	63	63	35	365	37	19	12	432	-	432	4,974	5,406	

Table 9.19 Departmental group expenditure on services by sub-function, country and region, 2005–06 (continued)

	All the data in this table are National Statistics										accruals, £ million								
	North East	North West	Yorkshire and Humberside	East Midlands	West Midlands	Eastern	London	South East	South West	England	Scotland	Wales	Northern Ireland	UK identifiable expenditure	Outside the UK	Total identifiable expenditure	Non-identifiable expenditure	Total expenditure on services	
Enterprise and economic development																			
Support for business	—	2	—	—	—	—	—	—	—	2	—	—	—	2	—	2	—	2	2
Total enterprise and economic development	—	2	—	—	—	—	—	—	—	2	—	—	—	2	—	2	—	2	2
Science and technology																			
Science and technology	8	23	17	15	18	22	39	35	18	195	18	9	5	227	—	227	—	227	227
Total science and technology	8	23	17	15	18	22	39	35	18	195	18	9	5	227	—	227	—	227	227
Environment protection																			
Environmental protection	0	1	0	0	0	0	1	1	0	4	0	0	0	5	—	5	—	5	5
Total environment protection	0	1	0	0	0	0	1	1	0	4	0	0	0	5	—	5	—	5	5
Social protection																			
Administration and miscellaneous services	0	1	1	1	1	1	2	2	1	10	1	0	0	12	—	12	—	12	12
Family benefits, income support and tax credits	1,049	2,838	2,101	1,680	2,215	1,921	2,737	2,710	1,803	19,055	1,880	1,190	764	22,889	100	22,989	—	22,989	22,989
Housing benefits	0	0	0	0	0	0	0	0	0	1	0	0	0	1	—	1	—	1	1
Public sector occupational pensions	0	0	0	0	0	0	0	0	0	2	0	0	0	2	—	2	—	2	2
State pensions	3	7	6	5	6	7	7	9	6	54	5	3	1	63	—	63	—	63	63
Total social protection	1,053	2,847	2,107	1,686	2,222	1,929	2,747	2,721	1,810	19,122	1,887	1,193	765	22,967	100	23,067	—	23,067	23,067
TOTAL CHANCELLOR'S DEPARTMENTS	1,077	2,918	2,158	1,731	2,277	1,993	2,849	2,821	1,864	19,689	1,942	1,221	782	23,634	100	23,734	4,974	28,708	28,708
CENTRAL EXCHEQUER FUNCTIONS																			
EU transactions																			
EC receipts	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
GNI based contributions ⁽³⁾	—	—	—	—	—	—	—	—	—	—	—	—	—	—	3,632	3,632	—	—	—
Total EU transactions	—	—	—	—	—	—	—	—	—	—	—	—	—	—	3,632	3,632	—	—	-92

(3) Net of abatement and attributed aid

Table 9.19 Departmental group expenditure on services by sub-function, country and region, 2005–06 (continued)

	National Statistics											accruals, £ million							
	North East	North West	Yorkshire and Humberside	East Midlands	West Midlands	Eastern	London	South East	South West	England	Scotland	Wales	Northern Ireland	UK identifiable expenditure	Outside the UK	Total identifiable expenditure	Non-identifiable expenditure	Total expenditure on services	
Debt interest																			
CG debt interest	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	25,811	25,811	—
LA debt interest	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	438	438	—
PC debt interest	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	433	433	—
Total debt interest	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	26,682	26,682	—
TOTAL CENTRAL EXCHEQUER FUNCTIONS	—	—	—	—	—	—	—	—	—	—	—	—	—	—	3,632	3,632	22,958	26,590	—
CABINET OFFICE																			
General public services																			
Public and common services	15	41	30	26	32	32	44	47	29	296	18	18	1	333	—	333	440	772	—
Total general public services	15	41	30	26	32	32	44	47	29	296	18	18	1	333	—	333	440	772	—
Defence																			
National defence	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,303	1,303	—
Total defence	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,303	1,303	—
Public order and safety																			
Fire	0	-1	-1	-1	-1	-1	-1	-1	-1	-7	—	—	—	-7	—	-7	—	-7	—
Total public order and safety	0	-1	-1	-1	-1	-1	-1	-1	-1	-7	—	—	—	-7	—	-7	—	-7	—
Education and training																			
Training	0	0	0	0	0	0	—	—	—	-1	0	0	0	-2	—	-2	—	-2	—
Total education and training	0	0	0	0	0	0	—	—	—	-1	0	0	0	-2	—	-2	—	-2	—
Social protection																			
Personal social services	—	0	0	0	0	0	0	0	0	1	—	—	—	1	—	1	—	1	—
Public service occupational pensions	0	1	1	0	0	1	4	4	3	14	2	0	0	16	0	16	—	16	—
Total social protection	0	1	1	0	0	1	4	4	3	15	2	0	0	17	0	17	—	17	—
TOTAL CABINET OFFICE	15	41	30	25	31	33	47	50	31	303	19	18	0	340	0	341	1,742	2,083	—
TOTAL DEPARTMENTS EXPENDITURE ON SERVICES	14,125	36,041	24,829	18,910	25,280	22,629	36,623	33,604	23,251	235,292	13,464	8,804	1,019	258,579	11,657	270,236	65,517	335,753	—

Table 9.20 Country and regional analysis of pay costs component of departmental groups' non-identifiable spending, 2005–06

All the data in this table are National Statistics

Department grouping	Pay costs for non-identifiable spending													accruals, £ millions					
	North East	North West	Yorkshire and Humberside	East Midlands	West Midlands	Eastern	London	South East	South West	Total England	Scotland	Wales	Northern Ireland	Total UK	Outside UK	Total non-identifiable pay costs	Total non-identifiable pay costs as % of total pay costs (identifiable and non-identifiable)	Other non-identifiable spending	Total non-identifiable spending
Transport	1	1	2	—	—	2	3	23	4	36	7	4	1	49	0	49	4	120	168
Communities and Local Government	—	—	—	—	—	—	2	—	—	2	—	—	—	2	—	2	0	1	3
Home Office	5	55	36	4	11	41	349	69	5	576	18	14	2	610	—	610	18	925	1,534
Constitutional Affairs ⁽¹⁾	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	20	20
Law Officers' Departments	—	1	—	—	—	—	9	—	—	10	—	—	—	10	—	10	3	24	34
Defence	77	162	601	460	418	1,015	572	2,435	2,469	8,210	760	159	370	9,499	1,720	11,220	100	18,114	29,334
Foreign and Commonwealth Office	—	—	—	—	—	—	104	63	—	167	—	—	—	167	288	454	49	757	1,211
Trade and Industry	1	10	3	7	3	32	71	97	154	377	17	2	1	396	6	403	27	458	861
Culture, Media and Sport	19	36	1	8	28	11	534	10	35	682	59	51	29	820	5	825	64	1,852	2,677
Chancellor's Departments	304	384	170	137	163	185	518	268	121	2,250	248	113	63	2,674	—	2,674	44	2,299	4,974
Central exchequer functions ⁽²⁾	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	22,958	22,958
Cabinet Office ⁽³⁾	1	1	0	0	0	0	183	1	1	188	0	0	0	188	1	622 ⁽³⁾	61	1,120	1,742
Total	409	650	812	617	623	1,286	2,344	2,965	2,789	12,497	1,108	343	466	14,415	2,020	16,869	59⁽⁴⁾	48,648	65,517

(1) Excludes spending by the Northern Ireland Court Service, Scotland Office, and Wales Office.
 (2) Central exchequer functions include EC receipts and public sector debt interest, where the latter includes payments of debts interest by public corporations and local authorities to the private sector.
 (3) Regional breakdowns for the Security and Intelligence Agencies pay costs are not available, but are included in Cabinet Office's departmental grouping totals.
 (4) The non-identifiable pay costs shown here form 59% of the total pay costs of the departmental groupings shown in this table. Other departmental groupings, such as Education, are not included in this table, because all their spending is identifiable. Taking all central government departments together the non-identifiable pay costs shown here account for 48% of total central government pay costs.

INTRODUCTION

10.1 This chapter presents public expenditure by country. In this chapter, data for all years up to and including 2005-06 are National Statistics. The figures in this chapter are consistent with Chapter 9. The only difference is in the English local authority data where this chapter reports these figures at England rather than English regional level to allow England sub-functional analysis. This enables country comparisons of spending. See Chapter 9 for further details of the data used in this chapter.

10.2 Readers need to bear in mind two points about this chapter:

- Most public spending is planned to benefit categories of individuals and enterprises irrespective of location, or where locations are prioritised using national criteria. The regional analyses presented in this chapter show where the individuals and enterprises that benefited from public spending were located. It does not mean that all such spending was planned to benefit a particular region, though a proportion of public spending is planned on a region basis.
- The information in this chapter and Chapter 9 was gathered in a separate data collection project during the winter of 2006-07. Therefore, the figures in this chapter are not wholly consistent with the figures in other PESA chapters. In particular readers should note that because of this earlier collection the functional categories of spending used in Chapters 9 and 10 are consistent with the PESA 2006 presentation rather than the new detailed COFOG presentation used in the other PESA 2007 chapters. See chapter 5 for further detail on the COFOG change. PESA 2008 will present the country and regional analysis on the new detailed COFOG basis.

THE TABLES

Tables on expenditure for a country

10.3 The tables in this chapter provide public expenditure by country for the six-year period from 2001-02 to 2006-07.

10.4 **Table 10.1** shows total identifiable expenditure on services in England by sub-function.

10.5 **Table 10.2** shows total identifiable expenditure on services in Scotland by sub-function.

10.6 **Table 10.3** shows total identifiable expenditure on services in Wales by sub-function.

10.7 **Table 10.4** shows total identifiable expenditure on services in Northern Ireland by sub-function.

Table 10.1 Total identifiable expenditure on services in England by sub-function, 2001–02 to 2006–07

	accruals, £ million					
	National Statistics					
	2001–02 outturn	2002–03 outturn	2003–04 outturn	2004–05 outturn	2005–06 outturn	2006–07 plans
General public services						
Public and common services	3,698	3,899	4,330	5,022	5,397	5,916
Total general public services	3,698	3,899	4,330	5,022	5,397	5,916
International services						
Other international services	145	153	169	197	217	192
International development assistance	22	19	22	11	11	10
Total international services	167	172	191	208	228	202
Defence						
National defence	18	8	7	0	21	19
Civil defence	25	29	114	66	77	83
Total defence	44	37	121	66	99	102
Public order and safety						
Police	9,125	9,854	11,069	12,053	13,032	12,542
Fire	1,694	1,870	1,945	2,066	2,185	2,209
Administration of justice	3,798	4,182	4,573	5,173	4,920	4,915
Immigration and citizenship	146	99	54	41	40	28
Prisons and offender programmes	2,126	2,406	2,472	2,680	2,963	3,205
Other public order and safety	502	557	631	686	732	781
Total public order and safety	17,392	18,968	20,745	22,699	23,873	23,680
Enterprise and economic development						
Economic development and trade	1,952	2,230	2,490	2,740	2,994	2,954
Support for business	1,602	1,860	1,932	2,224	1,742	1,948
Total enterprise and economic development	3,554	4,090	4,422	4,964	4,736	4,902
Science and technology						
Science and technology	973	1,314	1,459	1,566	1,899	1,784
Total science and technology	973	1,314	1,459	1,566	1,899	1,784
Employment policies						
Employment policies	2,683	2,404	2,676	2,632	2,811	2,487
Total employment policies	2,683	2,404	2,676	2,632	2,811	2,487
Agriculture, fisheries and forestry						
Market support under CAP	485	506	494	563	479	303
Other agriculture, food and fisheries policy	3,186	1,327	1,438	1,338	1,680	1,437
Forestry	1,561	1,733	2,058	2,278	2,147	2,301
Total agriculture, fisheries and forestry	5,233	3,567	3,991	4,179	4,306	4,041
Transport						
National roads	1,804	1,987	1,789	1,878	2,168	2,664
Local roads	2,909	3,347	3,354	3,624	3,801	3,442
Local public transport	1,943	2,194	3,636	3,085	3,519	4,037
Railways	1,593	2,492	4,435	4,521	3,953	4,989
Other transport	183	194	238	242	275	338
Total transport	8,432	10,214	13,452	13,350	13,716	15,470
Environment protection						
Environmental protection	4,111	4,519	4,519	5,136	6,168	6,640
Environmental research	60	77	75	87	89	132
Total environment protection	4,171	4,596	4,594	5,223	6,257	6,773

Table 10.1 Total identifiable expenditure on services in England by sub-function, 2001–02 to 2006–07 (continued)

	accruals, £ million					
	National Statistics					
	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07
	outturn	outturn	outturn	outturn	outturn	plans
Housing and community amenities						
Local authority housing	1,424	721	667	1,475	3,176	3,097
Other social housing	1,180	1,317	1,846	2,067	2,154	2,399
Other housing and community services	1,548	1,695	2,143	2,545	2,631	2,874
Total housing and community amenities	4,152	3,733	4,656	6,087	7,961	8,371
Health						
Medical services	47,986	52,757	59,612	66,415	71,545	77,397
Medical research	166	171	148	163	194	226
Central and other health services	713	695	907	917	756	815
Total health	48,865	53,623	60,666	67,494	72,495	78,438
Recreation, culture and religion						
Heritage, arts, libraries and films	1,943	2,077	2,329	2,374	2,673	2,877
Sport and recreation	1,662	1,708	1,809	1,969	2,093	2,409
Broadcasting	3	3	1	2	1	1
Lottery	1,280	1,306	1,433	1,213	1,235	1,215
Other recreation, culture and religion	25	29	33	35	41	46
Total recreation, culture and religion	4,914	5,122	5,605	5,592	6,044	6,549
Education and training						
<i>of which: education</i>	39,779	42,333	47,601	50,839	55,033	57,316
Under fives	2,834	2,978	3,414	3,769	3,958	3,897
Primary schools	11,023	11,695	13,200	13,733	14,822	15,443
Secondary schools	12,316	13,118	15,037	16,239	17,340	18,007
Higher education	4,898	5,187	5,521	5,988	6,547	6,927
Further education	4,727	5,107	5,933	6,120	6,604	6,590
Student support	1,251	978	942	1,345	1,849	2,324
Training	1,313	1,621	1,722	1,746	1,864	2,113
Other education and training	2,730	3,271	3,555	3,645	3,914	4,128
Total education and training	41,092	43,954	49,323	52,585	56,898	59,429
Social protection						
Incapacity, disability and injury benefits	15,929	15,933	16,825	17,423	18,109	18,682
State pensions	38,097	40,244	42,038	44,512	46,384	48,565
Public service occupational pensions	3,774	3,233	1,331	922	-57	825
Widows' benefits	894	889	818	751	721	670
Family benefits, income support and tax credits	23,760	25,270	29,974	32,609	33,622	34,517
Unemployment benefits	2,375	2,457	2,372	2,031	2,191	2,333
Housing benefits	10,368	11,380	12,423	13,072	14,754	14,587
Personal social services	11,908	13,496	15,400	16,978	18,157	18,758
Administration and miscellaneous services	3,223	4,222	4,290	4,321	4,084	4,039
Total social protection	110,329	117,122	125,470	132,619	137,963	142,976
Total identifiable expenditure on services in England	255,696	272,815	301,702	324,285	344,682	361,119

Table 10.2 Total identifiable expenditure on services in Scotland by sub-function, 2001–02 to 2006–07

	accruals, £ million					
	National Statistics					
	2001–02 outturn	2002–03 outturn	2003–04 outturn	2004–05 outturn	2005–06 outturn	2006–07 plans
General public services						
Public and common services	724	786	863	895	1,058	861
Total general public services	724	786	863	895	1,058	861
International services						
Other international services	15	16	17	20	22	19
International development assistance	0	0	0	0	0	0
Total international services	15	16	17	20	22	19
Defence						
National defence	1	0	0	0	2	1
Civil defence	5	6	3	6	6	7
Total defence	7	6	3	6	8	8
Public order and safety						
Police	793	831	923	974	1,006	1,079
Fire	201	212	234	239	265	275
Administration of justice	317	341	372	371	379	430
Immigration and citizenship	0	0	0	0	0	0
Prisons and offender programmes	234	227	254	294	298	347
Other public order and safety	28	26	12	11	25	32
Total public order and safety	1,573	1,637	1,794	1,889	1,974	2,164
Enterprise and economic development						
Economic development and trade	285	230	311	324	360	405
Support for business	218	225	249	282	245	273
Total enterprise and economic development	503	455	560	606	605	678
Science and technology						
Science and technology	215	223	265	283	326	327
Total science and technology	215	223	265	283	326	327
Employment policies						
Employment policies	647	621	695	664	699	664
Total employment policies	647	621	695	664	699	664
Agriculture, fisheries and forestry						
Market support under CAP	348	372	416	450	442	464
Other agriculture, food and fisheries policy	204	190	213	177	226	241
Forestry	42	36	38	45	50	57
Total agriculture, fisheries and forestry	594	597	667	672	719	762
Transport						
National roads	204	265	333	317	284	366
Local roads	381	427	442	461	575	668
Local public transport	21	27	28	28	30	32
Railways	103	183	297	299	275	197
Other transport	311	346	570	512	818	1,237
Total transport	1,020	1,249	1,669	1,615	1,983	2,499
Environment protection						
Environmental protection	603	622	654	728	1,188	1,418
Environmental research	8	8	13	12	14	21
Total environment protection	611	629	667	739	1,202	1,438

Table 10.2 Total identifiable expenditure on services in Scotland by sub-function, 2001–02 to 2006–07 (continued)

	accruals, £ million					
	National Statistics					
	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07
	outturn	outturn	outturn	outturn	outturn	plans
Housing and community amenities						
Local authority housing	287	245	195	173	208	300
Other social housing	552	495	629	474	502	482
Other housing and community services	573	459	497	629	811	766
Total housing and community amenities	1,412	1,198	1,321	1,277	1,521	1,549
Health						
Medical services	5,664	6,640	7,295	7,633	8,300	9,059
Medical research	33	34	35	32	36	40
Central and other health services	1	4	10	18	36	36
Total health	5,698	6,679	7,340	7,683	8,371	9,135
Recreation, culture and religion						
Heritage, arts, libraries and films	296	317	354	407	414	442
Sport and recreation	324	357	399	408	444	459
Broadcasting	7	9	18	19	19	19
Lottery	185	186	161	200	218	157
Other recreation, culture and religion	3	3	2	4	4	6
Total recreation, culture and religion	813	872	934	1,039	1,100	1,083
Education and training						
<i>of which: education</i>	<i>5,047</i>	<i>5,150</i>	<i>5,451</i>	<i>5,854</i>	<i>6,302</i>	<i>6,665</i>
Under fives	198	201	228	246	272	288
Primary schools	1,470	1,702	1,879	2,027	2,228	2,295
Secondary schools	1,335	1,516	1,636	1,741	1,864	1,840
Higher education	928	985	987	1,059	1,109	1,208
Further education	518	557	553	612	651	726
Student support	98	84	65	58	62	78
Training	42	38	42	48	60	71
Other education and training	500	105	102	110	116	230
Total education and training	5,089	5,188	5,493	5,902	6,362	6,736
Social protection						
Incapacity, disability and injury benefits	2,289	2,282	2,371	2,431	2,506	2,571
State pensions	3,949	4,180	4,387	4,633	4,847	5,074
Public service occupational pensions	688	337	272	195	150	191
Widows' benefits	120	117	109	95	90	84
Family benefits, income support and tax credits	2,589	2,790	3,268	3,533	3,634	3,691
Unemployment benefits	300	308	298	257	241	267
Housing benefits	1,156	1,296	1,197	1,235	1,364	1,313
Personal social services	1,328	1,780	2,367	2,536	2,656	2,699
Administration and miscellaneous services	431	255	259	280	234	238
Total social protection	12,851	13,345	14,529	15,196	15,721	16,128
Total identifiable expenditure on services in Scotland	31,770	33,500	36,817	38,486	41,671	44,050

Table 10.3 Total identifiable expenditure on services in Wales by sub-function, 2001–02 to 2006–07

	accruals, £ million					
	National Statistics					
	2001–02 outturn	2002–03 outturn	2003–04 outturn	2004–05 outturn	2005–06 outturn	2006–07 plans
General public services						
Public and common services	396	431	477	498	609	737
Total general public services	396	431	477	498	609	737
International services						
Other international services	8	9	10	12	13	11
International development assistance	0	0	0	0	0	0
Total international services	8	9	10	12	13	11
Defence						
National defence	2	0	0	0	2	1
Civil defence	2	2	2	3	3	3
Total defence	4	2	2	3	5	4
Public order and safety						
Police	496	540	595	613	693	695
Fire	114	129	147	146	169	173
Administration of justice	312	346	373	430	395	393
Immigration and citizenship	3	2	1	0	0	0
Prisons and offender programmes	124	141	134	147	166	168
Other public order and safety	35	36	39	44	46	49
Total public order and safety	1,085	1,193	1,289	1,380	1,469	1,477
Enterprise and economic development						
Economic development and trade	127	166	128	130	136	346
Support for business	475	566	642	658	634	449
Total enterprise and economic development	602	732	770	788	771	795
Science and technology						
Science and technology	40	49	49	55	79	71
Total science and technology	40	49	49	55	79	71
Employment policies						
Employment policies	120	106	121	119	130	113
Total employment policies	120	106	121	119	130	113
Agriculture, fisheries and forestry						
Market support under CAP	205	237	239	154	276	320
Other agriculture, food and fisheries policy	21	33	48	55	48	62
Forestry	3	2	2	2	1	2
Total agriculture, fisheries and forestry	228	273	288	210	326	385
Transport						
National roads	133	159	148	157	169	175
Local roads	197	222	234	254	310	337
Local public transport	44	49	66	62	69	82
Railways	214	263	263	327	304	285
Other transport	41	28	38	41	36	40
Total transport	629	721	749	842	889	919
Environment protection						
Environmental protection	279	316	363	400	456	459
Environmental research	1	1	3	4	3	5
Total environment protection	280	316	366	404	459	465

Table 10.3 Total identifiable expenditure on services in Wales by sub-function, 2001–02 to 2006–07 (continued)

	accruals, £ million					
	National Statistics					2006–07 plans
	2001–02 outturn	2002–03 outturn	2003–04 outturn	2004–05 outturn	2005–06 outturn	
Housing and community amenities						
Local authority housing	151	143	73	126	197	227
Other social housing	0	0	0	0	0	0
Other housing and community services	101	133	222	148	195	257
Total housing and community amenities	253	276	295	275	392	484
Health						
Medical services	2,989	3,438	3,914	4,219	4,447	4,817
Medical research	16	16	23	19	25	31
Central and other health services	0	0	0	0	4	31
Total health	3,005	3,455	3,937	4,238	4,476	4,879
Recreation, culture and religion						
Heritage, arts, libraries and films	135	159	173	174	193	195
Sport and recreation	157	173	164	225	226	227
Broadcasting	93	84	89	100	92	97
Lottery	90	105	102	119	112	125
Other recreation, culture and religion	10	12	14	18	13	13
Total recreation, culture and religion	485	534	542	637	636	658
Education and training						
<i>of which: education</i>	2,269	2,408	2,600	2,763	2,939	3,081
Under fives	44	67	54	68	71	39
Primary schools	829	859	936	994	1,061	1,132
Secondary schools	724	752	840	883	933	968
Higher education	334	358	367	377	394	432
Further education	41	54	73	73	67	55
Student support	86	81	83	97	120	140
Training	381	511	511	545	560	570
Other education and training	211	237	246	270	294	315
Total education and training	2,650	2,919	3,111	3,308	3,500	3,651
Social protection						
Incapacity, disability and injury benefits	1,686	1,683	1,744	1,777	1,846	1,900
State pensions	2,390	2,538	2,668	2,819	2,945	3,082
Public service occupational pensions	299	190	19	19	-49	10
Widows' benefits	56	56	52	48	45	42
Family benefits, income support and tax credits	1,552	1,652	1,959	2,139	2,173	2,207
Unemployment benefits	139	139	131	113	123	135
Housing benefits	552	599	623	648	732	717
Personal social services	846	985	1,167	1,266	1,348	1,375
Administration and miscellaneous services	155	157	144	155	115	117
Total social protection	7,677	7,999	8,507	8,984	9,277	9,585
Total identifiable expenditure on services in Wales	17,460	19,015	20,514	21,751	23,028	24,233

Table 10.4 Total identifiable expenditure on services in Northern Ireland by sub-function, 2001–02 to 2006–07

	accruals, £ million					
	National Statistics					
	2001–02 outturn	2002–03 outturn	2003–04 outturn	2004–05 outturn	2005–06 outturn	2006–07 plans
General public services						
Public and common services	280	317	326	301	342	423
Total general public services	280	317	326	301	342	423
International services						
Other international services	5	5	6	7	7	7
International development assistance	0	0	0	0	0	0
Total international services	5	5	6	7	7	7
Defence						
National defence	1	0	0	0	1	1
Civil defence	0	0	0	0	0	0
Total defence	1	0	0	0	1	1
Public order and safety						
Police	729	749	737	778	793	799
Fire	52	53	57	70	64	64
Administration of justice	154	174	187	226	238	274
Immigration and citizenship	0	0	0	0	0	0
Prisons and offender programmes	106	114	123	120	148	145
Other public order and safety	153	74	70	35	37	57
Total public order and safety	1,194	1,164	1,175	1,229	1,280	1,338
Enterprise and economic development						
Economic development and trade	249	299	226	227	216	225
Support for business	12	13	13	33	31	67
Total enterprise and economic development	262	312	239	260	247	292
Science and technology						
Science and technology	61	59	61	73	72	70
Total science and technology	61	59	61	73	72	70
Employment policies						
Employment policies	213	202	154	169	164	163
Total employment policies	213	202	154	169	164	163
Agriculture, fisheries and forestry						
Market support under CAP	198	189	207	194	319	264
Other agriculture, food and fisheries policy	167	161	176	191	194	219
Forestry	6	8	10	7	6	8
Total agriculture, fisheries and forestry	370	358	393	392	519	490
Transport						
National roads	6	8	15	14	12	15
Local roads	174	207	222	251	250	236
Local public transport	72	81	79	57	63	74
Railways	2	2	3	2	19	37
Other transport	5	6	13	17	10	30
Total transport	258	304	332	341	353	392
Environment protection						
Environmental protection	121	133	147	180	208	270
Environmental research	0	0	1	0	0	0
Total environment protection	121	133	148	180	208	271

Table 10.4 Total identifiable expenditure on services in Northern Ireland by sub-function, 2001–02 to 2006–07 (continued)

	accruals, £ million					
	National Statistics					
	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07
	outturn	outturn	outturn	outturn	outturn	plans
Housing and community amenities						
Local authority housing	193	154	230	277	295	321
Other social housing	69	32	70	100	131	102
Other housing and community services	349	409	409	482	515	509
Total housing and community amenities	611	595	708	859	941	931
Health						
Medical services	1,757	1,932	2,154	2,341	2,569	2,758
Medical research	29	35	49	43	43	62
Central and other health services	61	65	79	48	59	59
Total health	1,846	2,032	2,282	2,433	2,671	2,879
Recreation, culture and religion						
Heritage, arts, libraries and films	104	112	116	118	133	137
Sport and recreation	124	134	134	144	157	171
Broadcasting	0	0	0	0	0	0
Lottery	63	66	64	57	89	90
Other recreation, culture and religion	10	11	13	15	20	25
Total recreation, culture and religion	302	323	327	334	399	424
Education and training						
<i>of which: education</i>	<i>1,753</i>	<i>1,948</i>	<i>2,043</i>	<i>2,115</i>	<i>2,200</i>	<i>2,424</i>
Under fives	19	23	26	27	24	27
Primary schools	405	443	479	485	506	536
Secondary schools	511	631	594	627	693	740
Higher education	163	173	193	199	215	224
Further education	151	149	182	183	191	201
Student support	101	98	79	89	76	122
Training	7	12	11	7	6	8
Other education and training	403	431	491	505	495	574
Total education and training	1,760	1,960	2,054	2,122	2,205	2,432
Social protection						
Incapacity, disability and injury benefits	1,506	1,414	1,492	1,697	1,691	1,849
State pensions	1,428	1,506	1,581	1,692	1,777	1,862
Public service occupational pensions	188	181	159	111	92	228
Widows' benefits	36	37	35	33	31	31
Family benefits, income support and tax credits	551	759	920	807	850	889
Unemployment benefits	123	105	100	95	87	87
Housing benefits	297	306	313	326	355	431
Personal social services	415	530	580	709	732	772
Administration and miscellaneous services	1	0	3	3	1	1
Total social protection	4,546	4,839	5,183	5,474	5,615	6,150
Total identifiable expenditure on services in Northern Ireland	11,831	12,603	13,386	14,172	15,024	16,263

A

SOURCES, DATA QUALITY AND CONVENTIONS

A.1 This appendix gives information on the main sources of data and methods used in producing PESA, notes on data quality, and on the various conventions used for the figures presented in this publication.

WHAT'S NEW

A.2 There is an additional section on data quality in relation to COFOG following the reclassification of government functional spending to the level of COFOG Level 2 in PESA 2007.

A.3 There is an additional section on data quality on the Country and Regional Analysis (CRA) data following the introduction this year of a formal signoff from the department that the data have been produced in accordance with the CRA guidance.

A.4 The population figures that underpin the CRA analyses that used to be in this appendix are now in Appendix F.

SOURCES OF DATA

Central government and public corporation data

A.5 Most expenditure data in PESA are taken directly from the Treasury's public expenditure database, the Combined On-line Information System (COINS). Departments and the Devolved Administrations maintain on COINS up to nine years worth of live data depending on the year of the latest Spending Review. In the case of the PESA 2007 period departments maintained the years 2001-02 to 2007-08 on COINS. Departments update throughout the year:

- values in the light of better or new information, or with final outturns consistent with the information in published audited accounts (normally available in the summer after the end of the financial year); and
- the way information is coded to reflect classification changes, thus ensuring consistency across all live years.

A.6 Data entered onto COINS by departments cover their own income and expenditure including support for local authorities and for public corporations. Departments also enter information on the income and expenditure of NDPBs and on the capital expenditure of public corporations.

Local authority data

A.7 The Department for Education and Skills supplies data on local authority spending in England on education. In addition, the Department for Work and Pensions supplies data on local authority spending on social protection. All other data on local authority spending in England are supplied by Communities and Local Government (CLG). The Devolved Administrations provide local authority spending data for Scotland, Wales and Northern Ireland. The data are then loaded onto COINS by Treasury in order to produce the PESA analyses.

National Accounts aggregates

A.8 The Office for National Statistics (ONS) supplies outturn numbers for the below national accounts aggregates used in PESA. Forecasts of these numbers for estimated outturn (2006-07) and plan years (2007-08) are made by the Treasury in the FSBR on a basis consistent with the ONS' numbers. The aggregates are then loaded onto COINS by Treasury in order to produce the PESA analyses:

- Total Managed Expenditure;
- Public sector current expenditure, gross investment and net investment;
- Public sector depreciation, central and local government non-trading capital consumption, public corporations depreciation;
- Central government own expenditure, total, current, capital;
- Local authority expenditure, total, current, capital;
- Public corporations expenditure, total, current, capital.

To avoid confusion:

- the Total Expenditure on Services (TES) aggregate used in PESA is a Treasury aggregate. Appendix E contains further information on the definition of TES;
- depreciation in departmental budgets is a number sourced from departments.

METHODS

Classification of the functions of government (COFOG)

A.9 The Treasury's PESA branch assigns COFOG categories to departmental and local authority data in consultation with departments and the Devolved Administrations during the course of the year. COFOG categories are held on COINS. Where data streams cover more than one detailed functional category we ask departments to split the data out so that each can be recorded separately. However, we do not split out data where the amount would be less than £10m.

PESA production

A.10 The data contained in most of PESA are extracted from COINS approximately 1 week prior to publication using purpose built reports.

A.11 The two main exceptions to this where a different process is used are:

- the production of the historical information that goes back before the years that are maintained live on the COINS – described in Chapter 4;
- the country and regional analysis of expenditure – described in Chapter 9.

TREATMENT OF CERTAIN TRANSACTIONS IN PESA

The Private Finance Initiative

A.12 The private finance initiative (PFI) is a means of procuring capital-intensive services. Instead of the public sector being responsible for building and maintaining a school building, for example, the public sector contracts with the private sector for the provision of serviced school premises. The government entity that is purchasing services pays a single unitary charge to the PFI provider for as long as the services are provided to the required standard.

A.13 PFI deals may be on or off the government's balance sheet depending on where the balance of risks in the project lies. The balance sheet decision for outturns is taken by independent public sector auditors, and that decision is normally used for the national accounts by the independent Office for National Statistics. If the project is on the government's balance sheet, the capital expenditure is treated as part of public sector capital expenditure and counts towards TME. If the project is off the government's balance sheet then the capital expenditure is recorded as undertaken by the private sector.

A.14 PESA includes information on PFI projects. This information is not separately identified. PESA shows:

- For on balance sheet projects, PESA capital expenditure includes the capital expenditure imputed to the public sector. PESA also includes the service and debt interest elements of the unitary charge under those economic categories. The debt repayment element of the unitary charge is excluded from the expenditure numbers. The depreciation on the imputed asset is included in the depreciation numbers. Cost of capital charges and credits are included in budgets; and
- For off balance sheet projects, where the asset economically as well as legally belongs to the private sector, PESA includes the whole of general government payments of unitary charges as payments for services (part of current procurement).

BNFL

A.15 British Nuclear Fuel Limited (BNFL), a public corporation, has transferred the bulk of its assets and liabilities to the Nuclear Decommissioning Authority (NDA), which is part of central government. In the national accounts these assets were shown as having a large (circa £15.6bn) negative value due to the decommissioning and clean-up liabilities associated with the assets being far in excess of their remaining productive value. The transfer from the PC sector to the CG sector has no impact on TME, or the public finances overall, as this is an intra public sector set of transactions. However, the components of the public sector finances are affected as follows:

- Increase to public corporations gross fixed capital formation (GFCF)
- Corresponding reduction to central government GFCF
- Increase to central government payments of capital grants to public corporations, which finances the increased PC GFCF
- Corresponding increase in receipts of capital grants by public corporations.

A.16 Both the expenditure and receipt imputed to the PC sector are included in the Public Corporations Own Financed Capital Expenditure (PCOFCE) line in non-departmental AME. This means the PCOFCE is not distorted by this set of transactions, and is in line with other PC capital spending where that is financed from central government departmental budgets.

A.17 TME is a consolidated measure of expenditure, and in PESA the sectoral split of TME records only the 'own' expenditure components that relate to an individual sector. That is payments from one sector which are used to finance the expenditure of another sector are excluded from the paying sector's own expenditure breakdown, as are the corresponding receipts in the counterparty sector. This is consistent with TME being a consolidated measure of public sector expenditure.

A.18 As such the imputed capital spending of BNFL described above adds to the total PC contribution to TME as presented throughout this publication, and likewise the reduction in central government capital expenditure reduces the CG contribution to TME as presented in PESA.

COVERAGE OF PUBLIC BODIES

A.19 PESA aims to include the expenditure of all public sector bodies on the appropriate basis. However, when new public bodies are set up, or when bodies are reclassified to, or within, the public sector, there may be a delay before data are recorded in a way that allows their correct inclusion in PESA. The PESA 2007 treatment of some of the larger bodies affected is:

- **S4C** (Channel 4 Wales) was reclassified by the ONS as a central government body at the start of 2006. PESA 2007 currently treats S4C's expenditure as central government's own, but for data reasons the economic category analysis treats the current expenditure as subsidies to S4C rather than as S4C pay and procurement. S4C spends a little under £100m a year.
- ONS reclassified **London and Continental Railways** (LCR) to the public corporations sector, back to February 1999, when a restructuring of LCR was implemented¹. This expenditure and treatment is now fully reflected in the PESA 2007 analyses.
- In PESA 2007, **Network Rail's** capital expenditure in 2002-03 is now shown separately in table 8.3 and in all TES analyses contained in **Chapters 4 to 8**. It is included in the national accounts based TME number for 2002-03. However, because of the earlier timing of the Country and Regional Analysis (CRA) data collection exercise it is not included in **Chapters 9 and 10**.

DATA QUALITY

General

A.20 Departments, Devolved Administrations and NDPBs aim to produce good quality data for internal management and control and external reporting via audited accounts. They also seek to ensure that the data they feed into COINS are of high quality. Several outputs directly relevant to Whitehall departments' operations and reporting are produced straight

¹ For further information on the ONS' reclassification please see the following article:
<http://www.statistics.gov.uk/cci/article.asp?id=1409>

from COINS, including: Main Estimates presented to Parliament, Departmental Reports, and Supplementary Budgetary Information. So Whitehall departments have a clear incentive to ensure that the data they supply to COINS, and that are also used in PESA, are right.

A.21 However, there are also factors that act against data quality:

- The public expenditure system is complicated. Data need to be coded so as to produce a wide range of outputs. Some data will be miscoded.
- Those recording data need to apply judgement to determine the right coding. Views on the right judgement to make may differ according to the use to which the data are to be put.
- While the budget-based numbers in PESA (for example in Chapter 1) are key control totals for departments, and are closely checked, some of the economic category and sub-function analyses will not appear in departmental outputs and so some of the more detailed coding decisions may not receive the same degree of attention. The devolved administrations do not draw key outputs direct from the Treasury's database.
- The need to keep compliance costs down means that some data checks are not worth doing, and some disaggregation of data is not worthwhile.
- When new bodies are set up, or reclassified, there may be a lag before data become available on the right basis, and PESA may carry on excluding them or showing them on the previous basis until data are entered into COINS.

A.22 The aim of PESA is to provide a broad picture of where public expenditure goes. As a general rule, the more detailed the presentation, the less accurate the attribution to detailed categories will be. Small differences in numbers should not be taken as significant. We present many figures rounded to the nearest £1m so that people using the data do not introduce errors from working with rounded numbers.

New COFOG presentation

A.23 PESA 2007 contains the first presentation of UK functional spending at the level of detail of COFOG level 2. Treasury has worked with departments and the Devolved Administrations since January 2005 to record data on the COINS database at the detailed UN COFOG Level 2 level to a £10m de minimis. Further information on COFOG is available on the UN website. The sub-function analysis of health is unchanged from PESA 2006, and is not yet reported on a full COFOG level 2 basis. This is because the NHS is neither financed nor organised along the lines of COFOG level 2, and an exercise to capture the additional required information to National Statistics standards could not be completed for this year's PESA. Where data are available Treasury has completed a quality assurance process with departments and the Devolved Administrations on the new COFOG classifications, however, we will continue to review the new classifications over summer with both which may lead to larger than usual revisions to tables 5.2 and 6.5 in PESA 2008.

CRA (Country and Regional Analysis)

A.24 This year Treasury introduced a requirement for departments to formally sign off their return as being produced in accordance with the CRA guidance, and to accompany this with a statement on data quality if there were specific issues on data. With the exception of Department for Transport who have badged their statistics as experimental, all other departments have formally signed off their return. However, in their accompanying statements on data quality some departments have identified areas of their CRA return where methods have been used that are either provisional or do not fully meet the methodology set out in the CRA guidance. Specific comments made from departments on data quality are:

- DfT – suitable sources are not always available to allocate expenditure to regions on a 'who benefits' basis. This is particularly a problem for Highways Agency expenditure, which covers motorways and trunk roads, and accounts for about a quarter of all DfT expenditure. Further work is needed to assess the bias from allocating this on an 'in' basis and consider whether it can be reduced. Further work will be carried out in the coming year with the aspiration that the DfT CRA return will meet NS standards in future.
- DCA – the regional allocations of legal aid administration costs and non-criminal legal aid expenditure are based on 1999-2000 data. Obtaining more recent data to inform these parts of our allocation will be a key priority. More generally, DCA will also consider whether ongoing developments in their operational and financial data systems will allow them to produce better quality regional allocations of court and judicial expenditure. This affects the allocation of new identifiable expenditure on courts, data on which are provisional.
- DCMS – there is an inconsistency across allocation methods between NDPBs with similar underlying information e.g. museums differed in their treatment of visitor survey data to estimate regional allocations. Explanations of the allocation methods were often brief from the NDPBs and the underlying detail was not usually provided making it very difficult to assess the robustness of the method.
- DFES – the derivation of training and development agency (TDA) estimates and the evaluation and reporting of any biases in estimates will be improved for PESA 2008.
- DWP – further work will be undertaken in advance of next year's exercise to provide a more accurate assignment of administrative expenditure to the region of residence of the ultimate beneficiary. However, in the context of overall departmental expenditure, the discrepancies arising from the approach taken for administrative expenditure are likely to be very small.

Treasury will work with departments on addressing these issues for PESA 2008.

Other

A.25 Some specific data quality issues apply to:

- historical data – see chapter 4
- local authority data – see chapter 7
- public corporations data – see chapter 8.
- the country and regional analysis of spending – see chapter 9

WHAT WE DO WHEN WE MAKE A MISTAKE

A.26 Where we discover errors after the production of PESA 2007 we will take the following action:

- minor errors will be corrected at the next National Statistics update or the next edition of PESA;

- larger errors will lead to the publication of revised tables on the Treasury's website together with a note explaining what the difference is.

CONSISTENCY WITH THE FINANCIAL STATEMENT AND BUDGET REPORT

Data

A.27 Total Managed Expenditure (TME) for 2006-07 and 2007-08 and its sectoral components are consistent with the numbers published in the FSBR (HC342; 21 March 2007). TME and its sectoral components for 2005-06 and earlier has been updated since the Budget and is consistent with the joint ONS/HMT Monthly Public Sector Finance Statistics release of the 24 April 2007. The rest of the data contained in Chapters 1 to 8 are consistent with the numbers published in FSBR except in a few places where later information has become available. The Country and Regional data contained in Chapters 9 and 10 were extracted from COINS in December 2006.

TME Table Presentation

A.28 TME by budgetary category is shown both in PESA Table 1.1 (and the National Statistics Updates) and Table C.11 in the FSBR and the equivalent table in the Pre-Budget Report (PBR). TME and the DEL numbers are on the same basis in both presentations.

A.29 However, there are differences in the presentation of the AME lines. PESA follows the budgeting system and so divides AME into Departmental AME, Other AME, AME Margin and Accounting Adjustments. The FSBR and the PBR combine the AME categories in order to give a presentation more closely aligned with the fiscal aggregates.

A.30 The main differences are:

- The social security line in PESA includes net lending from the Social Fund which is excluded from the FSBR.
- The predecessor payments to Child Tax Credits (child allowances in Income Support and Jobseekers Allowance) are included in the FSBR "Tax credits" line and excluded from Social security benefits. In PESA, these payments are in the Social security data.
- Net lending to students is shown in departmental AME in PESA and is not shown in the FSBR.
- The main public service pension schemes are shown on a GAAP basis in PESA and on a national accounts basis in the Budget. Appendix D explains the treatment in PESA and Appendix C includes a reconciliation table.
- The "BBC domestic services" line in the FSBR includes outturn data supplied by ONS while PESA takes outturn and plan data supplied by DCMS. The FSBR numbers exclude the BBC's dividend income while that forms part of the PESA numbers.
- The FSBR does not include a "Non-cash" AME line while PESA does.
- The other departmental expenditure line in the FSBR only includes items that contribute to TME, whereas PESA shows all other expenditure in

departmental AME.

- As a result of these differences, there are differences in the Accounting Adjustments

CONSISTENCY WITH PREVIOUS PESAs

A.31 Data in previous PESAs may not be directly consistent with PESA 2007 due to changes in data coverage and classification changes. Readers are advised against simply splicing together data in different editions of PESA. This publication presents a number of summary analyses incorporating data for earlier years adjusted to current definitions to show trends over a longer period.

CONVENTIONS

Rounding

A.32 The figures in this publication are generally shown to the nearest £1 million, except that the figures for the main spending aggregates – DEL, AME, and TME – and the DEL Reserve are rounded to the nearest £100 million for 2007-08.

A.33 In all chapters dashes in the tables show that there are no data and zeros where there are data and the value rounds to 0 – ie normally less than £0.5 million.

A.34 Figures in tables may not sum due to rounding.

Real terms

A.35 A number of the tables in this publication give figures in real terms. Real terms figures are the current price 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 2005-06 prices. The GDP deflators used in this publication are those given in Appendix F.

GDP Measure

A.36 In tables that give spending as a proportion of GDP, PESA 2007 uses the cautious view of the GDP forecast. That is consistent with the Spending Review 2004 and the FSBR.

2006-07 estimated outturn

A.37 The estimated outturns for individual departments for 2006-07 are based on the latest information made available by departments for Budget 2007, updated in the some cases for later information. The estimated outturn for resource DEL for 2006-07 includes an allowance for shortfall reflecting the difference between the sum of individual departments' estimates of outturn and the Treasury's overall assessment.

Use of accruals data in tables

A.38 Except in the long run tables covering years before 1998-99, all data are presented on an accruals basis.

B

DEPARTMENTAL GROUPS

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

Title	Departments included
Education and skills	Department for Education and Skills Office for Her Majesty's Chief Inspector of Schools in England (Ofsted)
Health	Department of Health Food Standards Agency
Transport	Department for Transport Office of the Rail Regulator
CLG Communities and Local Government	Department for Communities and Local Government (except Local Government) Deputy Prime Minister's Office
Local Government	Local Government – mainly block and transitional grants to English local authorities, the Greater London Authority, and Regional Development Agencies
Home Office	Home Office Charity Commission Assets Recovery Agency
Constitutional Affairs	Department for Constitutional Affairs The National Archives: Public Record Office and Historical Manuscripts Commission Electoral Commission Northern Ireland Court Service Land Registry Scotland Office Wales Office
Law Officers' Departments	The Crown Prosecution Service Serious Fraud Office HM Procurator General and Treasury Solicitor Revenue and Customs Prosecution Office
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 UK Trade and Investment Office of Fair Trading Office of Gas and Electricity Markets Office of Telecommunications Postal Services Commission Export Credits Guarantee Department

Environment, food and rural affairs	Department for Environment, Food and Rural Affairs Forestry Commission Office of Water Services
Culture, Media and Sport	Department for Culture, Media and Sport
Work and pensions	Department of Work and Pensions
Scotland	Scottish Executive and its departments
Wales	National Assembly for Wales
Northern Ireland Executive	Northern Ireland Departments
Northern Ireland	Northern Ireland Office
Chancellor's Departments	HM Treasury Office for National Statistics National Savings and Investments Government Actuary's Department HM Revenue and Customs National Investment and Loans Office Registry of Friendly Societies Royal Mint Office of Government Commerce Crown Estate Office
Cabinet Office	Cabinet Office Central Office of Information House of Commons House of Lords National Audit Office Privy Council Office Security and Intelligence Services Office of the Parliamentary Commissioner for Administration and Health Service Commissioners for England

C

PUBLIC EXPENDITURE BUDGETING AND CONTROL AGGREGATES

C.1 This Appendix describes the budgeting and control regime under the current resource budgeting framework that was first introduced for the 2002 Spending Review (full resource budgeting) and that has been modified since then. Departments have separate resource and capital budgets. These are split into the control totals Departmental Expenditure Limits (DEL) and Departmental Annually Managed Expenditure (AME). Within Resource Budget DEL there are separate controls on Near-cash and on Administration Budgets. In addition to Departmental AME, Other AME covers spending that is not tied to a departmental budget. DEL plus AME, including accounting adjustments, sum to Total Managed Expenditure (TME), an aggregate that is drawn from national accounts.

RECENT DEVELOPMENTS

C.2 There are a number of changes to the budgeting framework that departments will be controlled on from 2007-08 onwards:

- Impairments for certain classes of asset are now split between DEL and AME (see C.11 below for further information)
- Similarly the treatment of the profit/loss on disposal of assets has changed (see C.18 below for further information)
- Large acquisitions of stock are treated as capital in budgets from 2007-08
- The treatment of underperforming SFPCs has been revised and a specific near-cash underperformance charge has been introduced that will score in departmental DEL
- Education Maintenance Allowances have moved from AME to DEL
- Interest receivable on student loans has moved from DEL to AME
- Contributions to international development organisations that are treated as financial transactions in the national accounts have moved from near-cash Resource DEL to Capital DEL
- London and Continental Railways (LCR) is now included as a public corporation in the budgeting framework. ONS reclassified LCR to the public corporation sector on 20 February 2006, effecting the classification change in TME at the same time back to 1999. The impact of including LCR as a public corporation in DEL is therefore offset by removing the LCR element of the accounting adjustments to TME included in PESA 2006.

C.3 The Treasury has published an updated version of Consolidated Budgeting Guidance¹ for departments, which contains other minor changes aimed at simplifying or clarifying rules. The figures presented in PESA 2007 budgetary tables have been adjusted to reflect the new control regime across all years to provide a consistent run of numbers.

¹ http://www.hm-treasury.gov.uk/documents/public_spending_and_services/consolidated_budgeting_guidance.cfm

RESOURCE BUDGETING

C.4 Since 2001-02, departmental budgets have been set and monitored in resource terms, and Parliament votes resources as well as cash in the Supply Estimates. This Stage I regime moved to full resource budgeting from 2003-04. There are separate departmental budgets for resource (i.e. current) and capital expenditure.

Resource Budget

C.5 The Resource Budget controls the current expenditure of a department. The resource budget largely follows the contents of resource accounts. Resource accounts are prepared in accordance with the Government Financial Reporting Manual, which follows Generally Accepted Accounting Practice (GAAP) with such adaptations as are necessary for the public sector.

C.6 Resource accounts measure expenditure when it accrues rather than when the cash is spent. They do not include, as an in year cost, prepayments for goods and services not consumed in that year but will include resources consumed but paid for in later years or where pre-financed in earlier periods. Stock consumption scores in the resource budget while spending on adding to stocks does not. They include non-cash costs such as movements in provisions and charges for bad debts. Resource budgets record the cost of lending to students on the basis of an assessment of the grant implied in the low interest rate charged and the bad debt provision that is required.

C.7 The annual resource cost to departments of the assets they use to deliver services is included in resource budgets. This cost is in the form of charges for capital consumed in that year (depreciation) and the opportunity cost of tying up capital in these assets (the cost of capital charge). The cost of capital charge is 3.5 per cent of the net assets (fixed capital and financial assets, net of financial liabilities and provisions) employed by each department.

C.8 The Resource budget (DEL) includes all administration costs of government departments such as pay and employer pensions contributions or superannuation charges paid to unfunded public service pensions schemes. It also includes most of departments' other purchases of services. It includes current grants and subsidies paid to the private sector.

C.9 For DfID and the FCO the resource budget includes an attributed share of the EC's expenditure on overseas aid and the Common Foreign and Security Policy.

C.10 The Resource Budget is divided into Near-cash and Non-cash. **Near-cash in Resource DEL** is a control total. Near-cash is expenditure that impacts directly on the Surplus on the Current Budget, used to measure the Government's performance against the Golden Rule, in year. Near-cash expenditure includes pay, procurement, grants, and payments made where provisions had been taken in the past and are now being released. Near-cash expenditure is measured on an accruals basis, and normally results quickly in a cash outflow. Non-cash expenditure includes depreciation, cost of capital charges, and the take up and release of provisions.

C.11 **Impairments** are recorded where there is the permanent loss or write-off of recoverable value of an asset below the value recorded on the balance sheet in the accounts. From 2007-08, impairments for certain classes of asset will be split between DEL and AME. Impairments are being split to provide support for sound management decisions and to remove any disincentive they may create for managerially worthwhile decisions. They are to be split between six different categories, each category scoring in either DEL or AME depending on the nature of the impairment. **The following classes of impairment score in DEL:**

- Loss or damage resulting from normal business operations
- Abandonment of projects
- Gold plating – which is the unnecessary over specification of assets

Impairments that score in AME are:

- Loss caused by a catastrophe
- Unforeseen obsolescence
- Other: including
 - write downs of development land to open market value
 - write downs where an asset is to be used for a lower specification purpose than originally intended
 - write downs as result of the asset being seized without compensation

C.12 Non-Departmental Public Bodies. Resource and capital budgets include the expenditure of most non-departmental public bodies (NDPBs) classified to the central government sector, rather than the grant-in-aid from the parent department. This treatment remains a difference with the accounting treatment in departmental resource accounts which just record the grant-in-aid paid by the department.

C.13 Resource budgets include most of the department's current transactions with **public corporations** sponsored by the department (as recorded in resource accounts), but capital grants and lending to public corporations are in the capital budget. So the resource budget scores:

- subsidies paid to the public corporation by the department;
- dividends and interest received from the public corporation;
- a capital charge in respect of the value of the public corporation.

C.14 Consolidated PCs – **London Continental Railways (LCR)** and **Forest Enterprises** (which are public corporations) have a different budgeting treatment. For them, the resource budget includes their operating profit/loss and the capital budget shows their capital expenditure. NHS Trusts have a similar treatment.

C.15 Central Government Support for Local Authorities. The resource budget scores current grants to local authorities. Capital grants (in England called Supported Capital Expenditure (Capital) from 2004-05) score in capital budgets. Capital budgets also include amounts for local authority borrowing where central government has agreed to fund the resultant loan charges (up to 2003-04 these were termed credit approvals (or capital consents in Scotland); from 2004-05 these are termed Supported Capital Expenditure (Revenue) in England (or supported borrowing in Scotland)). More information on local authorities is in chapter 7.

C.16 The sum of departmental resource budgets is reconciled to public sector current expenditure – a national accounts concept which is part of TME – in Table 1.3.

Capital Budget

C.17 Capital budgets include expenditure on fixed capital assets, capital grants and the acquisition of certain financial assets acquired or sold for policy reasons. Capital budgets include capital expenditure financed by finance leases and on balance sheet Private Finance Initiative transactions. Capital budgets are, from 2007-08, net of the sale value of receipts from the sale of capital assets.

C.18 In resource accounts proceeds from sales of assets are split between the book value and any profit/loss on disposal. Receipts relating to the book value have always been recorded in capital budgets. Formerly the profit/loss on disposal was recorded as a non-cash item in resource budgets. From 2007-08 this will be recorded in capital budgets also, meaning the capital budget scores the sale proceeds as a benefit to capital budgets, which aligns with the treatment in Public Sector Net Investment, which is part of TME.

C.19 Capital budgets generally include loans on the basis of new loans issued less repayments of loan principal. Large (over £20m) prepayments or debtors that are long term (lasting more than 12 months) score in capital budgets on the same basis.

C.20 Long-lasting defence fighting equipment with no civilian use (sometimes called Single Use Military or Fighting Equipment) is treated as capital expenditure in budgets and departmental resource accounts, but national accounts treat it as current.

C.21 The sum of departmental capital budgets is reconciled to public sector net investment in Table 1.4.

Resource and Capital Budgets – Summary Table

C.22 This table summarises the main standard contents of resource and capital budgets:

	Resource Budget		Capital Budget
	Near-Cash	Non-Cash	
Department's own Transactions	Pay, current purchases, grants to individuals, subsidies. Release of Provisions <i>Less</i> income from sales of services	Depreciation and impairments on the department's assets Cost of capital charge in respect of net assets Take-up of provisions, movement in value of provisions <i>less</i> release of provisions Bad debts	Expenditure on new fixed assets <i>Less</i> sale proceeds of fixed assets Net lending to the private sector Investment grants to the private sector`
NDPB transactions	As the department <i>Note: the department's grant in aid to NDPBs is not in budgets</i>	As the department	As the department

	Resource Budget		Capital Budget
	Near-Cash	Non-Cash	
NHS Trusts (England Wales Northern Ireland)	Purchases of services from Trusts <i>plus</i> profit or loss of Trusts	Costs of capital charge in respect of net assets	Capital expenditure of NHS Trusts
Local Authorities	Current grants to local authorities		Capital grants to local authorities Supported capital expenditure (revenue)
Public Corporations on an external finance basis	Subsidies paid to public corporations <i>Less</i> interest and dividends received from public corporations	Cost of capital charge in respect of public corporations	Investment grants paid to public corporations Net lending to public corporations (including equity withdrawals from public corporations) Public corporations' market and overseas borrowing
Consolidated public corporations	Subsidies paid to and purchases of services from public corporations <i>Less</i> Profit/Loss of the public corporation	Costs of capital charge in respect of public corporations Take-up of provisions, movement in value of provisions <i>less</i> release of provisions in respect of subsidy, grant, or other amounts payable	Expenditure on new fixed assets <i>Less</i> sale proceeds of fixed assets

DEPARTMENTAL EXPENDITURE LIMITS

C.23 A little under 60 per cent of public expenditure (TME) by value is in DEL. But because AME includes a small number of large programmes by far the majority of public expenditure programmes are in DEL. The main programmes in AME are set out later in this section.

C.24 DELs are set for three years in a Spending Review. They represent firm plans for departmental spending that may only be increased in exceptional circumstances with the Treasury's agreement through a claim on the DEL Reserve. Departments may carry forward unspent DEL from one year to the next. SR2004 set firm spending plans for 2005-06 to 2007-08.

C.25 DEL is net of certain receipts, mainly payments for services, asset sales, dividends, interest, rent of land, income from the European Community, and also certain taxes, levies and fines where the Chief Secretary to the Treasury has given specific agreement for a department to retain them in their DEL.

C.26 DEL includes a Reserve to meet unexpected needs, and the unallocated provision for the Invest to Save Budget (ISB), a challenge fund. When sums are allocated, from either the Reserve or the ISB, individual departments' DELs are increased and the Reserve/ISB lines reduced by the same amounts.

C.27 **Public Corporations.** Most transactions in respect of public corporations score in DEL but those in respect of self-financing public corporations score in departmental AME (except where they receive grants and subsidies, which would score in DEL).

C.28 **Total DEL** is not a control total but a standard way of presenting the sum of current and capital spending in DEL. Total DEL is defined as resource budget DEL *plus* capital budget DEL *less* depreciation. Depreciation here includes impairments and the release of the donated assets and government grant reserves.

ANNUALLY MANAGED EXPENDITURE

C.29 The following text describes the components of AME, which for the purposes of PESA is divided into:

- Departmental AME
- Other AME
- AME Margin
- Accounting Adjustments

Departmental Annually Managed Expenditure

C.30 Departmental AME programmes are set out in departmental reports. 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, volatile, and large in relation to the size of the department. But those are neither necessary nor sufficient conditions for inclusion in AME. Discretionary new spending programmes are always in DEL except where a special case can be made to demonstrate that treatment as AME is likely to deliver better control of expenditure.

C.31 The main programmes in departmental AME are:

- Social security benefits;
- Tax credits for individuals;
- Net lending to students;
- BBC domestic services;
- Net public service pensions; and
- Expenditure financed by the proceeds of the National Lottery.

C.32 Social Security Benefits. Includes payments of social security and National Insurance benefits by the Department for Work and Pensions (DWP) and the DSS (Northern Ireland). It includes central government support for certain social security benefits paid by local authorities, e.g. Housing Benefit, Council Tax Benefit and Rent Rebates. It includes payments by DWP to the BBC in respect of free television licences for the over 75s.

C.33 Tax Credits for Individuals. Tax credits paid to households that are classified as public expenditure under OECD guidelines followed by HM Treasury in the calculation of Net Taxes and Social Security Contributions. These are mainly tax credit payments to an individual or enterprise where the amount of tax credit exceeds the tax liability. These are also payments in respect of contributions to stakeholder pensions of non-tax-payers or in excess of tax paid.

C.34 Net Lending to Students. The transactions of loan principal score in Departmental Capital AME. Since the publication of PESA 2006, data have been received from Northern Ireland and Scotland and included so that PESA 2007 table 1.1 now has UK coverage. Resource DEL continues to score the changes in the provision liability recognised by the issuing departments in their resource accounts. Interest receivable on student loans (England) now scores in AME.

C.35 BBC domestic services. The expenditure of the BBC on domestic broadcasting scores in Departmental AME. The BBC World Service scores in FCO's DEL. The BBC Monitoring Service also scores in DEL. Certain trading operations of the BBC are treated as self-financing public corporations in AME.

C.36 Net Public Service Pensions. This line scores the majority of the operating costs, net of income, for the main public service un-funded pension schemes. Operating costs are measured under Financial Reporting Standard 17 (FRS17) compliant with UK GAAP as amended for the public sector. The main schemes are those for the civil service, armed forces, teachers and NHS staff. The line comprises an assessment of the increase of liability relating to current employees less relevant receipts (see below). The line does not include an amount for the unwinding of the discount – see below.

C.37 All the major pension schemes follow FRS17 to report any increase (or decrease) in liabilities accrued in the period. In broad terms, there is a charge (or benefit) shown in this row equal to the gross increase in the provision that impacts on the operating statement of the scheme (excluding the unwinding of the discount rate, which is shown in the other non-cash items in this AME line) less pension contributions receivable.

C.38 Note that there may be several reasons for a difference in the level of contributions and the FRS17 charge. For example, the contribution is set to reflect previous over- and under assessment of contributions due to scheme-specific experience on issues such as pay and demography. Calculations of contributions and of the FRS17 charge use different discount rates and different actuarial methodologies. Contribution rates are revised only every three or four years, after full actuarial valuations.

C.39 Cash payments of members' continuing pensions, lump sums, spouses' benefits and similar payments, and bulk and individual transfers out are all normally charged directly to the pension provision shown on the balance sheet. That means that they do not impact on the cost of the scheme as measured in this line, because the obligation to pay the pension had been recognised as adding to liabilities by an increase in the pension provision when the right to the pension accrued. However, if any cash payment is made that is not covered by a previously recognised liability then that payment would score in this AME line.

C.40 Relevant receipts include employers' contributions (including accruing superannuation liability charges such as those 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.

C.41 This line does not reflect changes to the pension provision on the balance sheet resulting from changes in the actuarial assumptions made about the future (for example life expectancy, pay growth, inflation etcetera). Such changes result in the cost of providing already accrued pensions being higher (or lower) than previously thought. So if for example pensioners are living longer than previously thought the overall liability of a scheme will rise. The effects of these changes are shown in a separate statement (Statement of Recognised Gains and Losses) in the pension schemes' resource accounts and do not score in Budgets.

C.42 For simplicity, and because of the immateriality of the amounts, some small unfunded schemes may report the difference between the cash paid out during the year and any contributions received.

C.43 Note that this line does not cover:

- pension schemes with a real pensions fund, e.g. local authority and most public corporations' pensions schemes;
- the schemes for police officers and fire-fighters, which are run by local authorities, and whose costs are in local authority expenditure; and
- pensions of some NDPBs and other offices in the central government sector which operate their own pay-as-you-go pensions schemes and which are in DEL, generally on an FRS17 basis.

C.44 Future payments of pensions are discounted in order to obtain the value of the liability in today's terms. Each year, future payments come a year closer and so the effects of discounting are reduced. That **unwinding of the discount rate** is a cost that is recognised in the accounts.

C.45 In budgets, the amount for the unwinding of the discount rate on the liability is part of the 'non cash items' row (see below). The amount scores in non-cash items because there is no cost of capital credit recognised on the liability in scheme accounts; this credit would normally offset the increase. Therefore to score just the increase without the credit would distort the numbers.

C.46 In addition, the amount for the unwinding of the discount rate could be seen as loosely equivalent to the amount of interest the government would have had to pay if the schemes had been funded with government debt, and is sometimes referred to as interest on scheme liabilities (note that the discount rate is set in accordance with GAAP principles as endorsed by the Financial Reporting Advisory Board and is not automatically a gilt rate). So this item reflects the fact that the schemes are unfunded. Showing this item in the non-cash items row separates out the costs that the Government bears as employer from guaranteeing the schemes (that is, the costs in the Net public service pensions row) from the notional costs because the schemes are unfunded.

C.47 The cost of pensions schemes as measured on a GAAP basis does not impact directly on TME or the fiscal framework. Appendix D shows how the GAAP measures for the main public service pension schemes in AME can be reconciled to TME, and Table B.1 gives more detailed information.

C.48 The overall change over the year in the schemes' balance sheet pensions liability measured on a GAAP basis is normally given by:

current service cost and other pension costs (e.g. liabilities transferred in)

plus unwinding of the discount rate

less pensions paid out

plus or less changes in actuarial assumptions and other balance sheet adjustments

C.49 With the exception of the last item, which is not an expenditure or budget item, figures for the components listed above are shown in Table C.1.

C.50 TES includes the cost of public service pensions on a TME basis in the social protection function. Table 9.19 sets out cash spending by the departments responsible for pension schemes on pensions in payment net of contributions.

C.51 National Lottery. Expenditure on good causes funded from the proceeds of the National Lottery is in this line. The Big Lottery Fund was officially established by parliament on 1 December 2006 and at the same time assumed the residual responsibilities of the dissolved National Lottery Charities Board (Community Fund) and the New Opportunities Fund, and the Millennium Commission. The Big Lottery Fund rolls out grants to health, education, environment and charitable causes across the UK. This line also includes expenditure funded by the National Endowment for Science, Technology and the Arts, which had been set up by grants from the National Lottery Distribution Fund.

C.52 Non-cash items in AME. Consists mainly of:

- non-cash items that remained in AME and did not move into DEL under full resource budgeting in particular the cost of capital charge for the road network and provisions for nuclear decommissioning liabilities;
- some non-cash items in respect of departmental AME programmes; and
- an amount in respect of the increase in the liability of public service pensions schemes due to the unwinding of the discount (see above).

C.53 Other departmental expenditure in AME includes:

- Transactions in respect of Self-Financing Public Corporations;
- Export Credits Guarantee Department (part);
- Expenditure on tax credits for companies (research and development for Small and Medium Enterprises, contaminated land clearance) and charities calculated on an OECD basis, that is payments in excess of tax liability;
- Inland Revenue payments in respect of Child Trust Funds;
- Rates paid on behalf of embassies, net of beneficial portion receipts;
- Housing Subsidy in England and Wales and Housing Support Grant in Scotland;
- For outturn years, expenditure by DEFRA in connection with Foot and Mouth disease
- Redundancy Payments Scheme;

- Coal Health Liabilities;
- Expenditure of certain levy-funded bodies; and
- Acceptances of artworks in lieu of Inheritance Tax.

Other Annually Managed Expenditure

C.54 **Locally Financed Expenditure (LFE).** This line comprises the following items:

- Local Authority Self Financed Expenditure (LASFE) in the UK;
- expenditure financed from the product of the Scottish Non Domestic Rate; and
- central government expenditure financed from the product of Northern Ireland Regional Rates (NIRR) and from borrowing from the National Loans Fund under the Re-investment & Reform Initiative (RRI).

C.55 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 surpluses of trading activities, interest receipts, unsupported borrowing and the use of reserves.

C.56 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 product of NIRR is treated as a transfer from AME into DEL; that is DEL is set net of the product of the NIRR.

C.57 Expenditure financed by borrowing from the National Loans Fund under the RRI is shown under LFE because the loans will be serviced and repaid out of the product of the NIRR.

C.58 Table C1, Net Payments to the European Community sets out the following concepts:

- Net Expenditure Transfers to the European Community: this line reflects the main TME impact of membership of the European Community;
- Net Payments to EC Institutions;
- Net Contributions to the EC budget.

Table C.1 Transactions with the institutions of the European Community, 2001–02 to 2007–08

	National Statistics						
	2001–02 outturn	2002–03 outturn	2003–04 outturn	2004–05 outturn	2005–06 outturn	2006–07 estimated outturn	2007–08 plans
	£ million						
GNI based contribution	3,737	6,016	7,322	8,628	8,077	8,213	8,685
UK abatement	–4,427	–3,233	–3,874	–3,722	–3,641	–3,560	–3,675
Net expenditure transfers to the EC	–690	2,782	3,448	4,907	4,435	4,652	5,010
Receipts to cover collection costs in respect of collecting Traditional Own Resources (TOR) to give contribution to TME	–209	–507	–490	–545	–580	–581	–500
TOR ⁽¹⁾	2,093	1,710	1,963	2,195	2,319	2,326	2,000
VAT payments to the EC	3,592	2,519	2,576	1,904	1,964	2,287	2,113
Gross contribution to the EC budget	4,786	6,504	7,496	8,461	8,139	8,685	8,624
Public sector EC receipts (except European coal and steel community Receipts) ⁽²⁾	–3,309	–3,424	–4,235	–4,555	–3,750	–5,439	–5,332
Net contribution to the EC budget	1,477	3,080	3,261	3,906	4,389	3,246	3,291
less Attributed Aid ⁽³⁾	633	734	796	694	700	665	701
less Common Foreign and Security Policy ⁽⁴⁾	2	2	3	3	3	3	4
European coal and steel community Receipts	–1	—	–2	—	—	—	—
Net payments to EC institutions	841	2,344	2,460	3,208	3,685	2,577	2,586

(1) Traditional Own Resources, made up of customs duties, including those on agricultural products, and sugar levies.

(2) Total public sector EC receipts are shown here on a cash basis. EC receipts in budgets are on an accruals basis.

(3) The UK's contribution to the cost of EU aid to States outside the EU, which is attributed to the aid programme.

(4) The UK's contribution to the cost of the EU's Common Foreign and Security Policy, which is attributed to the FCO's programme.

C.59 So the TME effect of EU membership is given by:

- GNI-based contributions
- less the UK's abatement
- less an amount in respect of the cost of collecting TOR

C.60 Public Corporations' Own-Financed Capital Expenditure. This line comprises the capital expenditure of public corporations net of any capital grants or loans given by a PC's parent department and net of public corporations' market and overseas borrowing where that scores to departmental budgets. Excludes London and Continental Railways and Forest Enterprises which have a different budgeting regime.

C.61 This line also includes the whole amount of capital expenditure of public corporations accountable to local authorities, whether own-financed or supported by local government: an accounting adjustment removes local government support to public corporations.

C.62 Central Government Debt interest. This line includes interest paid to the private sector and overseas, but not interest paid to other parts of the public sector. The capital uplift on index-linked gilts is scored as interest at the time it accrues. This line includes the amortisation of discounts/premia on gilts at issue.

AME Margin and Accounting Adjustments

C.63 **AME Margin.** The AME margin is an allowance for estimating changes.

C.64 **Accounting adjustments** are described in Appendix D.

TOTAL MANAGED EXPENDITURE

C.65 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 the capital expenditure of public corporations. TME excludes grants and interest payments between parts of the public sector – it is a consolidated measure. TME does not include financial transactions. So TME is the expenditure side of the equation that gives Public Sector Net Borrowing, the government's preferred measure of the fiscal stance.

C.66 TME equals DEL + AME (including accounting adjustments).

C.67 In addition, TME may be expressed as the sum of:

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

C.68 In this presentation, Depreciation represents the amount of capital expenditure required to make good the depreciation of assets, and Net Investment represents the amount of capital expenditure that adds to the overall stock of assets.

BUDGETING GUIDANCE

C.69 The Treasury has published the Consolidated Budgeting Guidance for departments for 2007-08 on its website². The Guidance explains in detail what is in budgets.

² http://www.hm-treasury.gov.uk/documents/public_spending_and_services/consolidated_budgeting_guidance.cfm

D

THE ACCOUNTING ADJUSTMENTS IN THE BUDGETING PRESENTATION OF TME

NEED FOR ACCOUNTING ADJUSTMENTS

D.1 The national accounts, produced by the Office for National Statistics (ONS), follow international guidelines and provide a widely accepted framework for analysing the economic activity of the country. Total Managed Expenditure (TME) is an aggregate drawn from national accounts. TME measures the sum of public sector current and capital spending.

D.2 Government departments budget and account for their spending in resource terms. Resource accounting is based on generally accepted accounting practice (GAAP). GAAP differs in several ways from national accounts. Also, the requirements of national accounts and the control regimes defined for the management of public expenditure (DEL and AME – see Appendix C) are different; and sometimes other factors lead to an alternative approach – for example data availability.

D.3 Table 1.1 shows DEL plus AME equalling TME. Because of the facts set out in paragraph D2 above a number of adjustments are needed to relate Total DEL and the component parts of AME, which are Treasury control aggregates, to TME as measured in the national accounts. More detail of the adjustments is shown in table 1.14.

D.4 The sub headings in this annex correspond to the rows in that table, and a description of the nature of the adjustment is given. Individual adjustments are numbered 1 through x. The operator (i.e. “add” or “subtract”) describes the adjustment needed to derive TME from Total DEL plus departmental and other AME.

CHANGES SINCE PESA 2006

D.5 The following obsolete adjustments have been retired (the numbers given refer to the number in Appendix B of PESA 2006 except where otherwise identified):

D.6 Adjustment to remove capital grants to LCR (42 in last year’s PESA). At the time of last year’s PESA LCR had been reclassified to the public sector and their capital spending added to TME. In addition the DfT were budgeting for capital grants to LCR, and so an adjustment was required to remove these capital grants. The budgeting treatment for LCR has since changed so that this adjustment is no longer necessary, as DfT now budget for LCR capital spending not capital grants to them.

D.7 Capital/current switching adjustment for profit or losses on disposal of capital assets has been dropped, as changes to the budgeting framework mean that budgets are now aligned with the national accounts definitions.

D.8 The adjustment for debt write off by ECGD for policy reasons (45 in last year’s PESA) has been moved from the public corporations to the central government adjustments following the ONS decision to show these policy write off s as transfers for central government not public corporations.

D.9 In Blue Book 2006 the ONS added imputed amounts of tax and expenditure to the national accounts in respect of Renewable Obligation Certificates (ROCs). This has the effect on increasing both current receipts and current expenditure. As such a new accounting adjustment is required with the other central government programmes line to add in the imputed subsidy which increases TME.

LIST OF THE ACCOUNTING ADJUSTMENTS

Tax credits for individuals

D.10 The tax credits line in departmental AME shows expenditure on tax credits following the OECD basis for deciding what element, if any, of a tax credit should be treated as expenditure, rather than as an adjustment to tax receipts. As such, only amounts payable in excess of an individual's tax liability count as expenditure in this line. However, in the national accounts and so TME, certain tax credits for individuals score as government expenditure even when they are less than the individual's tax liability. An adjustment is required therefore to add in those amounts which score in TME, but which have not scored in the tax credits line in departmental AME. The adjustment is as follows:

1. Add the amount of the tax credit that scores as expenditure in TME but that is less than an individual's tax liability, and so has not been included in departmental AME for the following tax credits: Mortgage Interest Relief, Life Assurance Premium Relief, Vocational Training Relief, Working Families Tax Credit and Disabled Persons Tax Credit.

D.11 No adjustment is needed for the new tax credits (Working Tax Credit and Child Tax Credit) as they are treated in the same way under both the OECD (and so departmental AME) and national accounts bases.

Pensions

D.12 Pensions are measured differently in national accounts compared to the way in which resource accounts present these costs. This is due to differences in the way these frameworks deal with provision liabilities. The contribution of the pension schemes to TME is as follows:

- payments to pensioners, surviving spouses etc
- *plus* bulk and individual transfers out
- *less* receipts of contributions by employees
- *less* receipts of contributions from employers
- *less* bulk and individual transfers in.

D.13 In resource accounts a provision liability is recognised on the balance sheet equal to the net present value of the expected future cash benefits to be paid, and, broadly speaking, changes in this liability impact on the operating cost statement. The Net public service pensions line in departmental AME presents expenditure on this basis. The line consists of the following:

- The gross change in the liability that scores in the operating statement of the schemes;
- *less* pensions contributions received and transfers in;
- *plus* any pensions or transfer payments out that are not covered by a previously recognised liability;

D.14 The unwinding of the discount rate that is applied to the future cash flows is also a cost in the operating statement in accounts. This cost is recorded separately in the non-cash items in departmental AME. See Annex C for further details.

D.15 Table D.1 provides a reconciliation between the measures of pensions expenditure as presented in the component parts of table 1.1, in the resource accounts, and in TME. So the table presents:

- The three main contributors to the Net public service pensions line (as above):
 - The gross change in the liability that scores in the operating statement of the schemes;
 - *less* pensions contributions received and transfers in;
 - *plus* any pensions or transfer payments out that are not covered by a previously recognised liability;
- The pensions element of the Non cash items line (i.e. the unwinding of the discount on the liability);
- The sum of these elements, which is the contribution of pension schemes to Departmental AME. It is a GAAP based measure of the cost of the schemes, which is net of contribution income and transfers in;
- The accounting adjustments required to reach TME (see below); and
- The contribution of the main public service pensions schemes to TME.

D.16 The accounting adjustments are as follows:

2. Remove increases in liabilities scored in the Net public service pensions line.
3. Remove increases in liabilities arising from the unwinding of the discount rate that are scored in the Non-cash items line in AME.
4. Add in the expenditure on cash payments for members' continuing pensions, lump sums, spouses' benefits and similar payments, and bulk and individual transfers out of the scheme, which in Resource Accounts are treated as a movement in cash and liabilities on the balance sheet without a further impact on the Operating Cost Statement or departmental budgets therefore.

D.17 Employers' pay costs include the cost of making both employer contributions to unfunded pensions schemes and an amount to cover any employee contributions. These elements of the pay bill of central government bodies are a cost in TME. These costs, which are in the main borne by individual departmental DEL budgets, broadly match the unfunded pensions schemes' receipts of employer and employee contributions scored in AME, (although note that some schemes receive contributions from employers and their staff that fall out with the departmental budgeting system). This means that the impact of pensions on TME can be expressed as either (a) those elements of the paybill that finance contributions to unfunded pension liabilities *plus* the net pensions paid (i.e. net of receipts of contributions), or (b) simply the pensions in payment. The impact on the overall fiscal position is the same as the impact on TME.

Table D.1 Unfunded public service pension schemes in AME and in TME, 2001–02 to 2007–08

	£ million						
	National Statistics						
	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08
	outturn	outturn	outturn	outturn	outturn	estimated outturn	plans
Departmental AME (GAAP basis)							
Change in liability	13,205	14,871	15,357	15,304	20,971	21,503	28,933
Contributions received *	-9,861	-12,610	-14,279	-15,122	-17,395	-18,005	-19,252
Cash payments in OCS not covered by release of provision*	569	1,888	719	162	130	84	109
Net public service pensions (GAAP basis)	3,913	4,150	1,796	344	3,706	3,582	9,789
Unwinding of discount rate (= contribution to non-cash items)	18,575	19,458	22,303	24,080	27,463	29,578	32,464
Total departmental AME (GAAP basis)	22,488	23,608	24,099	24,424	31,169	33,160	42,253
Accounting adjustments							
Remove change in liability	-13,205	-14,871	-15,357	-15,304	-20,971	-21,503	-28,933
Remove increased liability due to unwinding of discount rate	-18,575	-19,458	-22,303	-24,080	-27,463	-29,578	-32,464
Add pensions in payment covered by release of provision*	14,204	14,628	15,361	16,216	17,534	19,097	21,295
Accounting adjustments (pensions)	-17,576	-19,701	-22,299	-23,167	-30,900	-31,984	-40,102
Contribution to TME (National Accounts basis)	4,912	3,907	1,801	1,256	270	1,176	2,151
<i>of which:</i>							
Pensions in payment*	14,773	16,517	16,080	16,378	17,665	19,181	21,404
Employer/employee contributions*	-9,861	-12,610	-14,279	-15,122	-17,395	-18,005	-19,252

* includes bulk and individual transfers, including transfers of liabilities within government.

Other central government programmes

- Interest on Special Drawing Rights (SDRs):** Add payments of interest on SDRs held by the UK at the International Monetary Fund which are treated in the national accounts as current expenditure on goods and services.
- Tax Credits for Companies and Charities:** As with tax credits for individuals (see above), national accounts score as expenditure all elements of tax credits for companies and charities, including those that reduce the taxpayer's liability, where the ONS have judged that the tax credits are not integral to the tax system. This adjustment adds in such payments in respect of Research and Development Tax Credits for large companies and for small and medium enterprises, payments of transitional relief to charities formerly entitled to receive tax credits on dividends, and tax relief on clearing contaminated land. The element of these tax credits that is paid in excess of tax liabilities is already shown in Other departmental expenditure in AME.
- Collection costs for Traditional Own Resources (TOR):** The UK receives a payment from the EU for collecting on behalf of the EU TOR (customs duties, agricultural and sugar levies). This receipt (which is actually netted off of the payment made to the EU) is treated as a government receipt and reduces TME. This income is recorded here.
- Loan guarantees:** add the imputed subsidies for certain loan guarantees which are included in national accounts. In the current balance imputed receipts match these imputed subsidies.

9. **Attributed Aid and Common Foreign and Security Policy (CFSP):** Departmental Budgets include an attributed share of the EU's aid and CFSP expenditure.
10. **Hydro benefit:** add in an amount of imputed subsidy paid by the Scottish Electricity generating industry to the distribution industry to reflect the high cost of distribution in northern Scotland.
11. Add **debts written off by ECGD for policy reasons**, which are routed through central government in national accounts.
12. **Renewable Obligation Certificates.** Add imputed subsidies in respect of ROCs, which are balanced in the national accounts by imputed current receipts.

VAT refunds

D.18 VAT is a tax that is paid by final consumers, that is government and households. Producers pay VAT on materials that they use in the course of production, but are able to claim those VAT payments back from HMRC. Producers then charge VAT on sales and pass these monies to HMRC. Where a public sector body is engaged in production and receives such a VAT refund it will not add to TME therefore, nor would it be included in their spending data, which is measured net of recoverable VAT. Therefore in these cases no adjustment to TME needs to be made.

D.19 However, in addition some public sector bodies receive refunds of VAT that they have paid in respect of contracted out services for non-business purposes, including the free to enter public museums. These VAT payments by general government bodies form part of the prices paid by general government as a final consumer, and therefore form part of final government consumption and so TME. Departmental budgets, and other spending data, however are net of all recoverable VAT, which means the following adjustments are required to get to TME.

13. Add VAT refunded to central government departments in respect of contracted out services for non-business purposes and VAT refunds to free public museums in respect of non business activities. (VAT refunds to NHS trusts and the BBC in respect of non business services are however exceptionally not added in to the figures to arrive at TME.)
14. Add VAT refunds to local authorities in respect of all non-business activities. Central government support in DEL and locally financed expenditure are measured net of these VAT refunds, but in TME the expenditure is recorded including the VAT paid.
15. Add VAT refunds paid to ITN in respect of non-business activities. These are treated as subsidies in TME.
16. Add VAT refunds paid to DIY house builders. These are treated as capital grants in TME.

Central government capital consumption

17. Add the value of central government non-trading capital consumption (i.e. depreciation). For the outturn years this number is modelled by ONS for national accounts; for forward years it is forecast by HM Treasury on a basis consistent with the ONS modelling.

Non-cash items not in TME, and stocks

D.20 Non-cash items not in TME. Both budgets and TME measure expenditure on an accruals basis as regards timing. A number of accruals concepts – such as accounts payable/receivable – appear in both GAAP and national accounts datasets. However, a number of non cash items appear in budgets produced on a basis consistent with the Government Financial Reporting Manual (see Appendix C) that do not have a TME counterpart. They are removed here:

18. Deduct the cost of capital charge, debt write offs (other than debts written off by mutual consent, which count as capital grants in the national accounts), notional audit fee, and other such non cash items recorded in departmental budgets but not in national accounts. This item also includes the removal of the profit or loss of NHS trusts which scores in budgets.
19. Deduct the take up, movements in the value, and release of provisions that score in budgets. That leaves in the underlying cash payments made when provisions are utilised, which are offset in budgets by the release of provisions, and which score in TME.
20. Deduct the provision that represents the net present value of the interest support element of student loans that scores in DEL as the loans are issued. In the national accounts the impact on the current balance is determined by the difference between interest payments made on government debt and interest income received from students.

D.21 Stocks. Net changes to inventories form part of capital expenditure in national accounts. This means that both when stocks are purchased and finished goods are added to stocks, this increases capital spending. When they are either consumed or sold this reduces capital expenditure. In addition the production account scores the consumption of stocks as a cost (part of intermediate consumption), and the value of finished goods added to stocks as part of final output. In Resource accounts purchases and sales of stocks are cash adjustments, and the draw down of stocks is a balance sheet movement. Budgets generally only record as expenditure or income the consumption of stocks or the production of goods for stock. The adjustment is as follows;

21. Add the purchase of stocks, subtract the sales of finished goods previously added to stocks, and subtract reductions in the value of stocks due to consumption of stock items.

Expenditure financed by revenue receipts

D.22 Some receipts benefit budgets and so reduce certain expenditure presentations even where national accounts do not treat them as negative expenditure in TME but, instead, as entries on the revenue side of the government's account. The deduction of such receipts needs to be reversed.

D.23 For departments and NDPBs the receipts are:

22. certain taxes collected, including licences issued by the utility regulators;
23. certain fines;
24. current donations;
25. current compensation;

26. rent of land;
27. dividends and interest from the private sector and overseas.

D.24 For local authorities, the receipts are:

28. penalties collected by local authorities and police in respect of certain parking, vehicle emissions and moving traffic offences.

Local authorities

29. Add the value of local government non-trading capital consumption (i.e. depreciation) as modelled by ONS for national accounts.
30. Add subsidies paid to LA trading bodies. These are deducted from the figure for the operating surplus of LA trading bodies, one of the revenue items in the calculation of locally financed expenditure, but are included as LA expenditure in national accounts.
31. Deduct capital grants paid by local authorities to public corporations since these are a flow within the public sector that adds to the calculation of local government expenditure but the capital expenditure they finance is in the line for Public Corporations' Own Financed Capital Expenditure. This mainly concerns payments by Transport for London.
32. Adjust estimated outturn by an allowance for shortfall to align central government support and LASFE figures to forecast total local authority expenditure.

D.25 In some cases receipts are treated as financing expenditure in AME when national accounts treat them as reducing TME. The value of the receipts needs to be deducted:

33. Local authority receipts of investment grants from private sector developers.
34. Certain licence fees collected by local authorities.

General government consolidation

D.26 TME is consolidated public sector expenditure. So it normally records only those transactions that are paid outside the public sector. Payments of certain taxes and of grants and interest that are within the public sector do not score in TME.

35. Deduct debt interest paid by local authorities to central government and to other local authorities. The small amounts of debt interest paid by local authorities to public corporations are also deducted here.
36. Deduct payments of national non domestic rates paid by central and local government, which are in budgets and locally financed expenditure, and which are consolidated out for TME.
37. Deduct payments by the Department for Work and Pensions to the BBC in respect of free television licences for the over 75s which are in Departmental AME but are consolidated out of TME (the national accounts now show TV licence fee income without imputing a payment from the over 75s).

38. Deduct payments from local authorities to the Office of the Deputy Prime Minister in respect of pooled housing receipts. These payments score in Local Authority Self Financed Expenditure and not in TME.
39. Deduct subsidies from central government to public corporations that finance the payment by the corporation of current grants to local authorities. The subsidies are in DEL (outside support for LAs) and in addition the LA expenditure is in locally financed expenditure. National accounts treat the public corporation as an agent of central government in this regard. So the flow is treated as a central government grant to local government and does not add to TME.
40. Deduct the element of English health authorities' purchases from NHS trusts that covers trust depreciation and scores in DEL. The depreciation of NHS trusts is recorded as part of the adjustment above that brings in central government capital consumption as measured by the ONS and so this adjustment removes a double count.
41. Deduct departments' receipts of interest and dividend from NHS trusts (England and Wales). Departments pay NHS trusts enough to enable them to remunerate their capital. Now that trusts have been reclassified to the central government sector, those payments do not score in TME.

Public corporations

D.27 Departments' resource and capital budgets normally include certain items in respect of public corporations scored on the external finance basis:

- subsidies and capital grants paid by the department to public corporations;
- loans given by the department to public corporations – loans can be either voted or from the National Loans Fund;
- equity (including public dividend capital) invested by the department in public corporations;
- public corporations' net market and overseas borrowing (PCMOB), including finance leases and on balance sheet PFI, but excluding movements in balances;
- interest, dividends and equity withdrawals received from public corporations;
- a capital charge in respect of the capital employed by public corporations.

D.28 TME includes the subsidies only, so the other items have to be deducted.

D.29 TME includes PC capital expenditure, and interest and dividends paid by PCs to the private sector. Other AME includes public corporations' own-financed capital expenditure (PCOFCE), that is, capital expenditure less CG grant and loan finance for it, and less PCMOB. So the deduction of loans and capital grants is effected in other AME.

D.30 So the adjustments needed are:

42. Remove receipts from public corporations of interest, dividends and equity withdrawals, which are netted-off in budgets.
43. Add interest and dividends paid by public corporations to the private sector and abroad.

D.31 Forest Enterprises and London and Continental Railways (LCR) are scored on what is termed the consolidation basis and have a different budgeting treatment. Their profit/loss and actual capital expenditure score in budgets rather than grants and loans given and interest and dividends received. Their capital expenditure is not included in PCOFCE, as it has scored in budgets already, but their profits/losses have to be removed in the accounting adjustments.

44. Deduct the profit/loss of Forest Enterprises and LCR that are scored on the consolidation basis.

D.32 Export Credits Guarantee Department (ECGD) is a public corporation in the national accounts. It is treated in the same way as insurance corporations in national accounts. It is also a department in its own right, and it has a unique budgeting framework.

D.33 The impact of ECGD on the national accounts aggregates is as follows. Its Gross Operating Surplus scores as a current receipt. This is partly financed by a subsidy from Central Government. Interest payments that it receives on its assets are a benefit to the current budget also. Depreciation on its assets is a cost to the Golden Rule. Any capital spending that it undertakes is a cost in PSNI and forms part of TME. When ECGD pays claims to holders of financial assets it will often take over those assets and seek to recover the value. In certain cases these assets may be written off as a distinct act of policy, such as the debt cancellation to Nigeria announced in 2005. These kinds of debt write off score as capital transfers in the national accounts, and TME, as a gift is being made to the recipient. These are routed through government as ECGD is seen to be acting as an agent of government in these cases.

D.34 The resource budget (AME) scores the subsidy that finances part of the ECGD Gross Operating Surplus total and some receipts which are financed from elsewhere in TME. AME also scores the interest receipts that ECGD receives on its assets. Only this last item needs to be adjusted for (i.e. removed) to get to TME, as these receipts do not reduce TME.

D.35 The capital budget DEL scores only the direct capital spending of ECGD. Therefore an accounting adjustment is needed to add in debts written off for policy reasons, but this is shown in the central government line.

D.36 Finally the capital budget AME scores some financial transactions. These are removed in the general accounting adjustments for financial transactions below.

D.37 So the adjustments needed are:

45. Remove ECGD interest receipts that do not form part of TME

Financial transactions

D.38 TME measures the current and capital expenditure of the public sector and excludes net lending. Departmental budgets include the net acquisition of financial assets acquired for policy purposes rather than for cash flow management. Typical transactions are purchases of shares and lending to businesses and individuals. The specific adjustments are described below:

46. Deduct loans, net of repayments of loans, to the private sector and overseas that score in DEL, departmental AME and local authority expenditure.
47. Deduct the net acquisition of private sector company securities that scores in DEL, Departmental AME and local authority expenditure.

48. Deduct the profit/loss on the sale of shares and other financial assets recorded in DEL or departmental AME. This profit/loss represents part of a financial transaction in national accounts and so is outside TME.
49. Deduct movements in certain large pre payments and debtors that score in capital budgets.

Data adjustment

D.39 In some cases, TME and budgets have the same concepts but use different data. Adjustments are needed to put budgets data onto the TME basis:

50. Deduct depreciation and impairments in departmental AME. Depreciation and impairments in DEL have already been deducted in arriving at Total DEL in Table 1.1. TME uses the national accounts number for Non trading Capital Consumption – see above.
51. For outturn years, add the amounts recorded by ONS, less the amounts recorded in budgets, for central government grants to LAs.

Balancing reconciliation

52. Add, for outturn years, the residual difference between the last published figure for TME as measured by ONS for national accounts and the number as measured by latest Treasury sources. Differences can arise for example because of differences in the timing and sources of data.
53. Add for estimated outturn and plan years the residual difference between the last published number for TME forecast by the Treasury in the Budget and the component numbers held on the Treasury's public expenditure database. Differences may arise for example where later information is recorded by departments after the Budget. TME will not be re-forecast until the Pre Budget Report.

ADJUSTMENTS AFFECTING THE SPLIT BETWEEN CURRENT AND CAPITAL EXPENDITURE

D.40 For the most part, items in the resource budget are current expenditure in the national accounts and items in the capital budget are capital expenditure. But there are some exceptions, described below. These adjustments have no impact on the sum of current and capital expenditure, and so are not shown in table 1.14. They do however affect the split of total TME into current and capital expenditure. They are therefore part of the reconciliation from departmental budgets to national accounts measures of current and capital expenditure identified in tables 1.4, 6.2 and 6.3. The main adjustments are described below:

Resource budget items treated as capital in national accounts

- All debt write-offs of central government bodies go through Resource DEL. Those that are intended to convey a benefit to the debtor – as opposed to the department being unable to recover the debt because the debtor cannot pay – are treated as capital grants in the national accounts.

- Similarly, a proportion of DFID's bilateral aid budget is deemed to be a capital grant to the rest of the world in the national accounts, as it supports debt write offs, although all bilateral aid grants are shown in resource DEL budgets.

Capital budget items treated as current in national accounts

- Expenditure on single use military equipment (fighting equipment) that is capital under GAAP rules is recorded as capital expenditure in departmental budgets but treated as current expenditure in national accounts.

D.4I In table 1.3, only those Resource Budget items listed above that score in Near cash in Resource Budgets are included in the line that removes items classified as capital. That is the DfID grants.

E

EXPENDITURE ON SERVICES

E.1 The tables in Chapters 4, 5, 6, and 7 which show public expenditure disaggregated by function and by economic category, and the tables in Chapter 9, and 10 which show public expenditure by country and by region, all focus on Total Expenditure on Services (TES), or a sectoral element of it. TES broadly represents the current and capital expenditure of the public sector, with some differences from the national accounts measure Total Managed Expenditure (TME). The definition of TES in PESA 2007 is almost identical to that presented in PESA 2006.

What's New

E.2 The definition of TES has been changed to remove the income from the rent of land (not including buildings) from TES in order to improve the alignment with TME. The effect of this change is negligible and increases TES by less than £1m a year.

E.3 Functional analyses of TES are now published on a detailed COFOG basis. Chapters 4 and 5 contain further detail on what this change is.

E.4 There have been a number of COFOG (Classification of the Functions of Government) changes since PESA 2006. The most significant ones are described further below.

EU transactions in TES

E.5 EU transactions score in aggregate in TES in the same way as in TME. However, TES scores EU funded payments within functional expenditure as UK government spending, for instance on agriculture, that the national accounts score as direct payments from the EU to enterprises and households. The reason for including EU financed spending in the functional analysis is that the UK is a net contributor to the EU. Therefore the EU transactions line in TES includes EC receipts, thus bringing the total into line with TME. Similarly, TES scores attributed EU expenditure on aid and the Common Foreign and Security Policy under international services and deducts an appropriate amount under EU transactions. Numbers are given in table C1.

TES defined by reference to TME

E.6 TME is the current and capital expenditure of the public sector, on a national accounts basis. TES represents much the same, with minor divergences. The divergences reflect mainly the difficulty of attributing some data to functions, and consequent differences to maintain consistency between functions. The main difference to TME is that TES does not include general government capital consumption and does not reverse the deduction of certain VAT refunds in the budget based expenditure data. It also includes a small number of items that are in budgets but not in TME, for example the grant equivalent element of student loans. TES is worth about 95% of TME. For the avoidance of doubt, TES includes expenditure on goods as well as on services.

E.7 TES can be defined in terms of the current and capital expenditure of spending sectors on a national accounts basis as (simplifying):

- central government own current expenditure, including subsidies to public corporations but without central government support for local authorities and without capital grants or net lending to public corporations
- + grant-equivalent element of student loans
- + local authorities current expenditure
- local authorities debt interest paid to central government
- + public corporations debt interest to private sector and rest of the world
- + 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)

TES defined by reference to budgeting aggregates

E.8 TES can also be built up from the budgeting aggregates (DEL, departmental AME and other AME) (simplifying):

Departmental Expenditure Limits

- spending in DEL
- non cash items in DEL
- the element of purchases of healthcare from NHS trusts (England and Wales) that represents the funding of trust debt remuneration
- the element of purchases of healthcare from NHS trusts (England) that represents the funding of trust depreciation
- + reverse the deduction in budgets of certain receipts that are revenue in the national accounts, including interest and dividend receipts from public corporations
- + reverse the deduction in budgets of income from the European Community
- financial transactions
- profit/loss of public corporations and NHS trusts recorded in DEL

Departmental Annually Managed Expenditure

- + spending in departmental AME
- non-cash items (both those in individual rows and in the row for non cash items)
- net public service pensions on the AME basis
- + net public service pensions on the TME basis
- financial transactions
- + reverse the deduction of interest and dividend receipts from public corporations

Other Annually Managed Expenditure

- + net expenditure transfers to EC Institutions *less* receipts from the European Community *and less* attributed aid and Common Foreign and Security Policy spending.
- + locally financed expenditure
- local authority debt interest paid to central government
- capital grants paid by local authorities to public corporations
- + central government gross debt interest
- + public corporations' own financed capital expenditure
- + public corporations' debt interest to the private sector and rest of world

E.9 Table E1 shows the derivation of TES from departmental groups' budgets.

Change in COFOG classification

E.10 There have been a number of functional classification changes since PESA 2006. These reclassifications ensure that data are consistent with the UN Classification of the Functions of Government (COFOG). The largest of these are:

- a re-classification of the Council for the Central Laboratory of the Research Councils, from enterprise and economic development to general public services £0.1bn in 2004-05 and 2005-06);
- the reclassification of local authority expenditure from social protection spending to general public services spending of about £0.3bn over years 2001-02 to 2005-06;
- a reclassification of tribunal services, from employment policies to public order and safety of up to £0.3bn a year as far as 2005-06.
- the reclassification of local authority expenditure from housing and community amenities spending to enterprise and economic affairs spending of between £0.4bn and £0.8bn over years 2001-02 to 2005-06;
- the reclassification of local authority expenditure from agriculture, fisheries, and forestry spending to enterprise and economic affairs spending of about £0.1bn over years 2001-02 to 2005-06;
- the reclassification of local authority expenditure from housing and communities amenities spending to environment protection spending of about £0.1bn over years 2001-02 to 2005-06;
- the reclassification of English and Welsh local authority expenditure on derelict land reclamation, from general public services to environment protection. The impact of this reclassification is around £0.1bn a year since 2001-02;

- the reclassification of a number of areas of regeneration spending from enterprise and economic development to housing and community amenities of between £0.2bn to £0.5bn a year between the years 2001-02 to 2005-06;
- the reclassification of local authority expenditure from transport spending to housing and community amenities spending of about £0.4bn over years 2001-02 to 2005-06;
- the reclassification of local authority expenditure from environment protection spending to housing and community amenities spending of about £0.2bn over years 2001-02 to 2005-06;
- the reclassification of local authority expenditure from public order and safety spending to housing and communities amenities spending of between £0.1bn and £0.2bn over years 2001-02 to 2005-06;
- the reclassification of local authority expenditure from social protection spending to housing and community amenities spending of about £0.2bn over most years;
- a re-classification of between £0.7bn and £1.1bn of National Lottery expenditure to health, education, environment protection and social protection from recreation and culture:
 - (a) of £0.1bn to education;
 - (b) of £0.4bn in 2001-02 falling to £0.2bn in 2005-06 to social protection;
 - (c) of approximately £0.1bn to health;
 - (d) of approximately £0.1bn to environment protection;
- a reclassification of some adult education spending, from education to training of between £0.1bn to £0.2bn a year in the years 2001-02 onwards;
- the reclassification of Connexions spending, from education to social protection of around £0.5bn a year in the years 2001-02 onwards;
- the reclassification of English local authority expenditure on retirement benefits from general public services to social protection. The impact of this reclassification is around £0.4bn a year since 2001-02;
- the reclassification of Department of Education and Skills expenditure from social protection to education. The impact being a change of £0.1bn and £0.4bn for 2004-5 and 2007-08 respectively;
- the reclassification of £0.1bn of Department of Constitutional Affairs' expenditure for 2004-05 and 2005-06, from public order and safety to general public services.

Table E.1 Derivation of Total Expenditure on Services from departmental groups' budgets, 2005–06

All data in this table are National Statistics

£ million

	Education and Skills	Health	Transport	CLG Communities and Local Government	Home Office	Constitutional Affairs	Law Officers' departments	Defence	Foreign and Commonwealth Office	International Development	Trade and Industry	Environment, Food and Rural Affairs	Culture, Media and Sport	Work and Pensions	Scotland	Wales	Northern Ireland Executive	Northern Ireland Office	Chancellor's departments	Cabinet Office	Public corporations accountable to local government	Total for all departmental groups	
Departmental budgets																							
Resource DEL	25,467	76,372	6,076	49,751	12,703	3,631	689	33,388	1,874	4,114	5,237	2,817	1,423	7,732	20,662	10,986	6,722	1,183	4,947	2,234	—	278,008	
Capital DEL	5,706	2,245	4,999	5,847	1,034	128	-23	6,410	132	397	1,198	836	145	354	2,390	1,208	847	55	393	243	—	34,547	
Resource departmental AME	7,836	9,409	3,076	847	5	81	—	5,325	-22	140	231	126	3,378	115,327	2,211	292	6,439	212	23,268	5,726	—	183,905	
Capital departmental AME	2,067	649	—	—	—	—	—	—	—	—	-958	0	1,082	17	150	121	247	—	235	—	—	3,610	
Remove																							
Grants to local authorities ⁽¹⁾	-10,989	-2,263	-4,142	-51,498	-6,073	0	—	—	—	-934	-195	-184	-179	-17,929	-7,497	-4,570	-64	—	—	-1	—	106,340	
Capital grants to public corporations	—	—	-1	-19	—	—	—	—	-39	—	—	—	—	-3	-42	—	-236	—	—	—	—	-340	
Non-cash items in resource DEL	-979	-2,052	-264	-21	-518	229	-9	-11,053	-171	-66	-370	-468	-153	-258	-687	-324	-202	-200	-271	-442	—	-18,280	
Non-cash items in resource AME ⁽¹⁾	-6,935	-12,037	-3,041	-70	24	-86	—	-2,689	22	-36	1,135	-56	-35	-262	-2,384	-365	-2,629	-72	137	-5,683	—	-35,061	
Financial transactions	-2,065	-357	-29	0	—	—	—	76	—	-367	1,141	4	—	-17	-317	-122	104	—	2	0	—	-1,948	
Interest and dividends	352	2	-11	31	-10	—	—	27	—	2	123	3	144	0	89	—	-12	—	34	—	—	774	
Items classified as revenue in National Accounts	—	—	256	34	377	2	0	—	—	1	145	61	—	93	0	—	9	—	—	0	—	980	
Profit/loss of PCs and NHS Trusts	—	473	-316	—	—	—	—	—	—	—	—	-1	—	—	-13	—	61	—	—	—	—	203	
Payments to NHS Trusts in respect of depreciation	—	-1,539	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	-1,539	
EC receipts ⁽²⁾	0	31	33	71	5	—	—	—	—	—	172	2,400	11	632	568	457	395	—	1	—	—	4,776	
Other items not in TME	—	—	0	—	—	—	0	379	—	-5	-5	—	—	—	—	0	0	—	—	—	—	369	
Add																							
Local authority current expenditure	34,458	17,243	4,802	8,993	11,419	4	—	—	—	—	316	4,441	2,229	14,841	9,714	4,460	429	—	—	49	—	113,397	
Local authority capital expenditure	3,275	300	2,893	1,693	542	—	—	—	—	—	4	433	696	0	1,103	707	57	—	—	—	—	11,704	
Northern Ireland locally financed expenditure	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	457	—	—	—	—	457	
Public corporations capital expenditure	—	—	—	26	2,361	9	—	109	47	—	207	—	-33	3	655	65	104	—	50	—	1,009	3,646	
Public sector debt interest	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	26,588	—	—	26,588	
EU transactions ⁽³⁾	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	-598	
NHS Trust Debt remuneration	—	-1,075	—	—	—	—	—	—	—	—	—	—	—	—	—	-78	—	—	—	—	—	-1,153	
Grant equivalent element of student loans	574	—	—	—	—	—	—	—	—	—	—	—	—	—	62	32	—	—	—	—	—	669	
Loans written off by mutual consent	—	—	—	—	—	—	—	—	—	3	—	—	—	1	—	—	—	—	—	—	—	3	
Total Expenditure on Services	58,767	87,401	14,357	18,023	19,517	4,032	657	31,971	1,844	4,182	7,640	10,401	8,702	120,531	26,666	12,869	12,725	1,180	54,787	2,127	1,009	499,387	

(1) Grants to local authorities are consistent with definitions used in table 7.1.

(2) EC receipts are on an accruals basis and in departments budgets. These exclude those that are removed as part of the grants to local authority line. Chapter 7 text contains details.

(3) EU transactions as defined in footnote to table 6.5. EC receipts within this line are on a cash basis.

F

POPULATION NUMBERS AND GDP DEFLATORS

What's New

F1 This is a new appendix for PESA 2007 that presents the population numbers and GDP deflators used in the PESA 2007 publication.

Population numbers by country and region

F2 The population numbers used in chapter 9 of PESA 2007 are as follows (source: mid-2001 to mid-2005 estimates were supplied by the ONS¹). Population projections for mid-2006 and mid-2007 for Scotland, Wales and Northern Ireland are 2004 based and are from the Government Actuary's Department². Population projections for the English regions were obtained directly from the ONS.

Table F1 Population by country and region

	Thousands						
	mid-2001	mid-2002	mid-2003	mid-2004	mid-2005	mid-2006	mid-2007
North East	2,540	2,538	2,539	2,545	2,558	2,554	2,557
North West	6,773	6,783	6,805	6,827	6,846	6,871	6,890
Yorkshire and Humberside	4,977	4,993	5,009	5,039	5,064	5,104	5,133
East Midlands	4,190	4,223	4,252	4,280	4,306	4,335	4,361
West Midlands	5,281	5,304	5,320	5,334	5,365	5,373	5,390
Eastern	5,400	5,422	5,463	5,491	5,542	5,568	5,602
London	7,322	7,371	7,388	7,429	7,518	7,591	7,653
South East	8,023	8,044	8,080	8,110	8,164	8,205	8,245
South West	4,943	4,968	4,999	5,038	5,068	5,113	5,146
England	49,450	49,647	49,856	50,093	50,432	50,714	50,976
Scotland	5,064	5,055	5,057	5,078	5,095	5,108	5,114
Wales	2,910	2,923	2,938	2,952	2,959	2,977	2,990
Northern Ireland	1,689	1,697	1,703	1,710	1,724	1,733	1,741
United Kingdom	59,113	59,322	59,554	59,834	60,209	60,533	60,821

F3 These mid year numbers are then directly applied to the relevant financial year (eg mid 2002 to financial data for 2002-03).

GDP deflators

F4 A number of the tables in this publication give figures in real terms. Real terms figures are the current price 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 2005-06 prices. The GDP deflators used in this publication are those below. The most up to date deflators can be found on the Treasury website³.

¹ <http://www.statistics.gov.uk/statbase>

² <http://www.gad.gov.uk/Population/index.asp>

³ http://www.hm-treasury.gov.uk/economic_data_and_tools/gdp_deflators/data_gdp_fig.cfm

Table F2 GDP Deflators and Money GDP⁽¹⁾

Outturn data are based on the 28 March 2007 national accounts figures from ONS
Forecast data are consistent with the Budget report 2007

GDP Deflator Table

Money GDP Table

Financial Year	GDP deflator at market prices		Financial Year	Money GDP
	2005-06 = 100	percentage change on previous year		Cash
				£ million
1967-68	8.025	2.87	1967-68	40,880
1968-69	8.407	4.76	1968-69	44,376
1969-70	8.861	5.41	1969-70	47,601
1970-71	9.596	8.30	1970-71	52,893
1971-72	10.459	8.99	1971-72	59,123
1972-73	11.343	8.46	1972-73	67,135
1973-74	12.136	6.99	1973-74	74,743
1974-75	14.516	19.61	1974-75	89,204
1975-76	18.214	25.47	1975-76	111,207
1976-77	20.671	13.49	1976-77	129,803
1977-78	23.493	13.65	1977-78	151,017
1978-79	26.090	11.06	1978-79	172,739
1979-80	30.486	16.85	1979-80	207,696
1980-81	36.037	18.21	1980-81	236,623
1981-82	39.478	9.55	1981-82	259,637
1982-83	42.271	7.08	1982-83	283,574
1983-84	44.235	4.65	1983-84	308,550
1984-85	46.558	5.25	1984-85	331,094
1985-86	49.103	5.47	1985-86	363,161
1986-87	50.693	3.24	1986-87	388,639
1987-88	53.538	5.61	1987-88	431,873
1988-89	57.271	6.97	1988-89	480,574
1989-90	61.366	7.15	1989-90	525,906
1990-91	66.184	7.85	1990-91	564,627
1991-92	70.229	6.11	1991-92	596,058
1992-93	72.491	3.22	1992-93	616,689
1993-94	74.381	2.61	1993-94	653,474
1994-95	75.505	1.51	1994-95	690,449
1995-96	77.802	3.04	1995-96	730,891
1996-97	80.421	3.37	1996-97	774,745
1997-98	82.759	2.91	1997-98	824,212
1998-99	84.863	2.54	1998-99	871,243
1999-00	86.579	2.02	1999-00	921,881
2000-01	87.796	1.41	2000-01	965,494
2001-02	89.880	2.37	2001-02	1,006,906
2002-03	92.661	3.09	2002-03	1,064,183
2003-04	95.416	2.97	2003-04	1,128,191
2004-05	98.047	2.76	2004-05	1,187,500
2005-06	100.000	1.99	2005-06	1,241,106
2006-07 ⁽²⁾	102.478	2.48	2006-07 ⁽³⁾	1,306,000
2007-08 ⁽²⁾	105.242	2.70	2007-08 ⁽³⁾	1,378,000
2008-09 ⁽²⁾	108.083	2.70	2008-09 ⁽³⁾	1,450,000
2009-10 ⁽²⁾	111.001	2.70	2009-10 ⁽³⁾	1,525,000
2010-11 ⁽²⁾	113.998	2.70	2010-11 ⁽³⁾	1,604,000

GDP Deflator: For years 1964-65 to 2005-06: calculated from ONS data for seasonally adjusted current and constant price GDP (YBHA and ABMI).
For years 2006-07 to 2010-11: derived from HM Treasury forecasts for GDP deflator increases at the Budget Report 2007.

Cash GDP: For years 1964-65 to 2005-06: ONS data for money GDP (not seasonally adjusted, BKTL).
For years 2006-07 to 2010-11: HM Treasury forecasts for money GDP at Budget Report 2007.

¹ For further information and the 'User Guide' to these series, please visit the following page on http://www.hm-treasury.gov.uk/Economic_Data_and_Tools/GDP_Deflators/data_gdp_index.cfm

² For years 2006-07 to 2010-11, GDP deflator forecasts derived from unrounded forecast increases in GDP deflator, consistent with Budget Report 2007

³ For years 2006-07 to 2010-11, money GDP forecasts as shown in the Budget Report 2007 rounded to nearest £ billion. These are the lower end of HM Treasury's forecast range.

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GLOSSARY OF TERMS

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

Accounting adjustments shown in, for example, table 1.1 are certain items of expenditure that account for the difference between TME and the sum of DEL, **Departmental AME** and **Other AME** (see Appendix D). TME is drawn from **national accounts**. However there are certain components in national accounts which are not included in the **resource** and **capital budgets** that form the basis of planning and control of departmental spending under resource budgeting, and there are some items in **resource budgeting** aggregates that are not part of TME. These items form the accounting adjustments. Appendix D has full details.

Accruals. Apart from some of the older data in the historical tables in Chapter 4 all the data in PESA are at least partly derived from material provided for accruals accounts or for plans that are consistent with accruals accounting. Accruals based data will reflect the timing of expenditure on an accruals basis. Whether other accruals accounting concepts are contained depends on the aggregate. Total Expenditure on Services (see Appendix E) does not include certain items common in accruals based financial accounts, such as movements in provisions or cost of capital charging. **Total Managed Expenditure** includes depreciation. The budgeting aggregates DEL and **Departmental AME** include **depreciation, cost of capital charge, provisions &c.**

Accruing Superannuation Liability Charges (ASLCs) are employer pension contributions paid to the bodies responsible for paying and accounting for unfunded public service occupational pensions. For example, government departments pay ASLCs in respect of serving civil servants. The payments represent an actuarial assessment of the accruing discounted future cost of public expenditure on pensions arising from the current employment of staff. DEL includes ASLCs.

Administration budget – the costs of running a central government department. It includes the pay of the civil servants who work in the department, and associated expenditure such as ASLCs, accommodation, travel, and training. Administration Budgets are a subset of **Resource DEL**, and are set net of income arising from departments' administrative activities.

Aggregate External Finance (AEF) is central government support for expenditure on local authority core services. It comprises Formula Grant (**Revenue Support Grant**, distribution of **national non-domestic rate** receipts and police grant) and various other specific grants which fund part of the current expenditure on a specific service or activity. AEF does not include the cost of VAT refunded to local authorities on their non-business operations.

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

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

Appropriations in aid are departmental income that is retained by departments in their **Supply Estimates** and used to offset related expenditure. Typically the income arises from the sale of goods and services. Non operating appropriations in aid relate to income from the sale of assets.

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.

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.

A department's **Capital Budget** covers **capital expenditure**. The capital budget is divided into **DEL** and **Departmental AME**. The Capital Budget is not a control total: Capital DEL is a control total and Capital AME is a planning total. The capital budget includes

- capital formation and the acquisition of assets such as land, buildings, machinery and vehicles. In capital budgets and **national accounts** acquisition of assets is recorded net of the sale value of any assets disposed of (where sale value is the product of the net book value and any profit or loss on disposal that is recorded in the accounts of the body concerned).
- **Single use military equipment** that is treated as capital in **resource** accounts is included as capital in budgets, and is treated as current expenditure in national accounts;
- **net lending** undertaken for policy purposes; *net* means net of repayment of debt principal;
- large (over £20m) **debtors or prepayments**, which are long term (that is over 12 months) are included in capital budgets on the same basis as **net lending**, i.e. on an additions less reductions basis.
- **capital grants**.

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 **Single Use Military Equipment** is 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. The **pay** of civil servants engaged in in-house capital formation is recorded as capital expenditure also, not as pay.
- 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 accounts provided certain conditions are met. It is sometimes called “own account capital formation”.
- **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 for managing the government’s funds. Such policy lending also generally scores in **DEL**, in the capital budget, but is removed by the **accounting adjustments**, as it does not score in **TME**.
- Some presentations of the capital expenditure of central government, and capital DELs include **credit approvals** (up to 2003-04) and provision for **Supported Capital Expenditure** (Revenue) allocations (from 2004-05) given to local authorities.

Capital grants (also called investment grants) are payments given by government on the condition that the recipient uses the funds for **capital formation** (for example: building a school or factory or buying a machine). Capital grants are also used in **national accounts** to record debt write-offs made by government for policy reasons, and some other transfers of accumulated wealth. In the case of debt write-offs 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 resource expenditure in resource accounts and **Estimates**. Capital grants are included in the **capital budget** however.

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 non-market public bodies that are controlled by central government. Central Government does not include **public corporations**, nor does it include some non-profit institutions that receive significant government funding- where they are not controlled by government, and so belong in the private sector, for example universities, further education colleges, and housing associations.

Central government own expenditure is expenditure that central government makes to the private sector plus subsidies to **public corporations**. It excludes central government support to local authorities and capital support to public corporations.

Classification changes are changes in the way public expenditure is recorded, rather than an actual change in the amount of cash spent or resources consumed. Classification changes can increase or decrease the recorded level of public expenditure. When there is a classification change the data are normally restated for all years in order to provide a consistent series.

Classification of the Functions of Government (COFOG) – a UN based code for functional analysis of government spending. From PESA 2007 the PESA analysis is consistent with UN COFOG at level 2 (with the exception of the health function which continues to be presented on the basis of previous PESA presentations). The Treasury has published a document

detailing the changes in full on its website¹. Further information on COFOG is available on the UN's website².

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.

Combined On line Information System (COINS) – the Treasury's database that holds public expenditure data.

Common Foreign and Security Policy (CFSP) is an EU programme. Its costs are attributed to the Foreign Office's DEL.

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 means income or receipts of a government department that it has to pay into the **Consolidated Fund** rather than keep in its **Supply Estimates** as an **appropriation in aid** to help finance its own expenditure. For example, most fines levied by the Crown Court are treated this way.

Cost of capital charge is an annual non-cash charge applied to each department's budget. It is used to make departments aware of the full cost of holding assets. The rate reflects the opportunity cost of tying up the cash in an asset and is 3.5 per cent of the net assets of the department. Changes in the rate are effected as **classification changes**.

Credit approvals used to be given by central government to local authorities and represented the amounts that each local authority was allowed to borrow to finance capital expenditure. There were two types: Basic Credit Approvals (BCAs) – for any sort of capital expenditure), and Supplementary Credit Approvals (SCAs) – for particular projects or services. Supported credit approvals were those where current grants to local authorities were increased to finance the borrowing. Unsupported credit approvals carried no promise of future government support and scored in AME. Credit approvals ceased to exist from 1 April 2004 and have been replaced by **Supported Capital Expenditure (Revenue)**.

Current expenditure – see **public sector current expenditure**

Debtors are assets on the balance sheet. They are recognised where a transactions has accrued, but cash is yet to be received. For example where a public sector body sells an asset but defers cash receipts. The fact that cash is yet to be received means that **PSND**, the measure of the **Sustainable Investment Rule**, has not benefited from the accrued transaction. Where a department or its NDPB has a large debtor (over £20m), which is long term (over 12 months), this is included in their capital budget on the same basis as net lending.

Departmental AME – is spending that is outside **DEL** but included in departmental budgets. Main categories include social security benefits and tax credits for individuals.

¹ http://www.hm-treasury.gov.uk/economic_data_and_tools/finance_spending_statistics/pes_function/function.cfm

² <http://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=4>

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 administration budgets and all programme expenditure, except in certain cases where spending is included in departmental AME because it cannot reasonably be subject to close control over a three year period. Both resource and capital budgets are divided into DEL and **departmental AME**. DEL normally includes relevant non-cash items such as **depreciation**, **cost of capital charges**, and **provisions**. **Total DEL** is the sum of the **Resource Budget DEL** and the **Capital Budget DEL**, less **depreciation**. Depreciation is excluded from Total DEL as scoring both capital expenditure and depreciation may be seen as in a sense double counting. In the calculation of Total DEL, depreciation includes impairments, release from donated asset reserve and release from government grant reserve. **Total DEL** is not a control total: it is purely used for presentation.

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

Depreciation is also termed **capital consumption**. TME includes non trading capital consumption as an item of **current expenditure**. TME includes **public sector capital expenditure** without a deduction for the depreciation of capital assets. **Public sector net investment** deducts an aggregate charge for all depreciation (trading and non-trading) from gross capital spending.

Dedicated Schools Grants (DSG) is a hypothecated current grant from central government to local authorities, allocated to schools on a formula basis. This was introduced from 2006-07.

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** Examples of economic categories are: pay, social benefits and other grants paid to the private sector, and **subsidies**. The main categories in TES are set out in Table 5.3.

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

Estimates – see **Supply Expenditure**.

The **European System of Accounts 1995 (ESA95)** is the system used by the **Office for National Statistics** 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.

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

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

Financial Reporting Standard 17 (FRS17) sets out the **GAAP** basis for recording pensions.

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 departments' financial assets include bank deposits; foreign currency held; bonds and shares owned; loans given; accounts receivable in respect of, for example, income 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. These types of financial transactions are sometimes called policy lending and are normally included in a department's DEL **capital budget**.

The **fiscal framework** is part of the government's policy for managing the public finances and consists of the **golden rule** and the **sustainable investment rule**.

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**.

Generally accepted accounting practice (GAAP) There is no statutory definition of GAAP, but is taken to be the accounting and disclosure requirements of the Companies Act, pronouncements by the Accounting Standards Board (eg financial reporting standards), and the body of accounting knowledge built up over time. **GAAP** is used for **resource accounting**. **GAAP** is a different accounting framework from the **national accounts** used for TME and the government's **fiscal framework**.

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 **Non-Departmental Public Bodies** 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 time and to make international comparisons easier.

The **Housing Revenue Account (HRA)** represents the current income and expenditure of local authority social housing provision. The HRA is treated as a quasi-corporation in national accounts. The surplus of income (which includes rent rebates and subsidies paid by other parts of government) over expenditure is treated as being paid over to local authorities as a notional dividend on the revenue side of the account. This means that the current expenditure of local authority housing departments is not included in **TME**. The cost of rent rebates and subsidies is included in **TME**; these items are within the **AME** lines for social security benefits and other departmental expenditure in **AME**. Local authority **capital expenditure** on housing associated with the HRA scores as capital spending in the **public corporation** sector, following the implementation of **ONS**'s reclassification decision in June 2006. In previous years **PESA** has shown this in the **LA** sector. Payments of interest on housing related debt will continue to be treated as part of local authority expenditure.

Identifiable expenditure is expenditure that can be recognised as having been incurred for the benefit of individuals, enterprises or communities within particular regions. Examples are most health, education and transport services, and spending on social security and on pensions.

Impairments are recorded where there is the permanent loss or write-off of the recoverable value of a fixed or current asset below the value recorded on the balance sheet in accounts. Impairments are a non-cash charge in the **Resource Budget** alongside the depreciation charge, but are separately identified. In order to provide support for departments' management decisions, impairments are split into six different categories, some of which are scored in **AME** and other in **DEL**, see appendix C for further details. In the **PESA** budgeting based presentations (eg the calculation of **Total DEL**), impairments are included in the **depreciation** line. In the **national accounts** impairments resulting from accidental damage are included with depreciation/**capital consumption**; other sorts of impairment are not counted in the main expenditure measures.

The **Invest to Save Budget** 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 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 current and capital support including distribution of **NNDR** in England and Wales. It represents local government expenditure financed from local resources such as council tax, trading surpluses, investment income, capital receipts, self-financed borrowing, and use of reserves. **LASFE** is calculated on a sectoral basis, and therefore includes, for example, all interest paid by local authorities, even though interest paid to central government is consolidated out to arrive at **TME**. **LASFE** does not include **depreciation**. **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, metropolitan districts, parish councils, police and fire authorities, residuary bodies, passenger transport authorities, Transport for London, London boroughs, and the Greater London Assembly.

Main Estimates – see **Supply Expenditure**

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

National Health Service (NHS) Trusts in England sell health services to NHS service procurement bodies. In Scotland NHS trusts have been re-absorbed back into Health Boards. NHS trusts throughout the UK are in the central government sector.

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 transactions are handled through this fund.

The **National Lottery Distribution Fund (NLDF)** is a central government fund, administered by the Department for Culture Media and Sports (DCMS). The Fund receives a proportion of the proceeds from national lottery ticket sales (receipt of that proportion is treated as a tax in national accounts). The Fund passes it to the Lottery Distributors, independent public sector bodies responsible for awarding National Lottery grants to good causes. Payments by the Distributors are treated as central government expenditure in **AME**.

National Non-Domestic Rates (NNDR) is a tax paid by the occupiers of non-domestic property, principally businesses. 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). The pool is distributed back to local authorities as part of formula grant in **AEF** and is scored in expenditure as a central government grant to local authorities. Similar systems apply in Wales and Scotland. The grant is in **DEL** for England and Wales, but in the **AME** line for **Locally Financed Expenditure** in Scotland. NNDR payments by **general government** in respect of the occupation of property are consolidated out through the **accounting adjustments** to arrive at **TME**.

Near-Cash elements of resource budgets are those elements measured on an accruals basis that turn into cash transactions quickly, for example **pay**, current **procurement**, and income from sales. Near-cash includes expenditure that in accounting terms is covered by the release of provisions, or financed from **prepayments**. Near-cash expenditure in resource budgets closely matches the expenditure that impacts on the **golden rule**. Near-cash in **Resource DEL** is a control total.

Net lending has two meanings.

- In **national accounts** it is the balance of the current and capital 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, public corporations, local authorities, to some overseas governments and to some international bodies that supply foreign aid.

Net Taxes and Social Security Contributions is a Treasury measure of cash payments made to government. It includes taxes that are treated in the national accounts as paid to the European Community. In this measure all tax credits are treated as negative tax to the extent that the amount paid is less than the tax liability of the taxpayer. A full reconciliation to the national accounts measure of taxes is published in the **Financial Statement and Budget Report**.

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

Non-Budget income and expenditure normally refers to income and expenditure that pass through a government department's books and that are not included in **DEL** or Departmental **AME**. For example, the grant in aid paid to **NDPBs** is normally a non budget transfer – it is the **NDPB's** income and expenditure that scores in budgets.

Non-cash items refer to various notional transactions that appear in the **operating cost statement** under resource accounting, such as depreciation, cost of capital charges and the taking and release of provisions. Most non-cash items are in **DEL**, but some are in **AME**.

Non-Departmental Public Bodies (NDPBs) are central government bodies with day-to-day autonomy in their management and financial matters, and usually funded through **grant in aid**. An **NDPB's** income and expenditure normally scores in its sponsoring department's budget. The grant in aid paid to an **NDPB** is normally a non-budget flow. A list of **NDPBs** can be found on the Cabinet Office website.

Non-identifiable expenditure is expenditure that cannot be identified to particular regions, for example because it is deemed to be incurred on behalf of the United Kingdom as a whole, e.g. defence expenditure, overseas representation, and tax collection.

Non-Voted expenditure is expenditure that is not voted by Parliament through the Supply procedure.

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.

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. **ONS** is operationally independent.

Pay includes salaries, employers' National Insurance Contributions, and accruing pension costs, such as **ASLCs**. The pay of staff engaged in own account **capital formation** is treated as **capital expenditure**.

Police grant is a current grant from central government to police authorities.

Prepayments are assets on the balance sheet. They are recognised where cash payments made to suppliers of services in advance of those services being delivered. In resource accounts these are cash movements on the balance sheet and do not score as expenditure in TME. The reduction in cash held by the public sector increases **PSND**, the measure of the **Sustainable Investment Rule**. Where a department or its NDPB makes a large (over £20m) prepayment that is long term (over 12 months) this is included in the capital budget on the same basis as net lending. When the service is delivered this is scored as appropriate, e.g. as the consumption of goods and services in **near cash resource DEL** within TME.

The **Private Finance Initiative (PFI)** is a system for purchasing capital intensive services for the public sector. 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 a proportion of cases the capital assets are accounted for on the balance sheet of the private sector operator; in other cases they are on the public sector's books. Appendix A has more information on the treatment of PFI in PESA.

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.

Procurement within **public sector current expenditure** is current expenditure on goods and services. It includes for example purchases of stationery and of minor pieces of equipment and IT systems that are not treated as **capital**. Purchase of minor maintenance that is not treated as capital would be counted as procurement. Services include purchases of contracted out cleaning. Purchases of services under off balance sheet **PFI** contracts are included in procurement; the element of payments under on balance sheet PFI contracts that covers purchases of services, where separately identifiable, is also treated as procurement. Purchases of services from charities (as opposed to unrequited grants to them) or other not for profit organisations are included under procurement. Procurement expenditure is normally shown net of income from sales of goods and services (but see Chapter 2). Expenditure on **Single Use Military Equipment (SUME)** is treated as current procurement – see entry for SUME.

Departments take **provisions** in accounts and budgets when a past event means that they should recognise a future liability of uncertain amount or timing. Budgets also score the release of the provision and the expenditure that the release finances.

Public corporations are publicly controlled trading bodies with substantial financial and operational independence from central and local government. To be classed as trading they must receive the majority of their income from sales into a market, rather than grant funding from government. They include Royal Mail Holdings, and most **trading funds** such as the Meteorological Office and Companies House.

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.

Public expenditure is spending by public bodies. The definition of aggregate public expenditure most frequently used in this publication is **Total Managed Expenditure (TME)**.

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. The Bank of England is in a separate sector – the Central Bank Sector.

Public sector current expenditure:

- is the sum of the **current expenditure of general government** and certain distributive transactions (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 where undertaken by public corporations – rather the surplus of sale receipts over operating costs for public corporations 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 EC abatement;
- includes **non-trading capital consumption**. This is the **depreciation** of the fixed assets of public bodies within **general government**. It excludes depreciation on assets used to produce goods and services for sale including the assets of public corporations and local authority housing.

Public sector net investment is all public sector **capital expenditure** less an amount representing all public sector **depreciation**. Broadly, the amount of capital expenditure that equals the **depreciation** charge could be seen as keeping the stock of assets stable. Net investment therefore represents the increase in the asset base after allowing for **depreciation**.

Public Sector net borrowing is the difference between the sum of public sector current and capital 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**.

RAB: Resource Accounting and Budgeting – see **resource accounting** and **resource budgeting**.

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:

- 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); and
- 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 DEL. The **accounting adjustments** provide more information.

Requests for Resources (RfRs) in the Estimates presented to Parliament ask for permission for departments to spend. They show the resources required by each department based on accruals, rather than cash, concepts. Departments may have one or more RfRs, each representing a high level objective of the department.

The **Reserve** is an amount within DEL, not allocated to departmental programmes, which provides a margin to cover emergencies and genuinely unforeseen contingencies. The **AME margin** is a similar concept within AME and allows for estimating changes.

Resource accounting is the accounting system used to record expenditure in departmental accounts. It applies **generally accepted accounting practice** (GAAP) to departmental transactions.

Resource budget is the budget for current expenditure on an accruals basis (including both near and non-cash items). It is divided into resource DEL (which is a control total) and resource **departmental AME** (a planning total).

Resource budgeting is the budgeting regime based on **resource accounting** introduced for the spending plans set in the 2000 Spending Review and which has been used for in-year spending control from 2001-02. Under RAB Stage I (2001-02 to 2002-03) resource DEL included **near-cash** transactions measured on an accruals basis while non-cash transactions were in Departmental AME. Under RAB Stage II (from 2003-04) most non-cash transactions were included in resource DEL. **Near-cash** controls were introduced in 2003-04 and clarified in 2005-06 such that near-cash in Resource DEL is a control total. Other developments include the move of **capital grants** into **capital budgets** from 2006-07 and the reclassification of profit/loss on disposal into capital budgets and of some **impairments** into AME both from 2007-08. Resource budgeting is largely derived from resource accounting rules, but there are a number of differences in treatment between resource accounts and resource budgets. For example, capital grants are capital in budgets (and in the **national accounts**), but current in departmental resource accounts. See appendix C.

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

Revenue Support Grant is an unhypothecated current grant from central government to local authorities.

Single Use Military Equipment (SUME) is equipment that can only be used for military purposes (e.g. a tank). By contrast, dual use military equipment (e.g. an army lorry) can be used for civilian or military purposes. In the **national accounts**, **public sector current expenditure**, **public sector net investment**, TES, current expenditure on services and capital

expenditure on services, all expenditure on SUME is treated as **current expenditure**. In **resource accounts** and **DEL**, expenditure on SUME that is of a capital nature is treated as capital. The capital/current treatment of dual use military equipment is the same in all presentations, i.e. capital where it meets the definition of capital.

Social benefits include social security and similar payments to individuals. They also include unrequited grants to not for profit non-market bodies such as charities (purchases of services from charities count as **procurement**). Public service pension payments are included in social benefits.

Spending sectors are the sectors of the economy that are making the expenditure, for example: central government, local government and public corporations.

Spending Reviews set **DELs** for the following three years. The first was the Comprehensive Spending Review in 1998. SRs were held every two years. The most recent, SR2004, reported in July 2004, and set plans for 2005-06 to 2007-08. The next will be Comprehensive Spending Review to report in autumn 2007 and to set budgets for 2008-09 to 2010-11.

Standing Services are payments for certain services that Parliament has decided by statute should be met directly from the **Consolidated Fund** without being voted in **Supply Estimates** (e.g. salaries and pensions of judges).

Stock-building (also known as the net acquisition of inventories) is the value of the physical increase in stocks. In government accounts it relates mainly to MoD stocks.

Subsidies are payments by government and the EC to trading businesses to help pay for current costs, for example: payments to farmers under the EC's Common Agricultural Policy. Subsidies may be paid to public corporations as well as to private sector firms.

Supply expenditure is expenditure financed through resources and cash voted by Parliament in the annual Main Estimates and the Supplementary Estimates in year: also termed voted in Estimates.

Supported Capital Expenditure (SCE) is the term used for central government capital support for local authorities in England and Wales from 2004-05. Supported Capital Expenditure (Revenue) (SCE(R)) is the amount of borrowing for capital expenditure by a local authority towards which central government is prepared to provide revenue grant support. This support is provided either through Revenue Support Grant (RSG) to help authorities with the costs of financing loans, or Housing Revenue Account subsidy. Supported Capital Expenditure (Capital) (SCE(C)) is the term used for capital grants.

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 DEL. See **DEL**.

Total Expenditure on Services (TES) is an aggregate used in PESA to analyse capital and current spending of the public sector. It includes **current expenditure** on services and **capital expenditure** on services. Note that TES includes purchases of goods as well as of services. See Appendix E for a definition.

Total Managed Expenditure (TME) 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**.

Public sector **trading bodies** are publicly owned or controlled trading businesses.

- **Public corporations** are trading bodies. Although controlled by a public sector body, public corporations are legally separate institutional units responsible for their own day-to-day operations and producing their own accounts.
- **Quasi-corporations** are entities that meet the economic definition of a public corporation (that is, trading income covers at least half their costs) but that do not take a separate legal form. Examples are Export Credits Guarantee Department and local authority housing. They score in the national accounts like public corporations (although interest on housing related debt is treated as local authority expenditure).
- There may also be some trading activities which are closely integrated within **general government** and do not have enough independence to be classified as a public corporation or quasi-corporation. 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. There are examples in the **local government** sector: some theatres and sports facilities.

Trading Funds are government departments or parts of government departments. They have financing frameworks that allow them to meet outgoings without the cash flows passing through **Estimates**. Generally they cover their costs from trading receipts. In **national accounts** they are normally treated as **public corporations**.

The European Communities' **Traditional Own Resources** consist of: customs duties, including those on agricultural products; and sugar levies.

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.

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



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