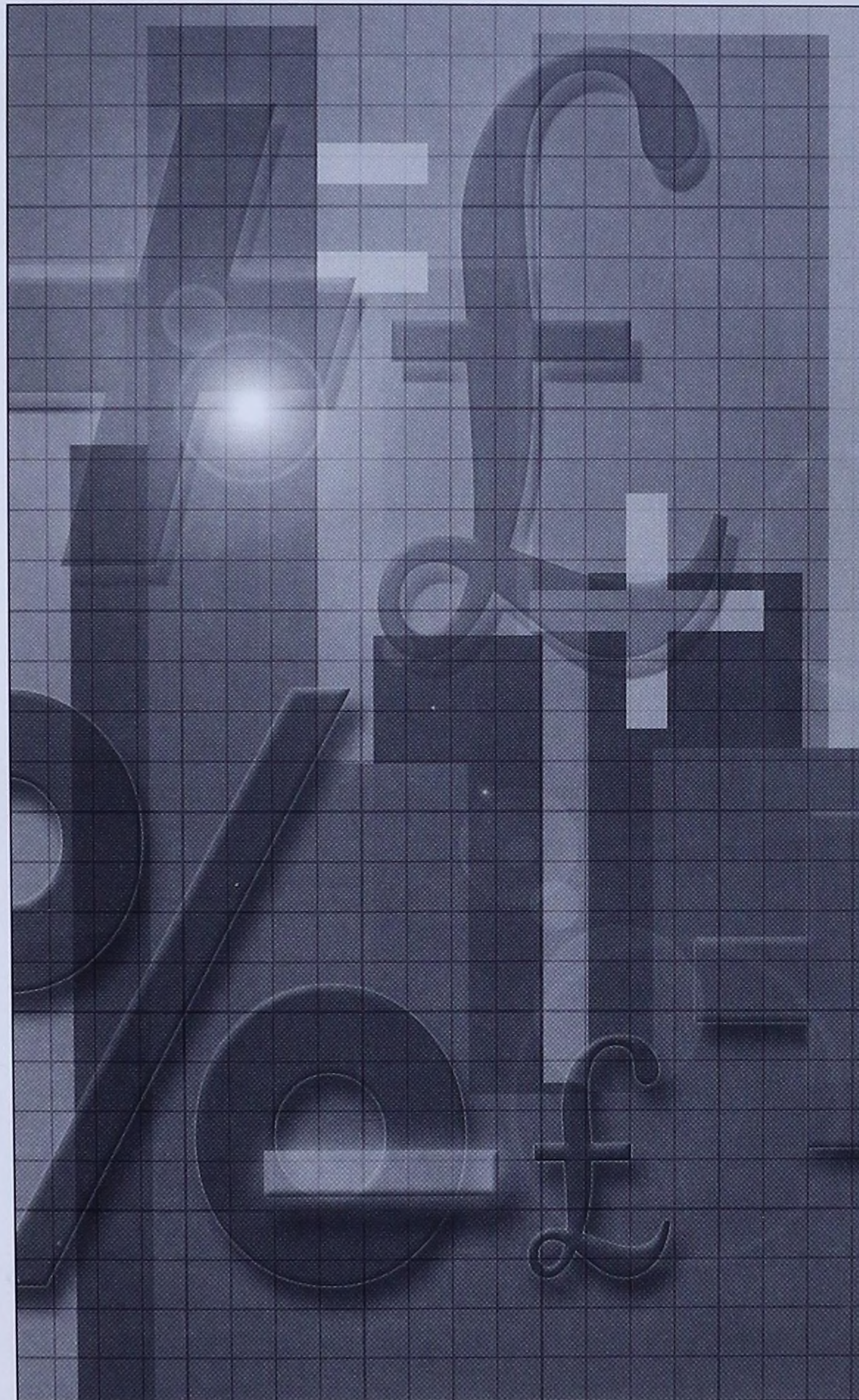

PUBLIC EXPENDITURE

Statistical Analyses 2002-03



May 2002

CM 5401



HM TREASURY



national
STATISTICS

This is part of a series of departmental reports which, along with the Main Estimates 2002–03 and the Supplementary Budgetary Information 2002–03 and this document Public Expenditure: Statistical Analyses 2002–03, present the Government's expenditure plans for 2002–03 to 2003–04. The plans were published in summary form in the Budget documentation.

The complete series of departmental reports and this document Public Expenditure Statistical Analyses 2002–03 is also available as a set at a discounted price.



PUBLIC EXPENDITURE

Statistical Analyses 2002–03

*Presented to Parliament by the Chancellor of the Exchequer by
Command of Her Majesty May 2002*

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INTRODUCTION AND OVERVIEW

Public Expenditure Statistical Analyses (PESA) is a compendium that brings together recent outturn data, estimated outturns for the latest year and budgetary plans over the whole range of UK public expenditure. It is published annually as a Command Paper, alongside the Main Supply Estimates (HC 795) and Supplementary Budgetary Information (Cm 5510). Further information on each government department's spending will be available in the individual Departmental Reports (Cm 5401 to 5434), which will be published during the weeks after publication of PESA. PESA includes analyses of public spending by function and by economic category of expenditure, and by country and region, as well as full details of spending by department and grouped by budgetary control aggregates.

RESOURCE ACCOUNTING AND BUDGETING

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

PERIOD COVERED BY PESA TABLES

All data series in PESA are annual, and for financial years. Tables in PESA this year should normally cover a span of eight years – five years outturns, estimated outturn for the latest year and two years spending plans, where detailed plans are available. (In certain areas, eg local authority expenditure, detailed plans for future years are not available.) However, the introduction of resource accounting and budgeting for the planning and control of public spending from 2001–02 onwards means that data spans for many of the tables in PESA 2002–03 are shorter than usual, as resource accounting data is not available for years prior to 1998–99. Analyses of spending plans and outturn on a resource basis in this publication generally cover the six years 1998–99 to 2003–04. Final outturn data for 2000–01 is also shown on a cash (1998 CSR) basis in Tables 1.15 and 1.16, with data going back to 1996–97. Where possible, some analyses are given on a comparable basis, covering all eight years. This usually involves a break in series, with years up until 1999–2000 using cash data and years from 2001–02 using resource data. (See box in Chapter 3 for a fuller explanation of this.) Some key series are presented over a longer historical period.

CONSISTENCY WITH 2002 FSBR AND 2002-03 SUPPLY ESTIMATES

Information in PESA 2002–03 is consistent with the fiscal projections and public spending plans set out in Annex C of the 2002 Financial Statement and Budget Report (Budget 2002, April 2002, HC 592), except in a few areas where later information is available and has been incorporated. Information in PESA is fully consistent with the 2002–03 Supply Estimates, both Main Estimates and Supplementary Budgetary Information.

NATIONAL STATISTICS IN PESA

Most of the outturn data (to 2000–01) in PESA 2002–03 fall within the scope of National Statistics. National Statistics are those outputs which Ministers have decided should come within the scope of the new arrangements, which have been produced to high professional standards to be set out in a Code of Practice, and have been put together free from political interference.

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

Estimated outturns for 2001–02 and spending plans for future years are outside the scope of National Statistics. So are certain outturn data relating to administrative spending controls where definitions and/or measurement depend on those controls. The scope of National Statistics in the tables for each Chapter of PESA is indicated in the text for that Chapter.

NEW TABLES IN PESA 2002-03

There are two main changes in content as compared with PESA 2001–02. Chapter 3 includes a new table showing some long time series for public investment, adjusted for public sector boundary changes and other discontinuities. (These new series are still regarded as provisional, and are not as yet classified as National Statistics.)

Chapter 8 includes two new presentations of long back runs of data for identifiable spending by country and by English region. The past data have all been published in earlier editions of PESA and its predecessors, but changes, eg in the coverage of identifiable expenditure have made comparisons of series from different vintages of PESA difficult. The past data have now been adjusted so as to put numbers on a consistent basis as regards the coverage and definitions of the spending aggregates allocated in these tables.

CONTENT OF THIS PUBLICATION

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

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I. PUBLIC EXPENDITURE OVERVIEW

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

1.2 Outturn data on the budgeting and control aggregates in Tables 1.1 to 1.9 and 1.15 and 1.16 fall within the scope of National Statistics, as do outturn data in Table 1.14 (spending sectors). Data in Tables 1.10 to 1.13 are not National Statistics.

THE BUDGETING AND CONTROL FRAMEWORK: DEL, AME AND TME

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

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

1.5 Spending that cannot reasonably be subject to firm multi-year limits is included in Annually Managed Expenditure (AME). Table 1.1 sets out the main elements of AME. Table 1.1 is in resource terms, as are all the other tables in this chapter, except for 1.15 and 1.16. Departmental AME (which is contained in departments' budgets) includes social security spending, payments under the Common Agricultural Policy, and the various other items of departmental expenditure set out in Table 1.1. For the spending plans set in the 2000 Spending Review, each department's AME also contains non-cash items such as depreciation and capital charges (see paragraph 1.11 below). These will be brought into DEL for the 2002 Review. Outside departments' budgets, other AME consists of net payments to the EC, locally financed expenditure, debt interest, and accounting and other adjustments. All AME projections for future years are estimates which are updated twice yearly in the Budget and Pre-Budget Reports.

1.6 Table 1.12 presents a breakdown of the accounting and other adjustments line in Table 1.1. Appendix B gives further details of these accounting and other adjustments.

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

1.8 Table 1.2 shows DEL by departmental group. Departmental groups reflect departmental boundaries and names following the machinery of Government changes announced in June 2001. Full details of departmental groups are set out in Appendix C. Table 1.2 also shows separately, for the years up to 2000-01, Welfare to Work DEL for spending financed by the windfall tax. From 2001-02 onwards, funding for the equivalent programme – which was last year shown separately as Employment Opportunities Fund DEL – is included in the relevant departmental DELs, principally that for Work and Pensions. The rest of the table shows unallocated amounts remaining in the central funds – the Invest to Save Budget (ISB), the Capital Modernisation Fund (CMF) and the Policy Innovation Fund – and in the DEL Reserve. Details of allocations from the ISB and CMF are shown in Table 1.10 and 1.11, discussed further below.

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

RESOURCE BUDGETS AND CAPITAL BUDGETS

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

1.11 Resource Budgets, shown in Table 1.5, include the resource costs of the capital assets used to deliver public services. These costs consist of capital consumed in each year (depreciation), and the opportunity cost of tying up resources in these assets (capital charge). Table 1.7 shows the Resource Budget for each main department. Table 1.8 shows the non-cash costs for each main department that are included in their Resource Budgets. These include a cost of capital charge in respect of the department's public corporations. (These public corporations are shown by department in Chapter 7.)

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

ALLOCATIONS FROM CENTRAL FUNDS: ISB, CMF

1.13 Tables 1.10 and 1.11 give details of the respective allocations by department of the Invest to Save Budget, and the Capital Modernisation Fund. For both ISB and CMF, outturn spending and allocations to departments for rounds 1 to 3, and some round 4 allocations, are included in individual departmental limits in Tables 1.2, 1.4, 1.7 and 1.8. The unallocated amounts remaining in the ISB and CMF, together with those round 4 allocations not included in individual departmental limits, are shown in a separate line in Tables 1.2 and 1.4. Full details of individual departments' spending under both programmes are given in departmental reports.

SUPPLY EXPENDITURE

1.14 Table 1.13 shows the split of DEL and AME between money voted in Estimates, which accounts for about two-thirds, and other expenditure. The relationship between the budgetary aggregates (DEL and AME) and Supply Expenditure is explained in more detail in section 2 of the Supply Estimates 2002-03: Supplementary Budgetary Information (Cm 5510).

PUBLIC EXPENDITURE BY EACH SPENDING SECTOR

1.15 Table 1.14 shows a breakdown of TME, and within it DEL and AME, as between the national accounts spending sectors which are used in many of the analyses in this publication. Central government own expenditure excludes central government spending in support of the spending of other parts of the public sector – local authorities and public corporations – but includes non-departmental public bodies classified to central government, as well as central government departments' own spending. It includes the spending of the devolved administrations in Scotland, Wales and Northern Ireland, which are classified to central government. Central government own expenditure is split into DEL, departmental AME, and the other AME elements, including locally financed expenditure. This latter category is in respect of spending of the devolved administrations which is financed locally rather than from Westminster; at present it only includes expenditure of the

Northern Ireland departments financed from regional rates. Further analyses of central government own expenditure are presented in Chapter 4.

1.16 Local authority expenditure is split into central government support (which can be in either DEL or AME), locally financed support in Scotland (the proceeds of non-domestic rates in Scotland which are collected and distributed to local authorities by the devolved administration) and self-financed expenditure. Further analyses of local authority expenditure are presented in Chapter 6.

1.17 Public corporations expenditure is also split into DEL and AME, and all these DEL and AME components are included in departments' budgets. Departments' DELs include the profit or loss and capital expenditure of most public corporations, except for self-financing public corporations, whose profit or loss and capital expenditure are contained in departmental AME. The non-cash costs in AME in departments' Resource Budgets also include the cost of capital charge in respect of public corporations. Further analyses for public corporations are presented in Chapter 7.

TME OUTTURN UNDER CASH BUDGETING

1.18 Table 1.15 is the cash budgeting equivalent of Table 1.1 and shows outturns from 1995-96 to 2000-01 for Total DEL, AME and its main components, and TME in cash terms, under the budgeting rules that operated for 1999-2000 and 2000-01. Table 1.16 shows outturns for Current and Capital DEL by department over the same period on the same basis.

I. PUBLIC EXPENDITURE OVERVIEW

Table I.1 Total Managed Expenditure 1998-99 to 2003-04

	resources, £ million					
	1998-99 outturn	1999-00 outturn	2000-01 outturn	2001-02 estimated outturn	2002-03 plans	2003-04 plans
Departmental Expenditure Limits						
Resource Budget	153,163	159,338	171,761	187,690	201,200	214,000
Capital Budget	17,667	18,946	20,633	24,128	28,300	33,500
Budget 2002 Addition						1,600
Total Departmental Expenditure Limits	170,829	178,284	192,394	211,818	229,500	249,000
<i>Annually Managed Expenditure</i>						
Social security benefits	91,988	96,983	99,129	105,218	109,170	114,177
Housing Revenue Account subsidies	3,486	3,285	3,096	4,549	4,530	4,422
Common Agricultural Policy	3,239	2,747	2,594	2,667	2,598	2,640
Export Credits Guarantee Department	-154	925	1,315	249	352	-207
Self-financing Public Corporations	709	1,387	1,374	1,119	1,198	1,210
Net public service pensions	4,981	4,991	5,016	5,125	5,020	5,411
National Lottery	1,831	1,908	1,855	1,700	2,300	2,300
Other programme spending	263	1,191	299	2,174	145	-33
<i>Non-cash items:</i>						
Depreciation	7,345	7,619	9,647	9,696	9,986	10,722
Cost of capital charges	11,947	12,401	13,488	14,323	14,689	15,531
Provisions and other charges	593	2,389	6,275	-643	1,490	1,744
Total departmental AME	126,228	135,827	144,089	146,177	151,478	157,917
<i>Other AME</i>						
Net payments to EC institutions	3,590	2,807	3,696	776	2,163	2,364
Locally financed expenditure ⁽¹⁾	16,865	18,611	18,444	19,354	20,656	21,919
Central Government gross debt interest	29,512	24,927	25,945	22,160	21,132	23,192
Accounting and other adjustments	-13,773	-16,113	-17,413	-8,156	-7,527	-1,854
Total Other AME	36,194	30,231	30,673	34,134	36,423	45,621
AME Margin					1,000	2,000
Total Annually Managed Expenditure	162,423	166,059	174,762	180,312	188,901	205,538
Total Managed Expenditure	333,252	344,343	367,156	392,130	418,400	454,600
<i>of which:</i>						
Current expenditure	314,724	326,883	348,751	367,373	389,900	420,300
Net investment	5,861	4,615	5,705	11,955	14,400	19,700
Depreciation	12,667	12,845	12,699	12,802	14,000	14,600

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

£3.3bn in 1998-99, £3.3bn in 1999-2000, £4.3bn in 2000-01, £1.5bn in 2001-02, £3bn in 2002-03 and £3.2bn in 2003-04.

Figures from 2002-03 are trend estimates.

Table I.2 Departmental Expenditure Limits, 1998–99 to 2003–04

	resources, £ million					
	1998–99 outturn	1999–00 outturn	2000–01 outturn	2001–02 estimated outturn	2002–03 plans	2003–04 plans
Education and Skills	12,554	13,285	15,810	19,471	23,343	25,584
Health	39,002	40,908	44,971	50,704	55,874	61,462
of which: NHS	37,935	40,115	44,065	49,301	53,498	58,942
Transport and Regions	8,446	9,068	9,642	10,941	13,562	15,537
Local Government	32,734	34,194	35,326	37,010	37,650	40,394
Home Office	7,287	7,521	8,923	10,454	10,367	10,470
Lord Chancellor's Departments	2,777	2,138	2,617	2,919	2,833	2,884
Attorney General's Departments	338	335	376	443	442	455
Defence	23,719	24,128	24,979	24,550	24,597	24,879
Foreign and Commonwealth Office	1,055	1,128	1,311	1,411	1,464	1,321
International Development	2,238	2,547	2,663	3,119	3,340	3,560
Trade and Industry	2,992	3,042	3,376	4,590	4,503	4,403
Environment, Food and Rural Affairs	1,497	1,748	1,849	2,849	2,197	2,294
Culture, Media and Sport	970	1,003	993	1,100	1,264	1,255
Work and Pensions	4,855	5,143	5,306	6,528	7,024	7,562
Scotland ⁽³⁾	13,030	13,812	14,568	16,497	17,775	18,939
Wales ⁽³⁾	6,820	6,914	7,583	8,543	9,287	10,005
Northern Ireland Executive ⁽³⁾	4,426	4,646	4,978	5,737	6,131	6,472
Northern Ireland Office	986	982	952	1,125	1,152	1,031
Chancellor's Departments	3,280	3,472	3,377	4,160	4,279	4,292
Cabinet Office	1,289	1,494	1,422	1,680	1,593	1,666
Welfare to Work ⁽¹⁾	533	775	1,371			
Invest to Save Budget					30	44
Capital Modernisation Fund					338	778
Policy Innovation Fund					40	40
Reserve					400	2,100
Allowance for Shortfall				-2,013		
Budget 2002 Addition						1,600
Departmental Expenditure Limits	170,829	178,284	192,394	211,818	229,500	249,000
<i>Total education spending</i> ⁽²⁾	39.0	40.9	44.1	50.7	53.7	58.1

(1) Spending financed by Windfall Tax.

(2) Central government spending on education falling within DEL plus locally financed education spending (in AME).

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

I. PUBLIC EXPENDITURE OVERVIEW

Table I.3 Total Managed Expenditure in real terms, 1998-99 to 2003-04⁽¹⁾

	resources, £ million					
	1998-99 outturn	1999-00 outturn	2000-01 outturn	2001-02 estimated outturn	2002-03 plans	2003-04 plans
<i>Departmental Expenditure Limits</i>						
Resource Budget	159,711	162,259	171,761	182,578	191,000	198,100
Capital Budget	18,422	19,293	20,633	23,471	26,800	31,000
<i>Budget 2002 addition</i>						1,500
Total Departmental Expenditure Limits	178,132	181,552	192,394	206,049	218,000	230,600
<i>Annually Managed Expenditure</i>						
Social security benefits	95,921	98,761	99,129	102,352	103,675	105,719
Housing Revenue Account subsidies	3,635	3,345	3,096	4,425	4,302	4,094
Common Agricultural Policy	3,377	2,797	2,594	2,594	2,467	2,444
Export Credits Guarantee Department	-161	942	1,315	242	334	-192
Self-financing Public Corporations	739	1,412	1,374	1,089	1,138	1,120
Net public service pensions	5,194	5,082	5,016	4,985	4,767	5,010
National Lottery	1,909	1,943	1,855	1,654	2,184	2,130
Other programme spending	274	1,213	299	2,115	138	-31
<i>Non-cash items:</i>						
Depreciation	7,659	7,759	9,647	9,432	9,483	9,928
Cost of capital charges	12,458	12,628	13,488	13,933	13,950	14,381
Provisions and other charges	618	2,433	6,275	-625	1,415	1,615
Total departmental AME	131,625	138,317	144,089	142,196	143,854	146,219
<i>Other AME</i>						
Net payments to EC institutions ⁽²⁾	3,743	2,858	3,696	755	2,054	2,189
Locally financed expenditure	17,586	18,952	18,444	18,827	19,616	20,295
Central Government gross debt interest	30,774	25,384	25,945	21,556	20,068	21,474
Accounting and other adjustments	-14,362	-16,408	-17,413	-7,934	-7,148	-1,717
Total Other AME	37,741	30,785	30,673	33,204	34,590	42,242
AME Margin					950	1,852
Total Annually Managed Expenditure	169,367	169,103	174,762	175,401	179,393	190,313
Total Managed Expenditure	347,499	350,655	367,156	381,449	397,300	420,900
<i>of which:</i>						
Current expenditure	328,179	332,875	348,751	357,367	370,300	389,100
Net investment	6,112	4,700	5,705	11,629	13,700	18,300
Depreciation	13,209	13,080	12,699	12,453	13,300	13,500

(1) At 2000-2001 prices, using GDP deflators consistent with the March 2002 Financial Statement and Budget Report.

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

£3.4bn in 1998-99, £3.4bn in 1999-2000, £4.3bn in 2000-01, £1.5bn in 2001-02, £2.8bn in 2002-03 and £3.0bn in 2003-04.

Figures from 2002-03 are trend estimates.

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Table I.4 Departmental Expenditure Limits in real terms⁽¹⁾, 1998–99 to 2003–04

	resources, £ million					
	1998-99 outturn	1990-00 outturn	2000-01 outturn	2001-02 estimated outturn	2002-03 plans	2003-04 plans
Education and Skills	13,091	13,529	15,810	18,941	22,168	23,689
Health	40,669	41,658	44,971	49,323	53,062	56,909
of which: NHS	39,557	40,850	44,065	47,958	50,805	54,576
Transport and Regions	8,807	9,234	9,642	10,643	12,879	14,386
Local Government	34,133	34,821	35,326	36,002	35,755	37,402
Home Office	7,599	7,659	8,923	10,169	9,845	9,694
Lord Chancellor's Departments	2,896	2,177	2,617	2,839	2,690	2,670
Attorney General's Departments	352	341	376	431	420	421
Defence	24,733	24,570	24,979	23,881	23,359	23,036
Foreign and Commonwealth Office	1,100	1,149	1,311	1,373	1,390	1,223
International Development	2,334	2,594	2,663	3,034	3,172	3,296
Trade and Industry	3,120	3,098	3,376	4,465	4,276	4,077
Environment, Food and Rural Affairs	1,561	1,780	1,849	2,771	2,086	2,124
Culture, Media and Sport	1,011	1,021	993	1,070	1,200	1,162
Work and Pensions	5,063	5,237	5,306	6,350	6,670	7,002
Scotland	13,587	14,065	14,568	16,048	16,880	17,536
Wales	7,112	7,041	7,583	8,310	8,820	9,264
Northern Ireland Executive	4,615	4,731	4,978	5,581	5,822	5,993
Northern Ireland Office	1,028	1,000	952	1,094	1,094	955
Chancellor's Departments	3,420	3,536	3,377	4,047	4,064	3,974
Cabinet Office	1,344	1,521	1,422	1,634	1,513	1,543
Welfare to Work ⁽²⁾	556	789	1,371			
Invest to Save Budget					28	41
Capital Modernisation Fund					321	720
Policy Innovation Fund					38	37
Reserve					400	2,000
Allowance for shortfall				-1,958		
Budget 2002 Addition						1,500
Departmental Expenditure Limits	178,132	181,552	192,394	206,049	218,000	230,600
<i>Total education spending⁽³⁾</i>	<i>40.7</i>	<i>41.7</i>	<i>44.1</i>	<i>49.4</i>	<i>51.0</i>	<i>53.8</i>

(1) At 2000–2001 prices, using GDP deflators consistent with those used in the April 2002 Financial Statement and Budget Report.

(2) Spending funded by the Windfall Tax.

(3) Central government spending on education falling within DEL plus locally financed education spending (in AME).

Table I.5 Public Sector Current Expenditure, 1998–99 to 2003–04

	resources, £ million					
	1998-99 outturn	1999-00 outturn	2000-01 outturn	2001-02 outturn	2002-03 plans	2003-04 plans
Resource Budget DEL	153,163	159,338	171,761	187,690	201,200	214,000
Resource Budget AME	124,428	131,854	140,366	144,013	148,300	154,100
Total Resource Budget	277,591	291,192	312,126	331,703	349,566	369,039
Other current spending in AME:						
Net payments to EC institutions ⁽¹⁾	3,590	2,807	3,696	776	2,163	2,364
Locally financed current expenditure	15,423	17,576	18,521	17,526	18,775	20,091
Central Government debt interest	29,512	24,927	25,945	22,160	21,132	23,192
AME margin (current)					1,000	2,000
Accounting and other adjustments	-15,182	-13,561	-16,370	-9,710	-8,548	-2,514
Classification changes to national accounts	3,790	3,943	4,833	4,917	5,853	6,082
Public Sector Current Expenditure	314,724	326,883	348,752	367,373	389,900	420,300

(1) See footnote 1 to Table I.1

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Table I.6 Public Sector Net Investment, 1998-99 to 2003-04

	resources, £ million					
	1998-99 outturn	1999-00 outturn	2000-01 outturn	2001-02 estimated outturn	2002-03 plans	2003-04 plans
<i>Capital Budget:</i>						
Capital Budget DEL	17,667	18,946	20,633	24,128	28,300	33,500
Capital Budget AME	1,800	3,973	3,723	2,164	3,136	2,852
Total Capital Budget	19,467	22,920	24,356	26,292	31,400	36,300
<i>Other capital spending in AME:</i>						
Locally financed capital expenditure	1,442	1,035	-77	1,827	1,881	1,828
Accounting and other adjustments	1,409	-2,552	-1,043	1,555	1,000	2,300
Classification changes to national accounts	-3,790	-3,943	-4,833	-4,917	-5,853	-6,082
Public sector gross investment	18,528	17,460	18,404	24,757	28,400	34,300
Less Depreciation (national accounts)	12,667	12,845	12,699	12,802	14,000	14,600
Public sector net investment	5,861	4,615	5,705	11,955	14,400	19,700

Table I.7 Resource Budgets, 1998-99 to 2003-04

	resources, £ million					
	1998-99 outturn	1999-00 outturn	2000-01 outturn	2001-02 estimated outturn	2002-03 plans	2003-04 plans
Within DEL						
Education and Skills	11,667	12,191	14,228	16,984	20,179	21,497
Health	38,242	39,939	43,587	48,846	53,375	58,467
<i>of which: NHS</i>	37,235	39,207	42,746	47,556	51,097	56,044
Transport and Regions	3,288	3,441	3,686	4,151	5,103	5,127
Local Government	32,375	33,922	35,270	36,940	37,376	40,071
Home Office	6,813	7,063	8,420	9,579	9,411	9,633
Lord Chancellor's Departments	2,680	2,081	2,541	2,799	2,730	2,773
Attorney General's Departments	334	332	362	421	427	440
Defence	17,729	18,152	19,239	18,905	18,865	18,929
Foreign and Commonwealth Office	954	1,026	1,180	1,277	1,319	1,158
International Development	2,012	2,276	2,425	2,791	2,948	3,161
Trade and Industry	2,745	2,852	3,038	3,941	3,676	3,333
Environment, Food and Rural Affairs	1,213	1,406	1,506	2,377	1,650	1,739
Culture, Media and Sport	854	926	947	1,032	1,160	1,167
Work and Pensions	5,150	5,088	5,253	6,297	6,893	7,509
Scotland	11,679	12,108	12,570	14,231	15,374	16,534
Wales	6,029	6,297	6,800	7,659	8,237	8,943
Northern Ireland Executive	3,937	4,170	4,420	5,066	5,515	5,553
Northern Ireland Office	964	956	916	1,057	1,092	984
Chancellor's Departments	3,172	3,331	3,528	3,909	4,036	4,045
Cabinet Office	1,056	1,290	1,209	1,441	1,422	1,476
Welfare to Work ⁽¹⁾	269	492	635			
Invest to Save Budget					22	34
Policy Innovation Fund					30	30
Reserve					400	1,400
Allowance for shortfall				-2,013		
Total Resource Budget DEL⁽²⁾	153,163	159,338	171,761	187,690	201,200	214,000

(1) Spending financed by the Windfall Tax.

(2) 2003-04 excludes £1.6 billion Budget 2002 Addition.

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Table I.7 Resource Budgets, 1998–99 to 2003–04 (continued)

	resources, £ million					
	1998–99 outturn	1999–00 outturn	2000–01 outturn	2001–02 estimated outturn	2002–03 plans	2003–04 plans
Within Departmental AME						
Education and Skills	1,595	1,656	1,660	1,756	1,861	2,118
Health	2,886	2,460	2,045	2,814	2,569	2,646
of which: NHS	2,263	2,005	1,522	2,638	2,606	2,683
Transport and Regions	6,985	7,018	6,390	7,971	8,061	8,154
Local Government	0	0	1	1		
Home Office	777	722	437	509	548	566
Lord Chancellor's Departments	9	210	104	87	107	99
Attorney General's Departments	4	6	7	17	16	18
Defence	13,409	13,816	16,657	15,395	15,393	15,874
Foreign and Commonwealth Office	140	118	320	174	184	196
International Development	317	592	713	518	548	661
Trade and Industry	111	2,048	3,412	345	440	558
Environment, Food and Rural Affairs	2,804	2,586	4,243	2,645	2,386	2,417
Culture, Media and Sport	659	384	918	1,092	1,047	903
Work and Pensions	87,600	92,495	94,418	100,391	104,328	109,190
Scotland	1,559	1,546	1,764	1,864	1,961	2,080
Wales	677	689	649	1,098	1,139	1,152
Northern Ireland Executive	3,489	3,590	5,069	5,507	5,717	6,196
Northern Ireland Office	-34	87	-57	100	86	117
Chancellor's Departments	180	310	314	475	431	517
Cabinet Office	1,260	1,519	1,303	1,252	1,518	1,601
Total Resource Budget						
Departmental AME	124,428	131,854	140,365	144,012	148,340	155,064
Total Resource Budget	277,591	291,192	312,126	331,703	349,600	369,000

Table I.8 Non-cash Resource Departmental AME, 1998–99 to 2003–04

	resources, £ million					
	1998–99 outturn	1999–00 outturn	2000–01 outturn	2001–02 estimated outturn	2002–03 plans	2003–04 plans
Education and Skills	23	2	-1	16	12	48
Health	2,263	2,005	1,523	2,642	2,619	2,697
Transport and Regions	3,736	3,967	3,530	3,679	3,739	3,937
Local Government	0	0	1	1		
Home Office	777	410	436	518	562	581
Lord Chancellor's Departments	9	210	104	87	107	99
Attorney General's Departments	4	6	7	17	16	18
Defence	10,981	11,353	14,014	12,738	12,828	13,308
Foreign and Commonwealth Office	140	119	320	175	184	197
International Development	186	462	589	397	430	545
Trade and Industry	-83	1,257	3,109	125	432	789
Environment, Food and Rural Affairs	234	408	2,244	-1,503	391	395
Culture, Media and Sport	127	125	144	173	187	213
Work and Pensions	42	80	48	63	122	124
Scotland ⁽¹⁾	826	1,002	1,127	1,214	1,378	1,402
Wales ⁽¹⁾	319	341	303	718	778	792
Northern Ireland Executive ⁽¹⁾	74	85	1,466	1,588	1,666	1,964
Northern Ireland Office	54	179	-60	52	51	66
Chancellor's Departments	140	277	291	410	399	475
Cabinet Office	33	122	214	267	264	346
Total Non-cash Departmental AME	19,885	22,409	29,410	23,376	26,165	27,997

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

Table I.9 Capital Budgets, 1998–99 to 2003–04

	resources, £ million					
	1998–99 outturn	1999–00 outturn	2000–01 outturn	2001–02 estimated outturn	2002–03 plans	2003–04 plans
Within DEL						
Education and Skills	888	1,094	1,582	2,487	3,164	4,087
Health	760	969	1,384	1,858	2,499	2,996
of which: NHS	700	908	1,318	1,745	2,401	2,898
Transport and Regions	5,158	5,627	5,956	6,790	8,459	10,411
Local Government	360	272	56	70	274	324
Home Office	473	458	503	875	956	836
Lord Chancellor's Departments	96	57	76	120	103	111
Attorney General's Departments	5	4	14	22	16	15
Defence	5,989	5,976	5,740	5,646	5,732	5,950
Foreign and Commonwealth Office	101	102	130	134	145	163
International Development	226	271	238	328	391	399
Trade and Industry	247	191	338	649	827	1,069
Environment, Food and Rural Affairs	284	342	343	472	546	555
Culture, Media and Sport	115	76	45	68	104	89
Work and Pensions	–295	55	53	231	131	53
Scotland	1,352	1,704	1,998	2,266	2,401	2,405
Wales	791	617	783	884	1,050	1,062
Northern Ireland Executive	489	476	558	670	616	919
Northern Ireland Office	23	26	36	68	60	46
Chancellor's Departments	108	141	–151	252	243	247
Cabinet Office	232	204	213	239	171	190
Welfare to Work ⁽¹⁾	265	284	736			
Invest to Save Budget					8	9
Capital Modernisation Fund					338	778
Policy Innovation Fund					10	10
Reserve					0	700
Total Capital Budget DEL⁽²⁾	17,667	18,946	20,633	24,128	28,300	33,500
Within Departmental AME						
Education and Skills	1	3	1	1	1	1
Local Government				50	125	175
Foreign and Commonwealth Office				5	5	5
Trade and Industry	–226	919	1,260	136	300	–216
Environment, Food and Rural Affairs	9	2	1	1	1	1
Culture, Media and Sport	1,306	1,632	1,063	775	1,421	1,581
Work and Pensions		29	22	75	76	83
Wales					7	10
Northern Ireland Executive	1	1	1	1	1	1
Chancellor's Departments		–0	–0			
Self-financing Public Corporations' capital expenditure	709	1,387	1,374	1,119	1,198	1,210
Total Capital Budget Departmental AME	1,800	3,973	3,723	2,164	3,136	2,852
Total Capital Budget	19,467	22,920	24,356	26,292	31,400	36,300

(1) Spending funded by Windfall Tax.

(2) 2003–04 excludes £1.6 billion Budget 2002 Addition.

Table I.10 Invest to Save Budget⁽¹⁾, 1999–2000 to 2003–04

	resources, £ million				
	1999-2000 outturn	2000-01 outturn	2001-02 estimated outturn	2002-03 Plans	2003-04 plans
Education and Skills	2.0	0.1	1.6	4.8	5.3
Health	0.2	6.6	6.5	2.3	1.4
Transport and Regions	0.5	0.2	-0.8	4.2	1.5
Local Government	0.0	4.1	12.6	25.3	16.3
Home Office	0.5	4.7	7.8	13.3	6.3
Lord Chancellor's Departments	0.6	2.4	1.1	0.0	1.0
Attorney General's Departments	0.0	0.0	0.0	0.0	0.0
Defence	0.0	0.1	2.0	1.5	0.3
Trade and Industry	0.0	1.2	7.1	4.2	0.4
Environment, Food and Rural Affairs	0.0	0.5	1.4	3.6	2.4
Culture, Media and Sport	0.0	0.0	0.3	3.2	1.8
Work and Pensions	30.4	16.1	23.8	4.0	2.8
Scotland	0.0	0.5	0.0	3.4	2.4
Wales	0.4	1.7	6.4	2.3	1.0
Northern Ireland Executive	1.2	0.5	1.1	1.0	1.0
Northern Ireland Office	0.1	0.1	0.7	0.0	0.0
Chancellor's Departments	1.8	3.0	3.2	1.9	0.0
Cabinet Office	0.0	0.8	0.1	0.0	1.1
Unallocated	0.0	0.0	0.0	15.0	30.0
Total Invest to Save Budget	38.0	42.6	74.9	90.0	74.1

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

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Table I.11 Capital Modernisation Fund, 1999–2000 to 2003–04

	resources, £ million					Total
	1999-00 outturn	2000-01 outturn	2001-02 estimated outturn	2002-03 plans	2003-04 plans	
Total Size of Fund	250	1200	1332	900	1200	4882
Department						
Round 1 Allocations						
Education and Skills	50	150	200	0	0	400
Health	114	122	158	0	0	394
Home Office	20.4	130.6	77	0	0	228
Home Office/Lord Chancellor's Department/Crown Prosecution Service	0	20	10	0	0	30
Transport, Local Government & the Regions	10	153.2	0	0	0	163.2
Trade and Industry	0	33	14	0	0	47
Customs and Excise	0	1	22	0	0	23
Works & Pensions	10	88	130	0	0	228
Foreign & Commonwealth Office	0	5.6	7	0	0	12.6
Ministry of Defence	0	1	1	0	0	2
HM Treasury	1.3	31	3	0	0	35.3
Office of Government Commerce	0	0.8	0.3	0	0	1.1
Round 2 Allocations						
Health	0	50	70	0	0	120
Culture, Media & Sport/Education & Skills	0	15	60	0	0	75
Education and Skills	0	38	32	0	0	70
Department of Transport and Local Regions	0	10.6	22.4	0	0	33
Home Office	0	87.2	66.6	0	0	153.8
Lord Chancellor's Department	0	10.0	13.3	0	0	23.3
Crown Prosecution Service	0	3.8	1.3	0	0	5
Criminal Justice Service	0	1.5	0	0	0	1.5
Metropolitan Police	0	1	0	0	0	1
Trade & Industry	0	25.3	5.2	0	0	30.5
Inland Revenue	0	30	0	0	0	30
Cabinet Office	0	25	5	0	0	30
Trade & Industry/HM Treasury	0	15	35	0	0	50
Environment, Food & Rural Affairs	0	4.3	11.8	0	0	16.2
Forestry Commission	0	4.7	4.7	0	0	9.4
Department for Works & Pensions	0	8	0	0	0	8
Ministry of Defence	0	6.1	8.9	0	0	15
Education and Skills/HM Treasury	0	5	5	0	0	10
Round 3 Allocations						
Health	0	0	50	110	10	170
Transport and Local Regions	0	0	37.7	32.8	35.8	106.3
Trade & Industry	0	0	6.7	61.9	67.7	136.3
Education & Skills	0	0	14	115.4	105.5	234.9
Works and Pensions	0	0	2	4.2	1	7.2
Home Office	0	0	8.3	42.9	26.2	77.4
Lord Chancellor's Department	0	0	0.9	7	10	17.9
Crown Prosecution Service	0	0	0.3	6	6.8	13.1
Criminal Justice Service	0	0	2.7	11.4	7.6	21.7
Foreign & Commonwealth Office	0	0	1.2	3	3	7.2
Environment, Food & Rural Affairs	0	0	1.1	30.1	36.9	68.1
Culture, Media & Sport	0	0	35.7	45.7	10.4	91.8
Custom & Excise	0	0	2	2.1	0.5	4.6
Forestry Commission	0	0	0	7	3	10
Office Of National Statistics	0	0	6.1	11.5	10.6	28.2
Northern Ireland Office	0	0	0.5	0.5	0.5	1.5
Cabinet Office	0	0	15.7	21.5	21	58.2
Round 4 announced allocations to date						
Education & Training	0	0	0	115	15	130
Culture, Media & Sport	0	0	0	0	20	20
Subtotals	205.7	1,076.6	1,148.5	628	391.5	3,450.2
Devolved Administrators						
Scotland	19.6	79.0	91.3	42.5	56.7	289.1
Wales	10	35.4	45.9	28.4	33.1	152.8
Northern Ireland	6.3	25.7	30.2	12.4	16.5	91.1
Total commitments implied	241.6	1216.7	1,315.9	711.3	497.8	3,983.2
Total remaining for future CMF allocations			0 ⁽¹⁾	188.7	702.3	898.8

(1) Funds not allocated in previous years have not been carried forward to 2002/03 total remaining for allocation.

Table I.12 Accounting and other adjustments 1998–99 to 2003–04

	resources, £ million					
	1998–99 outturn	1999–00 outturn	2000–01 outturn	2001–02 estimated outturn	2002–03 plans	2003–04 plans
Non-trading capital consumption	7,796	7,796	7,737	7,784	8,502	8,896
VAT refunds	5,872	5,872	6,664	7,510	8,240	9,007
European Community contributions	-5,576	-5,576	-6,314	-6,118	-5,434	-4,864
Tax credits	3,060	3,060	5,066	6,017	6,849	10,653
Financial transactions in departmental budgets	-1,430	-1,430	-2,038	-1,150	-1,312	-1,258
Adjustments for public corporations	3,114	3,114	4,094	4,211	4,606	5,068
Intra general government debt interest	-3,388	-3,388	-3,039	-3,020	-3,017	-3,001
Adjustments for expenditure financed by receipts	86	86	213	174	207	240
Other accounting adjustments	-543	-2,883	-16	150	363	1,621
Removal of non-cash items in budgets	-22,764	-22,764	-29,781	-23,713	-26,531	-28,215
Total accounting and other adjustments	-13,773	-16,113	-17,413	-8,156	-7,527	-1,854

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Table I.13 Voted and non-voted expenditure in TME, 1998–99 to 2003–04

	resources, £ million					
	1998–99	1999–2000	2000–01	2001–02	2002–03	2003–04
	outturn	outturn	outturn	estimated outturn	plans	plans
Voted expenditure in TME:						
DEL						
Central Government spending	88,074	92,600	97,984	107,481	110,500	118,300
Central Government support for local authorities	42,321	42,534	45,967	49,238	51,800	56,100
Central Government support for public corporations: subsidies	262	348	353	232	300	300
Departmental AME						
Central Government own spending (including non-cash costs)	61,019	65,854	71,326	70,433	69,666	72,372
Central Government support for local authorities	10,904	10,812	10,979	12,356	13,002	13,678
Central Government support for public corporations: cost of capital charge	6	12	7	9	8	10
Other AME						
Central Government spending (EU receipts)	-3,685	-3,291	-3,130	-2,750	-3,498	-3,238
Total voted expenditure in TME	198,902	208,869	223,486	237,000	241,790	257,460
Non-Voted expenditure in TME:						
DEL						
Central Government spending (including spending by Devolved Executives and Non-Departmental Public Bodies)	29,679	32,169	36,248	42,173	50,000	53,700
Central Government support for local authorities: credit approvals	9,834	10,158	11,111	11,573	14,200	15,200
Public Corporations	659	475	730	1,121	1,800	1,000
DEL not allocated by spending sector ⁽¹⁾					800	4,600
AME						
Central Government spending (including spending by Devolved Executives and Non-Departmental Public Bodies)	51,460	54,808	57,858	60,247	65,596	68,725
Central Government support for local authorities: credit approvals	510	502	514	649	708	690
Public Corporations (including non-voted cost of capital charge)	2,329	3,839	3,405	2,483	2,497	2,443
Other AME and AME margin						
Central Government debt interest, AME margin, locally financed expenditure, non-voted net payments to EU, and accounting and other adjustments	39,879	33,522	33,803	36,884	40,921	50,857
Total non-voted expenditure in TME	134,350	135,474	143,670	155,131	176,600	194,100
Total Managed Expenditure	333,252	344,343	367,156	392,130	418,400	454,600
Memorandum:						
Voted expenditure not in TME (included within "Other spending outside DEL" in Estimates):						
Grants to NDPBs to finance their expenditure	10,713	12,565	13,850	18,768	21,883	24,139
Grants to Devolved Executives to finance their expenditure	1,618	21,965	26,998	32,302	33,620	16,956
Other non-public expenditure	305	1,783	3,822	3,277	4,891	3,192
Total voted expenditure not in TME	12,637	36,312	44,671	54,348	60,394	44,287
Total voted expenditure	211,538	245,181	268,157	291,347	302,182	301,748

(1) Includes £1.6 billion Budget 2002 Additions in 2003–04.

Table 1.14 Total Managed Expenditure by Spending Sector, 1998–99 to 2003–04

	resources, £ million					
	1998–99 outturn	1999–00 outturn	2000–01 outturn	2001–02 estimated outturn	2002–03 plans	2003–04 plans
Central Government own expenditure:						
DEL ⁽¹⁾	117,753	124,769	134,232	149,654	160,600	171,900
Departmental AME	112,479	120,662	129,184	130,680	135,262	140,097
Locally financed support in Northern Ireland	97	111	129	137	141	146
Net payments to EC institutions	3,590	2,807	3,696	776	2,163	2,364
Central Government debt interest	29,512	24,927	25,945	22,160	21,132	23,192
Accounting and other adjustments ⁽¹⁾	-16,626	-19,570	-22,124	-14,969	-12,800	-4,800
Total Central Government own expenditure	246,805	253,706	271,062	288,439	306,500	333,900
Local Authority expenditure:						
Central Government support in DEL ⁽¹⁾	52,155	52,692	57,078	60,811	66,000	71,200
Central Government support in departmental AME	11,414	11,314	11,493	13,006	13,710	14,368
Locally financed support in Scotland	1,395	1,441	1,663	1,554	1,718	1,646
Local authority self-financed expenditure	15,373	17,059	16,653	17,662	18,797	20,127
Accounting and other adjustments ⁽¹⁾	1,537	3,552	4,332	5,779	5,300	7,400
Total Local Authority expenditure	81,875	86,058	91,219	98,812	105,500	114,700
Public Corporation expenditure:						
DEL ⁽¹⁾	921	823	1,084	1,353	2,100	1,300
Departmental AME	2,335	3,851	3,412	2,492	2,506	2,453
Accounting and other adjustments ⁽¹⁾	1,316	-95	379	1,034	1,800	2,200
Total Public Corporation expenditure	4,572	4,579	4,875	4,879	6,400	5,900
Total Managed Expenditure	333,252	344,343	367,156	392,130	418,400	454,600

(1) The sectoral DEL figures shown above exclude the £1.6 billion Budget 2002 Addition in 2003–04, and, for 2002–03 and 2003–04, also exclude the DEL reserve, and unallocated amounts for the Invest to Save Budget, Capital Modernisation Fund and Policy Innovation Fund. AME figures for 2002–03 and 2003–04 exclude the AME margin. Amounts for each of these items are shown in Tables 1.1 and 1.2. These items are included within the accounting and other adjustments figures in Table 1.14 above, reflecting notional forecast allocations. The accounting and other adjustments in this table differ from those shown in Tables 1.1 and 1.13, by these amounts.

Table I.15 Total Managed Expenditure, 1996-97 to 2000-01 (cash basis)

	cash, £ million				
	1996-97	1997-98	1998-99	1999-00	2000-01
	outturn	outturn	outturn	outturn	outturn
Departmental Expenditure Limits	161,334	162,196	167,401	176,585	191,381
Annually Managed Expenditure					
Social security benefits	89,750	91,007	93,358	96,846	99,038
Housing Revenue Account subsidies	4,164	3,965	3,508	3,218	3,059
Common Agricultural Policy	2,870	2,495	2,773	2,514	2,792
Export Credits Guarantee Department	71	94	707	868	1,361
Self-financing Public Corporations	60	-294	-304	236	543
Net public service pensions	4,979	5,353	4,681	5,194	4,775
National Lottery	520	1,090	1,830	1,949	2,004
Net payments to EC institutions ⁽¹⁾	1,802	2,153	3,590	2,807	3,697
Locally financed expenditure	14,337	15,624	17,059	18,543	17,968
Central Government gross debt interest	27,987	29,968	29,512	25,297	26,560
Accounting and other adjustments	9,300	9,941	9,137	10,287	13,976
Total Annually Managed Expenditure	155,840	161,396	165,851	167,759	175,774
Total Managed Expenditure	317,173	323,592	333,252	344,343	367,155
<i>of which:</i>					
Current expenditure	299,402	306,267	314,724	326,883	348,751
Depreciation	12,499	12,409	12,667	12,845	12,699
Net investment	5,272	4,916	5,861	4,615	5,705

(1) Net payments to EC institutions exclude the UK's contribution to the cost of EC aid to non-Member States (which is attributed to the aid programme). Net payments therefore differ from the UK's net contribution to the Budget.

Table I.16 Departmental Expenditure Limits – Current and Capital Budgets, 1996–97 to 2000–01 (cash basis)

	cash, £ million				
	1996–97	1997–98	1998–99	1999–00	2000–01
	outturn	outturn	outturn	outturn	estimated outturn
Current Budget					
Education and skills	11,481	12,316	11,818	12,293	14,341
Health	33,396	35,068	37,470	40,575	44,417
<i>of which: NHS</i>	32,761	34,518	36,767	39,937	43,694
Transport and Regions	3,715	3,648	3,609	3,812	4,187
Local Government	31,204	31,065	32,375	33,922	35,269
Home Office	5,921	6,189	6,495	7,051	8,159
Lord Chancellor's Departments	2,214	2,258	2,285	2,301	2,502
Attorney General's Departments	317	319	320	329	355
Defence	20,701	20,093	20,873	21,360	22,266
Foreign and Commonwealth Office	980	987	1,003	1,066	1,155
International Development	1,859	1,766	2,035	2,269	2,415
Trade and Industry	2,793	2,702	2,678	2,834	2,989
Environment, Food and Rural Affairs ⁽¹⁾	2,234	1,800	1,616	1,577	1,726
Culture, Media and Sport	857	799	842	915	937
Work and Pensions	5,199	4,911	4,974	5,015	5,185
Scotland ⁽¹⁾	11,265	11,326	11,553	12,227	12,925
Wales ⁽¹⁾	5,443	5,605	5,858	6,336	6,947
Northern Ireland Executive ⁽¹⁾	3,926	4,022	4,148	4,387	4,826
Northern Ireland Office	891	908	945	961	1,061
Chancellor's Departments	2,567	2,625	3,063	3,409	3,620
Cabinet Office	1,296	1,067	1,087	1,165	1,222
Welfare to Work ⁽²⁾		44	258	482	560
Total Current Budget	148,256	149,518	155,304	164,286	177,065
Capital Budget					
Education and Skills	696	682	724	990	1,461
Health ⁽⁴⁾	367	228	-98	4	353
<i>of which: NHS⁽³⁾</i>	235	146	-159	-57	289
Transport and Regions	5,353	5,368	4,819	5,424	5,845
Local Government	111	305	360	272	56
Home Office	520	546	581	462	504
Lord Chancellor's Departments	91	59	65	15	41
Attorney General's Departments	5	5	11	5	16
Defence	719	852	1,609	1,212	1,286
Foreign and Commonwealth Office	73	90	90	83	105
International Development	237	233	226	25	-14
Trade and Industry	560	407	297	184	320
Environment, Food and Rural Affairs	467	408	244	197	364
Culture, Media and Sport	98	104	74	78	68
Work and Pensions	210	51	-289	87	51
Scotland ⁽¹⁾	1,639	1,500	1,471	1,477	1,779
Wales ⁽¹⁾	1,031	893	817	741	631
Northern Ireland Executive ⁽¹⁾	488	476	471	445	548
Northern Ireland Office	52	56	30	30	34
Chancellor's Departments	183	125	78	82	-134
Cabinet Office	178	190	238	221	243
Welfare to Work ⁽²⁾		99	278	265	758
Total Capital Budget	13,077	12,678	12,096	12,299	14,316
Departmental Expenditure Limits	161,334	162,196	167,401	176,585	191,381

(1) For Scotland, Wales and Northern Ireland the split between resource and capital budgets is decided by the respective Executives.

(2) Expenditure financed by the Windfall Tax.

(3) Covers the capital budget of Department of Health only and excludes NHS Trusts.

2. DIFFERENCES FROM PREVIOUS PLANS

INTRODUCTION

2.1 This chapter compares the latest plans for DEL and AME with the plans set out in PESA last year (Cm 5101) which were consistent with Budget 2001. The comparisons are presented in two different ways (cash or resource) depending on the year. The tables in this chapter do not fall within the scope of National Statistics.

TYPES OF CHANGES

2.2 The comparisons distinguish between:

- (i) Transfers of financing responsibility between departments and spending sectors; and classification changes, ie. changes in the way public expenditure is scored or re-allocation of functions between departments as happened with the machinery of Government changes following the 2001 general election; and
- (ii) other changes, which are due to policy decisions or changes in forecasts of expenditure outside DEL.

THE TABLES

2.3 Tables 2.1, 2.2, 2.3, 2.4 and 2.5 give data for 2000–01. This was the last year for which budgets and spending plans were set in cash terms.

2.4 Tables 2.1 and 2.2 show actual outturn against estimated outturn on a cash basis (shows the figures as they would be without the impact of resource budgeting) for current and capital expenditure, for each departmental group. Tables start with the estimated outturn in last year's PESA for each department and show the effect of classification and transfer changes (see definition below) in one column, and other changes in the next column, to arrive at actual outturn.

2.5 Tables 2.3 show actual outturn against estimated outturn on a resource basis, for resource and capital budgets. The estimated outturn figures in last year's PESA have been adjusted to take account of machinery of government changes. These changes have no impact on total DEL. Table 2.4 takes the sum of resource and capital DEL and compares with the provisional outturn figures published by Treasury in July 2001 in *Public Expenditure 2000–01 Provisional Outturn (PEOWP)*. Table 2.5 shows TME for 2000–01.

2.6 Tables 2.6 and 2.7 show changes since last PESA in DEL plans, on a resource basis, for each departmental group, for the years 2001–02 to 2003–04. Table 2.8 shows changes to estimates of TME since last PESA.

COMPREHENSIVE SPENDING REVIEW ANALYSIS OF OUTTURN AGAINST PLANS

2001-02 was the final year of the three year plans for DEL set in the Comprehensive Spending Review of 1998. The following table compares spending plans for total DEL set then, with the latest information on outturn expenditure in those years. The table adjusts the original plans for changes to DEL as a result of policy announcements, transfer changes, and classification changes, so that actual outturn can be compared against the final plans. But in making those comparisons, the final DELs are not adjusted for carry forwards of under-spending since such carry forwards are a response to under-spending rather than a determinant of it.

The first panel in the table below shows, in line 4, final plans for total DEL before any carry forward of underspending.

The next panel shows the picture after allowing for carry forward announcements. But, in contrast to the usual presentation, underspend carried forward is also deducted from total plans for the year origin, as well as being added to total plans for the year(s) carried forward into.

The final panel shows the latest outturns (estimated outturns for 2001-02) for total DEL in each year, and below that, underspends (overspends) against final plans:

(a) before adjusting for carry forward, and

(b) after adjusting for carry forward.

The total underspend in DEL, before carry forward, over the three year period is £5.1 billion (0.9 per cent of total plans). After adjusting for carry forward, the total underspend is a bit higher, at £5.8 billion (1.0 per cent of total plans), reflecting carry forward from 1998-99.

	£ billion		
	1999-2000	2000-01	2001-02
Original plans in CSR	179.2	190.1	200.2
Changes from introduction of RAB	n-a	n-a	1.0
Additional allocations and classification changes	0.3	4.2	9.6
Final plans (before carry forward adjustments)*	179.5	194.4	210.8
Carry forward of underspend	-1.8	0.7	1.7
Adjusted final plans (after carry forward)*	177.7	195.1	212.5
Outturn*	176.3	191.4	211.8
Underspends before carry forward adjustments (-)	-3.2	-2.9	1.1
Underspends after carry forward adjustments (-)	-1.4	-3.7	-0.7

* Final plans and outturns are measured on the basis that spending was planned and controlled for that year. So 1999-2000 and 2000-01 are on a cash basis, and 2001-02 is on a resource basis.

MAIN CLASSIFICATION AND TRANSFER CHANGES AFFECTING PLANS

2.7 Some expenditure by the Cabinet Office on civil service early retirements was reclassified from DEL to AME. It amounts to £57 million in 2001-02, and smaller amounts in subsequent years.

2.8 Expenditure by a number of departments on regional issues was transferred from those departments to the Regional Coordinators' Office in the Cabinet Office. This mainly

affects the Department for Trade and Industry (DTI), the Department for Education and Skills (DfES), and the Department for Transport, Local government and the Regions (DTLR).

2.9 In 2002–03 and 2003–04, expenditure by DfES rises by around £1.4 billion, and spending by DTLR to support local government falls by same amount, because of a transfer of responsibility for supporting sixth forms in schools.

2.10 The Employment Opportunities Fund has been wound up. Amounts recorded against EOF in last year's PESA have been allocated to departments – mostly DWP which shows increases of around £800 million in each year in 2002–03 and 2003–04. Some of the switch is shown as a policy change in 2003–04.

2.11 In 2001–02, for the Department of Health (DH), there is switch was a switch of around £300m from capital DEL to resource DEL reflecting local virement flexibility; use of certain capital receipts for resource expenditure; and PFI development costs.

2.12 In 2003–04 there is a switch of over £100 million from Ministry of Defence (MoD) capital DEL to resource DEL. This reflects an agreement to vire certain funds from capital to resource to reflect the underlying nature of the defence programme, and the impact of the creation of QinetiQ and other public corporations in support of defence logistics.

POLICY AND ESTIMATING CHANGES

2.13 The Home Office (HO) Criminal Justice System (CJS) reserve for 2002–03 and 2003–04 was initially set up on the assumption of a 50:50 split between capital and resource. This was reflected in the PESA2001 figures. Since then Treasury agreed that 20 per cent could be switched from capital to resource to line up better with types of activity HO wished to fund from the CJS.

2.14 DfES had initially recorded its Service Development Fund as resource DEL. When assigned to particular education projects some £50 million was allocated to capital DEL.

2.15 In 2001–2002 there were substantial increases in planned expenditure by DfES, DH, DTLR, MoD, HO and Department for Environment Food and Rural Affairs (DEFRA) as a result of policy announcements since the 2001 Budget, and to meet extra unexpected pressures funded through DEL reserve claims.

2.16 Expenditure by the Ministry of Defence (MoD) in 2000–01, on a resource basis, shows a £1.6 billion increase since the publication of *Public Expenditure 2000–01 Provisional Outturn (PEOWP)* in July 2001. This is because improvements in the application of resource accounting within the MoD led to a one-off upward revision of the consumption of resources in that year.

Table 2.1 Departmental Expenditure Limits, 2000-01, cash basis, changes since PESA 2001-02

£ million, cash basis, after 2001 machinery of government changes

	Current expenditure				Capital expenditure				Total expenditure			
	2000-01				2000-01				2000-01			
	Estimated outturn in PESA 2001-02 after MOG changes	Transfers and classification changes	Other changes	Outturn	Estimated outturn in PESA 2001-02 after MOG changes	Transfers and classification changes	Other changes	Outturn	Estimated outturn in PESA 2001-02 after MOG changes	Transfers and classification changes	Other changes	Outturn
Education and Skills	15,194	-1	-852	14,341	1,468	1	-8	1,461	16,661		-859	15,802
Health	44,723		-306	44,417	616		-262	353	45,339		-569	44,770
Transport and the Regions	4,504	0	-317	4,187	6,033	0	-187	5,845	10,537	0	-504	10,033
Local Government	35,309	-3	-38	35,269	51	-0	5	56	35,360	-3	-33	35,324
Home Office	8,181		-22	8,159	770		-267	504	8,951		-289	8,662
Lord Chancellor's Departments	2,595		-93	2,502	46		-5	41	2,642		-98	2,544
Attorney General's Departments	359		-4	355	17		-2	16	377		-6	371
Defence	21,961		305	22,266	1,510		-225	1,286	23,471		81	23,552
Foreign and Commonwealth Office	1,157		-2	1,155	101		4	105	1,258		3	1,260
International Development	2,493		-77	2,415	55		-69	-14	2,548		-147	2,402
Trade and Industry	3,538		-549	2,989	437	-15	-101	320	3,974	-15	-650	3,309
Environment Food and Rural Affairs	1,802	-0	-76	1,726	377		-12	364	2,179	-0	-88	2,091
Culture Media and Sport	939		-2	937	68			68	1,006		-2	1,005
Work and Pensions	5,326		-140	5,185	142		-91	51	5,468		-231	5,237
Scotland	13,356		-430	12,925	1,999		-220	1,779	15,355		-650	14,704
Wales	6,880	-3	70	6,947	812	3	-185	631	7,693		-115	7,578
Northern Ireland Executive	4,826			4,826	548			548	5,374			5,374
Northern Ireland Office	1,098		-38	1,061	40		-6	34	1,138		-44	1,094
Chancellor's Departments	3,785		-165	3,620	-46		-88	-134	3,740		-254	3,486
Cabinet Office	1,239		-17	1,222	268		-25	243	1,507		-43	1,465
Welfare to Work	729		-169	560	774		-16	758	1,503		-185	1,318
Invest to Save Budget												
Capital Modernisation Fund												
Allowance for Shortfall	-2,627		2,627						-2,627		2,627	
Total	177,367	-7	-296	177,065	16,087	-11	-1,760	14,316	193,454	-17	-2,056	191,381

Table 2.2 Total Managed Expenditure, 2000-01, cash basis, changes since PESA 2001-02

	2000-01				Outturn
	Estimated outturn in PESA 2001-02	Transfers and classification changes	Other changes		
Departmental Expenditure Limits	193,453	-17	-2,056		191,381
Departmental AME					
Social Security Benefits	99,030	122	-113		99,038
Housing Revenue Account Subsidies	3,287	-22	-206		3,059
Common Agricultural Policy	2,444	78	270		2,792
Exports Credits Guarantee Department	1,361				1,361
Self-financed Public Corporations	197		346		543
Net Public Service Pensions	5,906	-15	-1,115		4,775
National Lottery	2,004				2,004
Other AME					
Net Payments to EC Institutions	3,520		177		3,697
Locally Financed Expenditure	17,779		190		17,968
Central Government Debt Interest	26,560				26,560
Accounting and other adjustments	12,717		1,259		13,976
Total Annually Managed Expenditure	174,804	163	808		175,774
Total Managed Expenditure	368,257	146	-1,248		367,155

£ million, cash basis

Table 2.3 Resource and capital DELS, 2000-01, resource accounting basis, changes since PESA 2001-02

	£ million, resource accounting basis							
	Resource DELs 2000-01				Capital DELs 2000-01			
	Estimated outturn in PESA 2001-02 adjusted for MOG changes	Transfers and classification changes	Other changes	Outturn	Estimated outturn in PESA 2001-02 adjusted for MOG changes	Transfers and classification changes	Other changes	Outturn
Education and Skills	15,150		-922	14,228	1,479		103	1,582
Health	43,949		-362	43,587	1,451		-67	1,384
Transport and the Regions	4,099	1	-413	3,686	6,096	1	-141	5,956
Local Government	35,311	-3	-39	35,270	52	-0	5	56
Home Office	8,205		216	8,420	694		-191	503
Lord Chancellor's Departments	2,672		-131	2,541	84		-8	76
Attorney General's Departments	364		-2	362	17		-3	14
Defence	18,103		1,136	19,239	5,235		505	5,740
Foreign and Commonwealth Office	1,137		44	1,180	127		3	130
International Development	2,490		-65	2,425	307		-69	238
Trade and Industry	3,331		-293	3,038	453	1	-116	338
Environment Food and Rural Affairs	1,540	1	-35	1,506	383	0	-39	343
Culture Media and Sport	954	-2	-5	947	44	4	-4	45
Work and Pensions	5,382		-130	5,253	143		-90	53
Scotland	12,792		-222	12,570	2,361	-156	-207	1,998
Wales	6,912	1	-113	6,800	890	-1	-106	783
Northern Ireland Executive	4,784		-364	4,420	693		-134	558
Northern Ireland Office	1,214		-298	916	43		-7	36
Chancellor's Departments	3,761		-233	3,528	68		-219	-151
Cabinet Office	1,321	-70	-43	1,209	257	0	-44	213
Employment Opportunities Fund	733		-97	635	760	-1	-23	736
Invest to Save Budget								
Policy Innovation Fund								
Reserve								
Allowance for Shortfall	-1,604		1,604					
Total	172,600	-73	-767	171,761	21,639	-151	-854	20,633

Table 2.4 Total DELs, 2000-01, resource accounting basis, changes since PESA 2001-02 and PEOWP 2001

£ million, resource accounting basis

	Total (resource plus capital) DELs					
	Estimated outturn in PESA 2001-02 adjusted for MOG	Final provision in PEOWP 2001-02 adjusted for MOG	Provisional outturn in PEOWP 2001-02 adjusted for MOG	Transfers and classification changes since PEOWP	Other changes since PEOWP	Outturn
Education and Skills	16,629	17,101	15,631	0	179	15,810
Health	45,400	45,539	44,833	0	138	44,971
Transport and the Regions	10,194	10,405	9,430	2	210	9,642
Local Government	35,363	35,379	35,327	-3	2	35,326
Home Office	8,899	8,898	8,673	0	250	8,923
Lord Chancellor's Departments	2,756	2,779	2,670	0	-53	2,617
Attorney General's Departments	381	348	340	0	36	376
Defence	23,338	23,492	23,338	0	1,641	24,979
Foreign and Commonwealth Office	1,264	1,264	1,260	0	50	1,310
International Development	2,797	2,798	2,721	0	-58	2,663
Trade and Industry	3,784	4,005	3,340	1	35	3,376
Environment Food and Rural Affairs	1,923	1,923	1,822	1	26	1,849
Culture Media and Sport	998	1,022	1,012	2	-22	992
Work and Pensions	5,525	5,525	5,241	0	65	5,306
Scotland	15,153	15,378	14,661	-156	63	14,568
Wales	7,802	7,881	7,588	0	-5	7,583
Northern Ireland Executive	5,477	5,477	5,245	0	-267	4,978
Northern Ireland Office	1,257	1,258	1,193	0	-241	952
Chancellor's Departments	3,829	3,757	3,398	0	-21	3,377
Cabinet Office	1,578	1,582	1,529	-70	-37	1,422
Welfare to Work	1,493	1,570	1,242	-1	130	1,371
Invest to Save Budget	0	0	0	0	0	0
Policy Innovation Fund	0	0	0	0	0	0
Reserve	0	0	0	0	0	0
Allowance for Shortfall	-1,604	0	0	0	0	0
Total	194,240	197,381	190,494	-224	2,121	192,394

Table 2.5 Total Managed Expenditure, 2000-01, resource accounting basis, changes since PESA 2001-02 and PEOWP 2001

	£ million, resource accounting basis				
	Estimated outturn in PESA 2001-02	Provisional outturn in PEOWP 2001-02	2000-01 Transfers and classification changes since PEOWP	Other changes since PEOWP	Outturn
Total DELs	194,245	190,494	-230	2,130	192,394
Departmental AME					
Social Security Benefits	99,093	99,169	41	-81	99,129
Housing Revenue Account Subsidies	3,175	3,099	9	-12	3,096
Common Agricultural Policy	2,726	2,702	422	-530	2,594
Exports Credits Guarantee Department	1,128	1,128	169	18	1,315
Self-financed Public Corporations	1,429	1,197	-70	247	1,374
Net Public Service Pensions	5,448	4,953	2	61	5,016
National Lottery	2,004	1,855	0	0	1,855
Other programme expenditure	-112	102	26	171	299
Non-cash items	23,477	23,597	-13	5,826	29,410
Other AME					
Net Payments to EC Institutions	3,520	3,697	0	-1	3,696
Locally Financed Expenditure	17,779	18,084	0	360	18,444
Central Government Debt Interest	26,560	26,759	0	-814	25,945
Accounting and other adjustments	-12,214	-13,109	0	-4,304	-17,413
Total Annually Managed Expenditure	174,012	173,233	586	941	174,762
Total Managed Expenditure	368,257	363,727	356	3,071	367,155

Table 2.6 Resource DELs, 2001-02, 2002-03, 2003-04, changes since PESA 2001-02

	£ million, resource accounting basis													
	2001-02						2002-03				2003-04			
	Plans in PESA 2001-02 adjusted for MOG changes	Transfers and classification changes	Reserve allocation and other policy changes	Final provision	Expected underspend/overspend against final provision	Estimated outturn	Plans in PESA 2001-02 adjusted for MOG	Transfers and classification changes	Reserve and other policy changes	New plans	Plans in PESA 2001-02 adjusted for MOG changes	Transfers and classification changes	Reserve and other policy changes	New plans
Education and Skills	16,964	-38	464	17,391	-407	16,984	18,786	1,344	48	20,179	20,114	1,358	25	21,497
Health	47,820	416	760	48,996	-150	48,846	52,424	114	837	53,375	56,605	111	1,751	58,467
Transport and the Regions	4,541	100	322	4,963	-812	4,151	5,053	162	-111	5,103	5,030	212	-116	5,127
Local Government	36,953	-3	46	36,996	-56	36,940	39,001	-1,625	0	37,376	41,583	-1,512	0	40,071
Home Office	8,683	-53	1,063	9,692	-113	9,579	9,155	-20	276	9,411	9,617	-262	278	9,633
Lord Chancellor's Departments	2,765	9	32	2,807	-8	2,799	2,757	2	-29	2,730	2,764	2	7	2,773
Attorney General's Departments	407	30	-1	436	-15	421	426	1	0	427	439	0	0	440
Defence	18,300	12	722	19,034	-130	18,905	18,507	488	-130	18,865	18,752	273	-96	18,929
Foreign and Commonwealth Office	1,239	0	38	1,277		1,277	1,107	-4	215	1,319	1,146	3	9	1,158
International Development	2,715	0	126	2,841	-50	2,791	2,955	3	-10	2,948	3,161	-0	0	3,161
Trade and Industry	3,974	74	115	4,163	-222	3,941	3,657	22	-3	3,676	3,343	2	-12	3,333
Environment Food and Rural Affairs	1,533	-13	986	2,507	-130	2,377	1,665	-29	14	1,650	1,747	-21	13	1,739
Culture Media and Sport	1,011	5	25	1,040	-8	1,032	1,109	17	34	1,160	1,163	2	2	1,167
Work and Pensions	5,776	980	355	7,111	-813	6,297	6,089	780	24	6,893	6,115	738	657	7,509
Scotland	14,040	7	436	14,483	-252	14,231	15,303	22	49	15,374	16,251	22	261	16,534
Wales	7,541	11	65	7,617	42	7,659	8,155	17	65	8,237	8,799	6	137	8,943
Northern Ireland Executive	4,987	-1	80	5,066		5,066	5,290	2	223	5,515	5,648	3	-98	5,553
Northern Ireland Office	1,035	-3	26	1,057		1,057	1,078	-6	21	1,092	982	-5	7	984
Chancellor's Departments	3,916	4	110	4,030	-122	3,909	4,025	17	-6	4,036	4,041	4	-0	4,045
Cabinet Office	1,406	-22	76	1,460	-18	1,441	1,377	6	39	1,422	1,418	12	45	1,476
Employment Opportunities fund	873	-1014	141				854	-829	-25		1,371	-810	-562	
Invest to Save Budget	16		-16				30		-8	22	53		-19	34
Policy Innovation Fund	40		-40				40		-10	30	40		-10	30
Reserve	759		-759				1,300		-900	400	1,700		-300	1,400
EYF draw down			-3,900	-3,900	3,900									
Allowance for Shortfall					-2,013	-2,013								
Total	187,295	501	1,271	189,067	-1,377	187,690	200,200	500	600	201,200	211,900	100	2,000	214,000

Table 2.7 Capital DELS, 2001-02, 2002-03, 2003-04, changes since PESA 2001-02

	£ million, resource accounting basis													
	2001-02						2002-03				2003-04			
	Plans in PESA 2001-02 adjusted for MOG	Transfers and classification changes	Reserve Allocation and other policy changes	Final provision	Expected underspend/overspend against final provision	Estimated outturn	Plans in PESA 2001-02 adjusted for MOG	Transfers and classification changes	Reserve and other policy changes	New Plans	Plans in PESA 2001-02 adjusted for MOG	Transfers and classification changes	Reserve and other policy changes	New plans
Education and Skills	2,619	32	263	2,913	-426	2,487	3,010	-19	172	3,164	3,858	44	185	4,087
Health	2,089	-309	153	1,933	-75	1,858	2,375	2	122	2,499	2,712	1	282	2,996
Transport and the Regions	6,267	-80	1,138	7,324	-534	6,790	8,093	-97	464	8,459	10,499	-121	32	10,411
Local Government	57	-0	33	90	-20	70	274	-0	0	274	324	-0	0	324
Home Office	875	-27	220	1,068	-193	875	934	60	-38	956	825	40	-29	836
Lord Chancellor's Departments	97	4	21	122	-2	120	92	3	8	103	90	4	18	111
Attorney General's Departments	19	0	5	24	-2	22	6	0	9	16	6	0	9	15
Defence	5,505	0	151	5,656	-10	5,646	5,714	55	-37	5,732	6,247	-148	-149	5,950
Foreign and Commonwealth Office	127	-19	26	134		134	152	-4	-3	145	163	0	-0	163
International Development	400		-72	328		328	391		0	391	399		0	399
Trade and Industry	712	-2	103	812	-163	649	768	-3	63	827	1,026	-11	55	1,069
Environment Food and Rural Affairs	413	-1	115	527	-55	472	509	-1	39	547	516	-1	41	556
Culture Media and Sport	121	0	22	143	-75	68	72	1	32	104	80	0	8	89
Work and Pensions	123	9	99	231		231	128	1	2	131	54	0	-1	53
Scotland	2,382	-3	237	2,616	-350	2,266	2,298	-0	104	2,401	2,425	-0	-20	2,405
Wales	949	1	48	998	-114	884	1,051	-1	-0	1,050	1,063	-1	-0	1,062
Northern Ireland Executive	757	-0	-87	670		670	776	0	-160	616	743	0	176	919
Northern Ireland Office	58	-0	10	68		68	57	1	2	60	48	-2	0	46
Chancellor's Departments	181	-21	120	280	-29	252	226	-2	20	243	238	-2	11	247
Cabinet Office	179	3	77	260	-21	239	159	0	13	171	169	0	21	190
Employment Opportunities Fund	1	-7	6											
Invest to Save Budget	5		-5				12		-4	8	15		-5	9
Capital Modernisation fund	455		-455				880		-542	338	1,175		-397	778
Policy innovation fund	10		-10				10			10	10			10
EYF draw down	591		-591				373		-366	7	538		206	744
Reserve			-500	-500	500									
Total	24,993	-420	1,125	25,698	-1,570	24,128	28,400	0	-100	28,200	33,200	-200	400	33,500

Table 2.8 Total Managed Expenditure, 2001-2002, 2002-03, to 2003-04, changes since PESA 2001-02

£ million, resource accounting basis

	2001-02				2002-03				2003-04			
	Plans in PESA 2001-02	Transfers and classification changes	Other changes	Estimated Outturn	Plans in PESA 2001-02	Estimated and classification changes	Other changes	New plans	Plans in PESA 2001-02	Transfers and classification changes	Other changes	New plans
resource DEL	187,295	501	-106	187,690	200,200	487	568	202,000	211,900	136	1,975	214,000
capital DEL	24,996	-422	-445	24,128	28,400	-8	-102	28,300	33,200	-198	443	33,500
Departmental AME												
Social Security Benefits	104,933	124	161	105,218	108,611	206	353	109,170	113,496	198	484	114,177
Housing Revenue Account Subsidies.	4,555	10	-16	4,549	4,326	10	194	4,530	4,105	10	307	4,422
Common Agricultural Policy	2,643	21	2	2,667	2,650	0	-52	2,598	2,683	0	-42	2,640
Exports Credits Guarantee Department	797	-628	80	249	441	-132	43	352	426	-633		-207
Self-financed Public Corporations	1,128	3	-12	1,119	1,229	-25	-6	1,198	1,012	26	172	1,210
Net Public Service Pensions	5,588	1	-464	5,125	5,570	-102	-448	5,020	5,919	-98	-410	5,411
National Lottery	2,337		-637	1,700	2,223		77	2,300	1,823		477	2,300
Other programme expenditure	60	13	2,101	2,174	-107	-33	285	145	-326	-61	353	-33
Non-cash items	22,086	-73	1,363	23,376	24,261	-109	2,013	26,165	25,851	-977	3,123	27,997
Other AME												
Net Payments to EC Institutions	2,688		-1,912	776	2,596		-434	2,163	2,912		-548	2,364
Locally Financed Expenditure	19,134		219	19,354	20,066		590	20,656	21,066		853	21,919
Central Government Debt Interest	23,144		-984	22,160	24,173		-3,041	21,132	23,997		-805	23,192
Accounting and other adjustments	-8,678		522	-8,156	-8,811		1,248	-7,527	-8,463		8,208	-255
AME margin	1,000		-1,000		2,000		-1,000	1,000	3,000		-1,000	2,000
Total Annually Managed Expenditure	181,415	-528	-576	180,312	189,200	-185	-142	188,900	197,500	-1,535	11,172	207,100
Total Managed Expenditure	393,707	-450	-1,127	392,130	417,800	294	324	418,400	442,600	-1,597	13,590	454,600

3. TRENDS IN PUBLIC SECTOR EXPENDITURE

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

3.2 Data in this chapter are a mix of cash and resources. All outturn data up until 1999–2000 are on a cash basis. Outturn for 2000–01 and estimated outturn for 2001–02 are on a resource basis, as are plans data, where shown, for 2002–03 and 2002–04. All outturn data (to 2000–01) in the tables in this chapter are National Statistics, except for Tables 3.2a and 3.2b which set out new series for public sector investment that are provisional data at this stage. The box below discusses the implications for resource accounting and budgeting and the switch from cash to accruals measurement for the presentations in this chapter.

Cash versus resources

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

As a consequence, most of the tables in this chapter contain a break in series, with cash data being used up to 1999–2000 and resource data from 2000–01 onwards. The choice of break point reflects a judgement as to the relative quality of the two data sets over the overlap period. Table headings indicate where the break between cash and resources comes. The exception to this general rule is Table 3.1, which is on a national accounts basis.

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

PUBLIC EXPENDITURE AGGREGATES

3.3 Table 3.1 shows trends in public expenditure over the years 1963–64 to 2003–04 in cash and in real terms and as a percentage of gross domestic product (GDP). The table shows three spending aggregates in this detail: public sector current expenditure, public sector net investment and total managed expenditure (TME). Data for a fourth aggregate, public sector depreciation, are shown in cash only. Data for all these aggregates for the years up to 2000–01 are taken from the national accounts compiled by the Office for National Statistics (ONS). Public sector current expenditure plus public sector net investment plus public sector depreciation is equal to TME – which is total public sector spending in national accounts. Figures for 2001–02 onwards are projections produced by the Treasury.

3.4 The data series in Table 3.1, and other series in national accounts, show, for any given year, the spending of the public sector measured on the basis of its boundaries at that time. Thus public sector net investment includes the capital spending of the now-privatised former nationalised industries up until the point of their privatisation. This needs to be borne in mind when interpreting the time series for these aggregates, especially for the investment series.

3.5 Table 3.2a and 3.2b present some provisional time series for public sector investment on a constant boundaries basis. These are mainly based around present day boundaries of the public sector and its sub-sectors, so investment, by now privatised companies, formerly classified as private corporations, has been removed. There are some exceptions to the present day boundaries rule – for example, NHS trusts, classified as public corporations since their creation in the early 1990s, have been moved to the central government sector so that all health investment spending is consistently classified to central government. And local authority capital spending has been adjusted so as to remove the impact on the numbers of council house sales since the end of the 1970s. The adjustment involves both adding receipts from housing sales back into the gross and net investment series, and also adjusting depreciation so as to include depreciation of the stock of housing disposed of. In effect the adjusted LA investment series shows local authority capital spending measured on the basis of a housing stock maintained at 1970s levels.

3.6 Table 3.2a shows gross investment by the public sector, measured on constant boundaries, both in aggregate and by sub-sector (central government, local authorities, public corporation). Gross investment measures investment gross of (before) depreciation, but net of asset sales. The table also includes for comparison the equivalent national accounts series for general government and total public sector, before making the boundary and other adjustments discussed above. The adjusted series shows smaller falls in public sector investment in the second half of the 1990s, reflecting the removal of investments by privatised companies from the published series'. However the level of public sector investment gross or net, is higher throughout in the adjusted series, reflecting the measurement of LA investment on a 'no-housing-sales' basis.

3.7 Table 3.2b shows some further investment series on a constant boundaries basis. The first column shows adjusted public sector net investment (gross investment less depreciation). The second column shows gross domestic fixed capital formation (GDFCF) alone (gross investment also includes capital grants and small amounts of stockbuilding/destocking). Equivalent national accounts series are given for comparison. The last two series in this table are for asset sales (gross investment is net of asset sales) and for publicly-financed private sector investment under the Private Finance Initiative (PFI). Neither is on a directly comparable basis with the gross and net investment series, so caution needs to be exercised in using the series in conjunction with the earlier series in these tables, eg to compile new aggregates. Asset sales is general government only. The PFI series is for signed deals under PFI in that year, where the resulting capital spending is classified to the private sector. Thus the series measures new commitments for private sector capital spending under PFI, and not net capital expenditure; the consequential capital spending could be spread over several years. This series is not therefore a measure of publicly-financed capital spending under PFI in that year.

TOTAL MANAGED EXPENDITURE BY FUNCTION

3.8 Table 3.6 gives a detailed analysis of TME by function for the years 1996-97 to 2001-02, allocating expenditure for which the devolved administrations in Scotland, Wales and Northern Ireland are responsible and expenditure by local authorities to the appropriate function. The key concept in this and subsequent tables in this chapter is expenditure on services, which is the spending aggregate allocated by function. This covers most expenditure by the public sector that is included in TME – central government's own current and capital expenditure, local authorities current and capital expenditure, public corporations capital expenditure. But it excludes net public service pension payments in AME, debt interest payments and most of the accounting adjustments in Table 1.12. The definition is fully detailed in Appendix F.

3.9 However, the definition of expenditure on services has some particular implications for measurement of expenditure on health services. Under the present institutional arrangements, public health services are mostly provided by NHS trusts, classified as public corporations, who receive payment for services provided from the health authorities (in central government). TME, and expenditure on services, includes both spending by the health authorities on the purchase of health services from trusts (part of central government current expenditure) and the capital spending and interest and dividend payments of the trusts (part of public corporations expenditure). But part of trusts capital spending is funded out of their gross operating surpluses (the rest is financed by public dividend capital and loans), and thus in effect from trusts revenues from charges for services. So there is an element of double counting of health expenditure in TME. This double counting has been removed in the measures of health spending presented in Tables 3.3 through to 3.6, though it remains in total expenditure of services (except for Tables 3.3, 3.4 and 3.5) and in the figures for spending on health and personal social services by country and region presented in Chapter 8.

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

3.11 Table 3.3 shows a longer time series, from 1984-85 to 2001-02, for TME by function, at a higher level of aggregation. Tables 3.4 and 3.5 present the material in Table 3.3 in real terms and as a percentage of GDP. These tables cover outturn years and give estimated outturns for 2001-02.

Measures of Health Spending

Public spending on health services can be measured in a number of different ways. The Department of Health's annual report 2002, Annex A4 shows gross NHS expenditure in the UK, which is a measure of public spending on health gross of charges and other income. Part of gross NHS spending is funded by income from prescription and other charges, such as dental charges, and from asset sales; gross spending also includes the element of NHS trust' charges which goes to fund their interest and dividend payments to Government ("trust debt remuneration").

The measure of public spending on health shown in Table 3.6 is net of all income from charges, asset sales and trust debt remuneration. It is in effect a measure of public spending on health funded out of taxation and borrowing.

TME is a measure of total public sector spending. As well as Government's direct expenditure on health services, net of income, it also includes NHS trust' capital expenditure (trusts are classified as public corporations) and trust' interest and dividend payments. So as compared with the net health expenditure measure in Table 3.6, TME includes trust debt remuneration (see above) and capital spending financed out of trust' gross operating surpluses (rather than by public dividend capital and loans). These two items are shown in Table 3.6 as "adjustments to TME". The "total health and personal social services" line in Table 3.6 is on a TME basis.

The table below compares the key measures of public spending on health for 2000–2001 and 2001–02 in.

	2000–2001	2001–02 £ million
Gross NHS expenditure (DH)	*	*
Total health spending (net) – PESA	52,649	58,098
Adjustments to TME	2,645	3,477
Of which: Trust debt remuneration	1,529	1,417
Total health spending in TME	55,294	61,575

*(Please see DH departmental report Annex A4)

TOTAL MANAGED EXPENDITURE BY ECONOMIC CATEGORY

3.12 The economic significance of components of public spending depends on their nature, for example whether they are transfer payments or expenditure on goods and services, current or capital. Table 3.7 breaks down total expenditure on services into the following economic categories:

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

- (v) Current transfers abroad – including net payments to European Union institutions, payments from the UK's development assistance, subscriptions to international organisations and pensions paid to overseas residents;
- (vi) Net capital expenditure on assets – comprising expenditure on new construction, the purchase of land, buildings and other physical assets, less proceeds from sales of similar assets and the value of net changes in the level of stocks;
- (vii) Capital grants – grants to the private sector, nationalised industries and other public corporations;
- (viii) Lending and other financial transactions – comprising net lending to the private sector and public corporations, net lending and investment abroad from the UK's Aid Programme.

As in Tables 3.3 to 3.6, debt interest payments, net public service pensions in AME and most accounting adjustments are not allocated by economic category and are shown separately.

CAPITAL SPENDING

3.13 Capital expenditure is undertaken by all levels of the public sector: ie. central and local government, and public corporations, including nationalised industries. **Table 3.8** gives a functional breakdown of the capital expenditure of central and local government and public corporations for outturn years (1996-97 to 2001-02), and for central government and public corporation spending for the plans years (2002-03 and 2003-04). The figures for central government and public corporations capital spending for 2002-03 onwards reflect departments' capital budgets and detailed decisions on the allocation of expenditure. A functional split of local authority capital spending is not available for future years as the allocation of spending between services is a matter for determination by individual local authorities, and there are no plans at this level of detail.

3.14 Capital spending in Table 3.8 follows the national accounts definition of which the main components are:-

- (i) gross domestic fixed capital formation, net of receipts for disposals; and
- (ii) grants in support of capital spending by the private sector.

ASSET SALES

3.15 **Table 3.9** shows actual and planned general government receipts from asset sales from 1996-97 through to 2003-04. Significant one-off items that are included in department spending totals are identified separately. These need to be taken into account in looking at trends in departmental spending.

Table 3.1 Public Expenditure Aggregates, 1963-64 to 2003-04

	Public Sector Current Expenditure			Depreciation	Public Sector Net Investment			Total Managed Expenditure		
	Cash £ billion	Real terms(1) £ billion	Percentage of GDP	Cash £ billion	Cash £ billion	Real terms(1) £ billion	Percentage of GDP	Cash £ billion	Real terms(1) £ billion	Percentage of GDP
1963-64	9.6	123.4	30.8	1.1	1.4	17.9	4.5	12.1	155.5	38.9
1964-65	10.1	124.0	29.7	1.2	1.7	20.9	5.0	13.0	159.6	38.3
1965-66	11.3	132.2	31.0	1.3	1.8	21.3	5.0	14.3	167.4	39.3
1966-67	12.2	136.8	31.6	1.4	2.3	25.5	5.9	15.9	178.1	41.1
1967-68	13.7	149.0	33.4	1.5	2.9	31.8	7.1	18.2	198.6	44.5
1968-69	14.7	152.9	33.1	1.7	2.8	29.3	6.4	19.2	199.7	43.3
1969-70	15.5	154.1	32.8	1.8	2.8	27.4	5.8	20.2	199.5	42.5
1970-71	17.3	157.7	32.7	2.1	3.2	29.5	6.1	22.6	206.0	42.7
1971-72	19.7	164.5	33.3	2.3	3.1	26.0	5.3	25.1	209.6	42.4
1972-73	22.2	171.6	33.1	2.6	3.2	25.0	4.8	28.1	217.2	41.8
1973-74	26.2	189.0	35.1	3.1	3.9	28.1	5.2	33.2	239.2	44.4
1974-75	34.6	208.5	38.8	4.0	4.9	29.7	5.5	43.6	262.7	48.9
1975-76	44.3	213.2	39.9	5.1	6.1	29.2	5.5	55.5	267.2	49.9
1976-77	51.8	219.5	39.9	6.0	5.6	23.8	4.3	63.3	268.3	48.8
1977-78	58.0	216.3	38.4	6.8	4.3	16.2	2.9	69.1	257.6	45.7
1978-79	66.3	222.7	38.4	7.7	4.2	14.1	2.4	78.2	262.7	45.3
1979-80	79.4	228.4	38.3	9.1	4.5	13.1	2.2	93.1	267.7	44.8
1980-81	96.6	235.0	40.8	10.9	4.3	10.5	1.8	111.8	271.9	47.3
1981-82	110.6	245.6	42.6	11.9	2.4	5.4	0.9	124.9	277.4	48.1
1982-83	120.9	251.1	42.7	12.3	4.2	8.8	1.5	137.5	285.5	48.5
1983-84	130.4	259.3	42.3	12.8	5.5	10.9	1.8	148.7	295.5	48.3
1984-85	141.0	266.0	42.6	12.8	5.1	9.6	1.5	158.9	300.0	48.1
1985-86	148.7	266.2	41.0	12.1	4.5	8.1	1.2	165.3	295.9	45.6
1986-87	155.8	270.1	40.1	12.6	2.8	4.8	0.7	171.2	296.8	44.1
1987-88	166.4	273.7	38.6	12.3	2.8	4.7	0.7	181.5	298.5	42.1
1988-89	173.7	267.5	36.2	13.6	1.7	2.6	0.4	189.0	291.0	39.4
1989-90	187.4	269.3	35.7	14.7	6.3	9.0	1.2	208.4	299.5	39.6
1990-91	203.3	271.0	36.1	13.8	8.2	10.9	1.4	225.3	300.3	40.0
1991-92	228.6	287.2	38.4	12.3	11.0	13.8	1.8	251.9	316.5	42.3
1992-93	247.8	301.6	40.3	11.9	12.4	15.0	2.0	272.1	331.2	44.2
1993-94	262.3	311.5	40.1	12.0	10.4	12.3	1.6	284.7	338.1	43.6
1994-95	275.2	322.6	39.9	12.5	10.4	12.2	1.5	298.1	349.4	43.2
1995-96	287.3	327.4	39.4	13.0	10.3	11.7	1.4	310.5	353.9	42.6
1996-97	299.4	330.8	38.7	12.5	5.3	5.8	0.7	317.2	350.4	41.0
1997-98	306.3	328.3	37.2	12.4	4.9	5.2	0.6	323.6	346.8	39.3
1998-99	314.7	328.1	36.2	12.7	5.9	6.1	0.7	333.3	347.5	38.4
1999-00	326.9	332.9	35.7	12.8	4.7	4.8	0.5	344.4	350.7	37.7
2000-01	348.8	348.8	36.5	12.7	5.7	5.7	0.6	367.2	367.2	38.4
2001-02	367.4	357.6	36.7	12.8	12.0	11.7	1.2	392.1	381.6	39.2
2002-03	389.9	370.2	37.1	14.0	14.4	13.7	1.4	418.4	397.3	39.8
2003-04	420.3	389.3	37.9	14.6	19.7	18.2	1.8	454.6	421.1	41.0

(1) Real terms figures are the cash figures adjusted to 2000 - 2001 price levels.

3. TRENDS IN PUBLIC SECTOR EXPENDITURE

Table 3.2a Public sector gross investment on current sectoral boundaries

	On consistent sectoral boundaries						National Accounts series ⁽²⁾	
	Central government	Local government	General government	Public corporations	Public sector	General government	Public sector	
	£ billion							
1978-79	3.7	3.7	7.4	1.7	9.1	7.1	11.9	
1979-80	4.1	4.2	8.3	2.0	10.4	7.8	13.7	
1980-81	4.8	4.5	9.4	2.1	11.4	8.7	15.2	
1981-82	5.2	3.7	8.8	2.0	10.8	7.6	14.3	
1982-83	6.2	5.0	11.1	2.2	13.3	9.2	16.6	
1983-84	6.3	5.9	12.2	2.1	14.3	10.8	18.3	
1984-85	7.4	5.5	12.9	1.5	14.4	11.6	17.9	
1985-86	7.6	5.2	12.9	1.1	13.9	11.6	16.6	
1986-87	7.2	5.1	12.3	1.1	13.5	10.9	15.4	
1987-88	7.7	5.7	13.4	0.6	14.0	11.4	15.1	
1988-89	8.8	5.5	14.3	0.5	14.8	11.3	15.3	
1989-90	15.2	7.6	22.9	-2.8	20.1	19.8	20.9	
1990-91	17.8	6.1	23.8	-2.8	21.0	21.5	21.9	
1991-92	17.6	5.8	23.4	-0.6	22.8	21.6	23.3	
1992-93	18.4	5.7	24.1	-0.7	23.4	22.2	24.3	
1993-94	17.8	5.3	23.1	-0.7	22.4	20.2	22.3	
1994-95	17.9	6.3	24.2	-0.5	23.8	20.8	22.9	
1995-96	18.0	6.0	24.1	0.8	24.8	20.2	23.2	
1996-97	14.8	4.3	19.1	0.4	19.5	15.6	17.8	
1997-98	13.2	5.2	18.4	1.0	19.4	14.7	17.3	
1998-99	13.1	6.0	19.0	1.9	20.9	15.1	18.5	
1999-00	13.3	5.8	19.1	1.5	20.6	14.3	17.5	
2000-01	14.5	5.3	19.8	1.4	21.1	14.9	18.1	

Table 3.2b Other public sector investment series, 1978-79 to 2000-01

	Consistent sectoral boundaries		National Accounts series ⁽²⁾		Other investment	
	Net investment	GDFCF	Net investment	GDFCF	Asset sales ⁽³⁾	PFI ⁽⁴⁾
	£ billion					
1978-79	4.1	7.6	4.2	10.4	0.6	0.0
1979-80	4.3	8.7	4.5	12.1	0.8	0.0
1980-81	4.2	9.4	4.3	13.3	1.2	0.0
1981-82	3.0	8.7	2.4	12.2	1.9	0.0
1982-83	5.3	10.3	4.2	13.6	2.6	0.0
1983-84	6.0	11.1	5.5	15.1	2.2	0.0
1984-85	5.9	11.3	5.1	14.8	2.2	0.0
1985-86	5.2	11.4	4.5	14.1	2.3	0.0
1986-87	4.1	12.0	2.8	13.9	2.9	0.0
1987-88	4.7	12.4	2.8	13.5	4.1	0.2
1988-89	4.3	11.9	1.7	12.4	6.2	0.0
1989-90	8.6	17.3	6.3	18.1	5.9	0.0
1990-91	9.6	17.2	8.2	18.1	4.0	0.3
1991-92	11.1	17.9	11.0	18.4	2.9	0.0
1992-93	12.0	18.5	12.4	19.3	2.9	0.5
1993-94	10.9	18.0	10.4	17.9	4.1	0.0
1994-95	11.5	20.0	10.4	19.1	3.4	0.0
1995-96	11.8	20.7	10.3	19.1	3.3	0.9
1996-97	6.4	16.0	5.3	14.3	4.4	5.7
1997-98	6.2	15.6	4.9	13.5	4.1	1.5
1998-99	7.4	16.3	5.9	13.9	4.2	3.5
1999-00	6.7	16.9	4.6	13.7	4.6	2.7
2000-01	7.3	18.2	5.4	15.2	4.9	3.2

(1) Consistent Government sectoral boundaries means the series have been adjusted to remove the effect of major classification changes over the time period of the series. These include: NHS trusts being classified as central government, removing the effect of council house sales, and privatised utilities are treated as private throughout the series.

(2) The National Accounts series exclude certain debt write offs that are usually included.

(3) Asset sales of central and local government only.

(4) Private sector capital spending under PFI is based on the year the deal is signed, the consequential capital spending can be spread over several years.

Table 3.3 Total Managed Expenditure by function, 1984–85 to 2001–02⁽¹⁾

	£ billion																	
	1984–85	1985–86	1986–87	1987–88	1988–89	1989–90	1990–91	1991–92	1992–93	1993–94	1994–95	1995–96	1996–97	1997–98	1998–99	1999–00	2000–01	2001–02
	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	estimated outturn
Education	16.3	16.8	18.5	20.3	21.9	24.4	26.3	29.1	31.4	33.1	34.7	35.6	36.4	37.4	39.0	40.9	44.1	50.7
Health and personal social services	19.5	20.6	22.2	24.4	26.9	29.4	32.9	37.2	40.9	43.0	46.2	48.8	50.9	53.2	56.1	61.2	66.0	72.2
of which: Health	16.6	17.6	18.8	20.6	22.7	24.6	27.5	31.4	34.5	35.8	37.7	39.4	40.8	42.5	44.7	48.7	52.6	58.1
Transport	6.7	6.8	6.7	6.7	7.0	8.0	9.7	10.9	12.6	11.8	12.1	11.5	10.1	9.2	8.7	8.6	8.7	10.1
Housing	4.6	4.2	4.1	4.2	3.2	5.2	4.9	5.8	6.3	5.3	5.3	5.0	4.6	3.7	3.7	2.8	3.2	5.1
Other environmental services	3.8	3.9	4.6	4.8	4.9	5.9	6.6	7.3	7.8	7.5	8.1	8.5	8.2	8.4	8.4	8.5	10.2	10.8
Law, order and protective services	6.4	6.6	7.2	8.1	9.0	10.2	11.5	13.0	14.2	14.8	15.3	15.7	16.2	16.9	17.3	18.8	20.1	23.0
Defence ⁽²⁾	17.2	18.0	18.2	18.7	19.0	20.6	21.5	22.7	22.7	22.6	22.4	21.6	21.3	20.9	22.6	22.7	24.9	24.1
International development assistance and other international services	1.5	1.6	1.7	1.7	2.0	2.2	2.4	2.7	3.0	3.1	3.2	3.3	3.0	2.9	3.2	3.4	3.7	4.7
Trade, industry, energy and employment	7.8	8.0	8.0	6.6	8.0	7.6	8.8	9.2	9.7	10.1	9.5	9.2	8.6	8.4	8.6	9.1	10.0	11.9
Agriculture, fisheries, food and forestry	2.4	2.9	2.2	2.4	2.2	2.2	2.9	3.1	3.2	4.1	3.7	4.2	6.0	5.2	5.1	4.8	5.1	7.9
Culture, Media and Sport ⁽³⁾	1.6	1.7	1.8	2.0	2.2	2.6	2.8	2.9	3.0	3.0	3.3	3.5	3.7	4.2	4.9	5.6	5.5	5.8
Social security	39.5	43.1	46.3	48.4	49.6	52.6	58.9	69.9	79.2	86.4	88.7	92.8	96.4	97.4	99.4	103.2	105.4	111.8
Central administration and associated expenditure ⁽⁴⁾	4.8	4.7	5.3	6.5	6.1	8.3	8.4	6.0	8.2	8.3	7.4	9.8	8.2	8.4	10.5	10.5	12.1	10.6
Total expenditure on services⁽⁵⁾	132.1	139.0	146.9	154.8	162.0	179.1	197.6	219.9	242.2	253.1	259.9	269.5	273.4	276.1	287.4	300.1	319.2	348.6
Public sector debt interest	17.4	19.2	19.1	20.0	20.4	21.0	20.5	18.5	19.1	20.8	23.6	26.8	28.4	30.4	29.9	25.6	25.9	22.2
Other accounting adjustments ⁽⁶⁾	9.4	7.3	5.4	6.5	6.1	7.7	6.3	12.6	10.7	10.4	13.9	13.4	15.2	17.1	16.0	18.8	22.1	23.3
Allowance for shortfall													0	0	0	-0.1	0	-2.0
Total Managed Expenditure	158.8	165.4	171.3	181.3	188.6	207.8	224.5	250.9	271.7	285.1	298.7	310.6	317.2	323.6	333.3	344.4	367.2	392.1

(1) For years prior to 1996–97, the effects of transfer and classification changes have been imputed.

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

(3) Includes expenditure financed from the National Lottery.

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

(5) The definition of expenditure on services in this table differs from that in Table 3.6.

(6) Includes net public service provisions.

Table 3.4 Total Managed Expenditure by function in real terms, 1984-85 to 2001-02⁽¹⁾

	£ billion																	
	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02
	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	estimated outturn
Education	30.2	29.5	31.5	32.8	33.2	34.4	34.6	36.0	37.6	38.6	39.9	39.8	40.2	40.1	40.7	41.7	44.1	49.4
Health and personal social services	36.1	36.2	37.8	39.5	40.8	41.6	43.2	46.0	48.9	50.1	53.1	54.6	56.2	57.1	58.4	62.3	66.0	70.4
of which: Health	30.7	30.9	32.0	33.3	34.4	34.8	36.1	38.7	41.2	41.7	43.3	44.0	45.0	45.6	46.6	49.6	52.6	56.7
Transport	12.4	12.0	11.5	10.9	10.5	11.4	12.7	13.5	15.1	13.7	13.9	12.9	11.1	9.9	9.1	8.8	8.7	9.8
Housing	8.4	7.3	6.9	6.7	4.9	7.3	6.4	7.1	7.5	6.1	6.1	5.6	5.1	4.0	3.8	2.9	3.2	4.9
Other environmental services	7.1	6.9	7.9	7.8	7.4	8.3	8.6	9.0	9.3	8.8	9.4	9.5	9.0	9.0	8.7	8.6	10.2	10.5
Law, order and protective services	11.8	11.6	12.2	13.1	13.6	14.4	15.0	16.0	16.9	17.2	17.6	17.6	17.9	18.1	18.1	19.1	20.1	22.5
Defence ⁽²⁾	31.9	31.7	31.1	30.3	28.9	29.2	28.2	28.1	27.2	26.3	25.8	24.2	23.5	22.4	23.6	23.1	24.9	23.6
International development assistance and other international services	2.7	2.9	2.9	2.8	3.0	3.1	3.1	3.4	3.6	3.6	3.7	3.7	3.3	3.1	3.3	3.5	3.7	4.6
Trade, industry, energy and employment	14.4	14.0	13.6	10.6	12.1	10.7	11.5	11.4	11.6	11.8	11.0	10.2	9.5	9.0	9.0	9.2	10.0	11.6
Agriculture, fisheries, food and forestry	4.5	5.1	3.8	3.9	3.3	3.1	3.8	3.8	3.8	4.8	4.3	4.7	6.7	5.5	5.3	4.9	5.1	7.7
Culture, Media and Sport ⁽³⁾	2.9	3.0	3.1	3.3	3.4	3.7	3.7	3.6	3.6	3.5	3.8	3.9	4.1	4.5	5.2	5.7	5.5	5.6
Social security	73.2	75.8	79.0	78.3	75.2	74.4	77.2	86.4	94.8	100.8	102.0	103.6	106.5	104.4	103.6	105.1	105.4	109.1
Central administration and associated expenditure ⁽⁴⁾	8.9	8.2	9.1	10.5	9.3	11.8	11.1	7.4	9.8	9.7	8.5	11.0	9.0	9.0	10.9	10.7	12.1	10.4
Total expenditure on services⁽⁵⁾	244.6	244.3	250.4	250.6	245.6	253.3	259.2	271.7	289.8	295.0	298.7	301.1	302.1	295.9	299.7	305.6	319.2	340.1
Public sector debt interest	32.2	33.8	32.6	32.4	30.9	29.7	26.9	22.9	22.9	24.3	27.2	30.0	31.4	32.6	31.2	26.1	25.9	21.6
Other accounting adjustments ⁽⁶⁾	17.3	12.8	9.2	10.5	9.3	10.9	8.2	15.6	12.8	12.2	16.0	15.0	16.9	18.3	16.7	19.1	22.1	22.7
Allowance for shortfall													0.0	0.0	-0.1	-0.1	0.0	-2.0
Total Managed Expenditure	294.2	290.8	292.2	293.5	285.9	293.9	294.3	310.2	325.4	331.5	341.9	346.2	350.4	346.8	347.5	350.7	367.2	382.5

(1) For years prior to 1996-97, the effects of transfer and classification changes have been imputed.

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

(3) Includes expenditure financed from the National Lottery.

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

(5) The definition of expenditure on services in this table differs from that in Table 3.6.

(6) Includes net public service pensions

Table 3.5 Total Managed Expenditure as a percentage of GDP, 1984-85 to 2001-02⁽¹⁾

	% of GDP																		
	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	
	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	estimated outturn	
Education	4.9	4.6	4.8	4.7	4.6	4.7	4.7	4.9	5.1	5.1	5.0	4.9	4.7	4.5	4.5	4.5	4.6	5.1	
Health and personal																			
social services	5.9	5.7	5.7	5.7	5.6	5.6	5.9	6.3	6.6	6.6	6.7	6.8	6.6	6.5	6.5	6.7	6.9	7.2	
of which: Health	5.0	4.9	4.8	4.8	4.7	4.7	4.9	5.3	5.6	5.5	5.5	5.5	5.3	5.2	5.1	5.3	5.5	5.8	
Transport	2.0	1.9	1.7	1.6	1.5	1.5	1.7	1.8	2.0	1.8	1.8	1.6	1.3	1.1	1.0	0.9	0.9	1.0	
Housing	1.4	1.1	1.0	1.0	0.7	1.0	0.9	1.0	1.0	0.8	0.8	0.7	0.6	0.5	0.4	0.3	0.3	0.5	
Other environmental services	1.2	1.1	1.2	1.1	1.0	1.1	1.2	1.2	1.3	1.2	1.2	1.2	1.1	1.0	1.0	0.9	1.1	1.1	
Law, order and protective																			
services	1.9	1.8	1.8	1.9	1.9	1.9	2.0	2.2	2.3	2.3	2.2	2.2	2.1	2.0	2.0	2.1	2.1	2.3	
Defence ⁽²⁾	5.2	5.0	4.7	4.4	4.0	3.9	3.8	3.8	3.7	3.5	3.3	3.0	2.8	2.5	2.6	2.5	2.6	2.4	
International development																			
assistance and other																			
international services	0.4	0.5	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.4	0.3	0.4	0.4	0.4	0.5	
Trade, industry, energy and																			
employment	2.3	2.2	2.0	1.5	1.7	1.4	1.6	1.6	1.6	1.6	1.4	1.3	1.1	1.0	1.0	1.0	1.0	1.2	
Agriculture, fisheries, food																			
and forestry	0.7	0.8	0.6	0.6	0.5	0.4	0.5	0.5	0.5	0.6	0.5	0.6	0.8	0.6	0.6	0.5	0.5	0.8	
Culture, Media and Sport ⁽³⁾	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.6	
Social Security	11.9	11.9	11.9	11.2	10.3	10.0	10.5	11.8	12.9	13.3	12.9	12.8	12.5	11.8	11.4	11.3	11.0	11.2	
Central administration and																			
associated expenditure ⁽⁴⁾	1.5	1.3	1.4	1.5	1.3	1.6	1.5	1.0	1.3	1.3	1.1	1.4	1.1	1.0	1.2	1.1	1.3	1.1	
Total expenditure on																			
 services⁽⁵⁾	39.9	38.4	37.8	35.9	33.8	34.2	35.1	37.1	39.4	39.0	37.8	37.3	35.4	33.5	33.1	32.8	33.4	34.8	
Public sector																			
debt interest	5.3	5.3	4.9	4.6	4.3	4.0	3.6	3.1	3.1	3.2	3.4	3.7	3.7	3.7	3.4	2.8	2.7	2.2	
Other accounting																			
adjustments ⁽⁶⁾	2.8	2.0	1.4	1.5	1.3	1.5	1.1	2.1	1.7	1.6	2.0	1.9	2.0	2.1	1.8	2.1	2.3	2.3	
Allowance for shortfall													0.0	0.0	0.0	0.0	0.0	-0.2	
Total Managed																			
 Expenditure	48.0	45.7	44.1	42.1	39.3	39.7	39.9	42.4	44.2	43.9	43.2	42.9	41.0	39.3	38.4	37.7	38.4	39.2	

(1) For years prior to 1996-97, the effects of transfer and classification changes have been imputed.

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

(3) Includes expenditure financed from the National Lottery.

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

(5) The definition of expenditure on services in this table differs from that in Table 3.6.

(6) Includes net public service pensions.

3. TRENDS IN PUBLIC SECTOR EXPENDITURE

Table 3.6 Total Managed Expenditure by function, 1996-97 to 2001-02

				cash, £million		resources, £ million	
	1996-97 outturn	1997-98 outturn	1998-99 outturn	1999-00 outturn	2000-01 outturn	2001-02 estimated outturn	
Education							
Under fives	1,549	1,686	1,900	2,136	2,293	2,600	
Schools	20,613	21,482	22,699	24,527	26,833	29,579	
Further Education	4,936	4,949	5,108	5,263	5,668	8,080	
Higher Education	4,670	4,737	4,757	5,329	6,022	6,575	
Student support (inc mandatory, awards & access fund)	2,630	2,614	2,506	1,972	1,796	1,830	
Miscellaneous educational services, research and administration	2,002	1,945	2,035	1,694	1,497	1,987	
Total education	36,400	37,413	39,005	40,921	44,110	50,651	
Health and personal social services							
Health							
National Health Service Hospitals, community health, family health and related services (net)	39,794	41,593	43,779	47,632	51,586	56,840	
Central health, and other services	977	948	921	1,034	1,063	1,258	
Total health (net)	40,771	42,541	44,700	48,666	52,649	58,098	
Personal social services	10,110	10,691	11,352	12,505	13,337	14,064	
Adjustments to TME	2,316	2,488	2,895	2,772	2,645	3,477	
Total health and personal social services	53,197	55,720	58,947	63,943	68,625	75,639	
Transport							
National roads	2,169	1,994	1,847	1,902	1,967	2,183	
Local roads	3,227	3,007	2,920	2,864	3,313	3,657	
Local transport	2,222	2,107	2,004	2,038	1,881	1,905	
Ports	29	19	18	21	13	24	
Marine, coastguard, shipping and civil aviation services	84	87	100	76	94	165	
Driver and vehicle licensing and testing	164	161	85	126	138	153	
National and international rail services	1,954	1,550	1,478	1,215	1,045	1,671	
UK Maritime Agency	89	83	84	90	95	99	
Other transport services	139	223	159	276	178	238	
Total transport	10,076	9,231	8,695	8,608	8,724	10,095	
Housing							
Local authority housing	1,905	1,501	1,645	745	1,045	1,936	
Other social housing	1,298	917	941	1,041	1,150	1,641	
Other	1,376	1,307	1,101	1,035	1,031	1,483	
Total housing	4,579	3,725	3,687	2,821	3,226	5,060	
Other environmental services							
Environmental protection	3,169	3,525	3,742	3,731	3,889	4,066	
Countryside and water	-7	-16	-14	310	1,013	1,262	
Urban	2,173	2,074	1,902	1,456	1,541	1,454	
Other	2,828	2,832	2,728	2,969	3,745	4,012	
Total other environmental services	8,162	8,415	8,357	8,466	10,184	10,794	

3. TRENDS IN PUBLIC SECTOR EXPENDITURE

Table 3.6 Total Managed Expenditure by function, 1996-97 to 2001-02 (continued)

				cash, £million		resources, £ million	
	1996-97 outturn	1997-98 outturn	1998-99 outturn	1999-00 outturn	2000-01 outturn	2001-02 estimated outturn	
Administration of justice	3,088	3,105	3,132	3,399	3,790	4,378	
Prisons and offender programmes	2,392	2,535	2,730	2,746	2,658	2,964	
Police	8,302	8,677	8,862	9,202	9,714	11,229	
Immigration and citizenship	223	252	212	797	1,398	1,631	
Fire	1,628	1,720	1,799	1,879	1,884	2,037	
Civil defence	49	47	43	6	8	5	
Constitutional and community services	93	95	101	243	92	110	
Central and miscellaneous services	432	429	460	507	606	703	
Total law, order and protective services	16,207	16,861	17,340	18,779	20,150	23,057	
Defence							
Defence budget	22,249	21,611	22,606	22,717	24,891	24,145	
Receipts from sale of married quarters	-962	-700	0	0	0	0	
Total defence	21,287	20,911	22,606	22,717	24,891	24,145	
International development assistance and other international services							
International development assistance	1,868	1,772	2,042	2,276	2,441	2,806	
Other international services	1,084	1,097	1,123	1,154	1,308	1,936	
Total international development assistance and other international services	2,952	2,869	3,165	3,430	3,749	4,742	
Trade, industry, energy, employment and training							
Regional and other industrial support	1,233	1,361	1,440	1,241	1,412	1,974	
Trade, scientific and technological support	2,205	2,263	2,462	2,400	2,608	3,121	
Support for aerospace, shipbuilding, coal, steel	720	594	493	744	819	1,129	
Employment	2,353	2,187	2,452	2,763	3,064	3,904	
Training	1,774	1,691	1,512	1,626	1,765	1,181	
Department administration and other services	274	284	273	296	363	552	
Total trade, industry, energy, employment and training	8,559	8,380	8,632	9,070	10,031	11,861	
Agriculture, fisheries, food and forestry							
Market support under CAP	2,996	2,540	2,810	2,590	2,535	3,128	
Other agriculture, fisheries and food	1,849	1,724	1,747	1,756	2,097	4,240	
Forestry	55	55	58	113	107	126	
BSE	1,144	849	447	332	325	377	
Total agriculture, fisheries, food and forestry	6,044	5,168	5,062	4,791	5,064	7,871	

3. TRENDS IN PUBLIC SECTOR EXPENDITURE

Table 3.6 Total Managed Expenditure by function, 1996-96 to 2001-02 (continued)

				cash, £million		resources, £ million	
	1996-97 outturn	1997-98 outturn	1998-99 outturn	1999-00 outturn	2000-01 outturn	2001-02 estimated outturn	
Culture, Media and Sport							
Museums and galleries	473	470	458	520	553	650	
Other arts and heritage	651	733	744	791	788	861	
Libraries	872	859	867	915	912	979	
Films	24	23	22	25	24	24	
Tourism	143	153	150	161	192	267	
Sports and recreation	870	896	911	1,233	1,286	1,383	
Broadcasting	220	203	259	278	224	260	
Administration	36	47	50	49	31	39	
Lottery	388	803	1,488	1,618	1,514	1,303	
Total culture, media and sport	3,677	4,187	4,949	5,590	5,486	5,766	
Social Security							
Pension benefits	32,883	34,483	36,552	38,731	40,187	43,621	
Widows' benefits	1,017	1,021	1,008	1,023	1,019	1,142	
Unemployment, incapacity and other benefits	8,723	7,804	7,636	7,304	7,032	7,193	
Industrial injury benefit	765	768	783	785	779	797	
Family benefits	9,754	10,022	10,430	11,013	9,619	9,822	
War pensions	1,351	1,288	1,264	1,256	1,411	1,240	
Disability benefits	9,214	9,942	10,547	11,148	11,688	12,597	
Income support	17,295	16,720	16,215	16,765	18,194	19,159	
Social fund	159	117	116	117	120	174	
Housing benefits	11,921	12,054	11,948	11,914	12,000	12,269	
Administration and miscellaneous services	3,354	3,145	2,905	3,168	3,390	3,784	
Total social security	96,436	97,364	99,404	103,224	105,439	111,798	
Central administration and associated expenditure							
Public and common services	6,382	6,202	6,897	7,656	8,368	9,734	
EC Net Payments	1,802	2,153	3,590	2,806	3,753	904	
Total central administration and associated expenditure	8,184	8,355	10,487	10,462	12,121	10,638	
Total expenditure on services⁽¹⁾	275,760	278,580	290,299	302,823	321,801	352,117	
Public sector debt interest	28,434	30,406	29,949	25,649	25,945	22,160	
Net Public Service pensions	4,978	5,352	4,681	5,223	3,188	3,473	
Allowance for shortfall	0,0	0,0	0,0	-100	0	-2,000	
Other Accounting adjustments	8,001	9,227	8,329	10,465	15,860	15,992	
Total Managed Expenditure	317,173	323,565	333,258	344,424	367,155	392,130	

(1) For definition, see Appendix F

3. TRENDS IN PUBLIC SECTOR EXPENDITURE

Table 3.7 Total Managed Expenditure by economic category, 1996-97 to 2001-02

	cash, £million				resources, £ million	
	1996-97 outturn	1997-98 outturn	1998-99 outturn	1999-00 outturn	2000-01 outturn	2001-02 estimated outturn
Pay	60,837	60,726	63,344	66,173	69,685	75,452
Other current expenditure on goods and services	75,040	77,439	82,690	89,829	98,899	109,756
Subsidies	9,175	8,269	7,871	7,472	8,906	10,641
Current grants to the private sector	108,154	110,307	112,280	116,223	119,380	130,080
Current transfers abroad	5,326	5,318	7,495	7,084	8,286	6,110
Net capital expenditure on assets	12,860	12,421	12,435	11,719	12,025	14,325
Capital grants	4,369	4,119	4,220	4,323	4,620	5,754
Total expenditure on services ⁽¹⁾	275,761	278,599	290,335	302,823	321,801	352,117
Public Sector debt interest	28,434	30,406	29,949	25,649	25,945	22,160
Net public service pensions	4,978	5,352	4,681	5,223	3,188	3,473
Allowance for shortfall	0	0	0	-100	0	-2,000
Other accounting adjustments	8,000	9,235	8,287	10,748	16,146	16,380
Total managed expenditure	317,173	323,592	333,252	344,343	367,080	392,130

(1) For definition see appendix F

Table 3.8 Public sector capital expenditure by spending sector and function⁽¹⁾, 1996-97 to 2003-04

	cash, £million				resources, £ million			
	1996-97 outturn	1997-98 outturn	1998-99 outturn	1999-00 outturn	2000-01 outturn	2001-02 estimated outturn	2002-03 plans	2003-04 plans
Central government own								
Education	172	165	142	284	598	825	1,081	1,293
Health and personal social services	152	79	-95	-12	75	510	307	1,453
Transport	1,809	1,602	1,279	1,215	1,438	2,542	2,812	3,684
Housing	1,157	835	848	932	1,225	1,186	1,232	1,528
Other environmental services	352	314	313	544	333	384	669	604
Law, order and protective services	454	496	508	392	489	936	834	763
Defence	672	892	1,646	1,232	985	856	626	676
International development assistance and other international services	287	324	317	109	343	450	520	537
Trade, industry, energy, employment and training	721	780	1,283	1,355	2,064	1,371	1,528	1,274
Agriculture, fisheries, food and forestry	420	347	262	137	203	347	382	440
Culture, Media and Sport	465	788	1,063	1,485	809	545	1,241	1,428
Social Security	201	72	-224	112	56	337	207	134
Central administration and associated expenditure	424	357	368	375	233	685	671	520
Accounting classification and other adjustments	591	210	-43	-888	-865	581	-1,175	1,403
Total central government own	7,879	7,261	7,668	7,272	7,986	11,555	10,935	15,737
Local authorities								
Education	1,114	1,186	1,369	1,510	1,827	1,852		
Health and personal social services	162	133	114	112	121	145		
Transport	1,308	1,307	1,218	1,183	1,551	1,773		
Housing	1,411	985	1,087	247	576	1,265		
Other environmental services	899	1,073	884	829	971	868		
Law, order and protective services	307	297	311	292	284	412		
Defence	0	0	0	0	0	0		
Trade, industry, energy, employment and training	10	12	10	12	15	15		
Agriculture, fisheries, food and forestry	10	-2	13	11	5	-12		
Culture, Media and Sport	279	327	370	438	464	598		
Social Security	0	0	0	0	0	0		
Central administration and associated expenditure	123	102	124	96	89	-17		
Accounting adjustments	-361	435	852	966	-21	1,524		
Total local authorities	5,262	5,856	6,354	5,696	5,882	8,423		
Public corporations								
Education								
Health and personal social services	1,418	1,232	1,304	1,252	1,527	1,942	2,730	2,097
Transport	1,032	863	635	528	24	32	21	27
Housing	306	224	220	235	-20	-68	-67	-64
Other environmental services	453	475	392	207	826	559	656	626
Law, order and protective services	0	0	0	5	1	13	11	12
Defence	106	140	113	123	66	93	143	99
International development assistance and other international services	24	20	24	1	25	18	30	31
Trade, industry, energy, employment and training	530	582	618	612	598	616	518	641
Agriculture, fisheries, food and forestry	185	216	243	338	471	467	522	525
Culture, Media and Sport	143	225	186	197	157	192	154	157
Social security	0	0	0	0	0	0	0	0
Central administration and associated expenditure	310	374	434	448	657	277	489	398
Accounting adjustments	124	-144	337	546	129	638	1,104	1,233
Total public corporations	4,630	4,208	4,506	4,492	4,461	4,779	6,311	5,782

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

3. TRENDS IN PUBLIC SECTOR EXPENDITURE

Table 3.9 General Government receipts from sales of assets⁽¹⁾, 1996-97 to 2003-04

	cash, £million				resources, £ million			
	1996-97 outturn	1997-98 outturn	1998-99 outturn	1999-00 outturn	2000-01 outturn	2001-02 estimated outturn	2002-03 plans	2003-04 plans
Sales of fixed assets								
Department of Social Security: PRIME and Newcastle estate	-	71	350	-	-	-	-	-
Ministry of Defence: sale of married quarters	962	700	-	-	-	-	-	-
Other Central Government	893	837	986	1,052	1,370	773	1,000	1,000
Local Authorities	2,536	2,507	2,822	3,652	3,589	4,324	2,750	2,750
Total sales of fixed assets	4,390	4,115	4,158	4,704	4,959	5,097	3,750	3,750
<i>of which:</i>								
<i>receipts from sales of land and existing buildings</i>								
Central Government	1,639	1,372	1,061	795	1,159	648	-	-
Local Authorities	2,518	2,489	2,802	3,642	3,578	4,323	-	-
<i>Memo Line:</i>								
<i>Receipts from the sales of equity and debt in privatised companies (net of costs)</i>	2,954	799	90	439	1	-7		

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

4. CENTRAL GOVERNMENT OWN EXPENDITURE

INTRODUCTION

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

4.2 All the analyses of central government's own expenditure in this section offer further breakdowns of the figures given for central government's own expenditure in the sectoral spending Table 1.14.

4.3 Data in Tables 4.1 to 4.4 are on a resource basis. Outturn in Table 4.5 is part cash and part resources. Outturn from 1996-97 to 1999-2000 is cash; outturn for 2000-01, estimated outturn for 2001-02 and plans for 2002-03 and 2003-04 are resources. For a discussion of the implications of this data approach, see the box in Chapter 3, "Cash and Resources". All outturn data (to 2000-01) in this chapter are National Statistics.

CENTRAL GOVERNMENT OWN EXPENDITURE BY DEPARTMENT

4.4 Table 4.1 gives a departmental breakdown of central government's own expenditure, actual and planned, for the period 1998-99 to 2003-04. Expenditure falling in DEL is shown separately from expenditure falling in Departmental AME. In a number of areas, for example education, transport, and law and order, a relatively large proportion of expenditure is carried out by local authorities, with only a relatively small proportion spent directly by central government – some of which will be recorded under Scotland, Wales or Northern Ireland. Partly as a result, social security, health and defence together account for some two thirds of total central government own spending. Other AME includes locally financed expenditure which is classified as central government spending (see para 1.15).

CENTRAL GOVERNMENT OWN CURRENT AND CAPITAL EXPENDITURE BY DEPARTMENT

4.5 Tables 4.2 and 4.3 show, for 1998-99 through to 2003-04, central government expenditure, actual and planned, for each department, separated between current/resource and capital expenditure. Departmental totals for resource expenditure within Departmental AME include non-cash items. These are deducted in the accounting adjustments to get to a measure of total current expenditure that is consistent with national accounts.

CENTRAL GOVERNMENT EXPENDITURE BY ECONOMIC CATEGORY

4.6 Table 4.4 shows central government departmental expenditure by economic category. (For an explanation of these categories, see para 3.12). As compared to Table 3.7, which is on a national accounts basis, this table breaks down spending by budgets, as well as

by economic category, and as a consequence shows non-cash items – depreciation, cost of capital charges, provisions – in Resource AME. The items are not included in total central government expenditure and are subsequently removed in the accounting adjustments in this table.

4.7 The largest elements in DEL are spending on pay (mainly the Armed Forces and the National Health Service) and other current expenditure on goods and services. Most NHS employees are employed by NHS trusts, which are public corporations, and their pay is not included in the pay totals here. Health authorities' purchase of health care from providers (mostly from NHS Trusts but also from hospitals managed by health authorities under contracts) is classified as other current expenditure on goods and services. In the case of contracts with NHS Trusts, it is the payments for the goods and services provided, rather than the trusts' actual expenditure, that is recorded in central government's own expenditure.

CENTRAL GOVERNMENT OWN EXPENDITURE BY FUNCTION

4.8 Table 4.5 shows central government own expenditure by function. This allocates to the appropriate function the expenditure for which the devolved administrations in Scotland, Wales and Northern Ireland are responsible. As with the similar analyses of total public spending in Chapter 3, the key concept in this table is total expenditure on services (see para 3.8 and Appendix F). Because expenditure by local authorities is excluded, it is possible to include figures for the future plans years here as well as data for the past.

4. CENTRAL GOVERNMENT OWN EXPENDITURE

Table 4.1 Central government own expenditure by department, 1998-99 to 2003-04

	resources, £ million					
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
	outturn	outturn	outturn	estimated outturn	plans	plans
Within DEL⁽¹⁾						
Education and Skills	9,567	10,960	12,211	14,254	16,240	17,604
Health	37,950	39,960	43,921	49,009	52,603	58,831
Transport and Regions	5,285	6,354	5,759	7,189	8,674	9,894
Local Government	211	240	234	265	242	240
Home Office	3,059	3,264	4,454	6,185	6,001	5,892
Lord Chancellor's Departments	2,439	1,905	2,331	2,605	2,531	2,549
Attorney General's Departments	338	335	376	443	442	455
Defence	23,719	24,074	24,830	24,533	24,543	24,837
Foreign and Commonwealth Office	1,040	1,116	1,287	1,395	1,435	1,292
International Development	2,238	2,547	2,663	3,119	3,340	3,560
Trade and Industry	2,971	3,028	3,376	4,552	4,453	4,359
Environment, Food and Rural Affairs	1,545	1,816	1,872	2,898	2,165	2,233
Culture, Media and Sport	880	917	889	992	1,143	1,146
Work and Pensions	4,390	4,719	4,889	6,091	6,540	7,074
Scotland	8,490	8,847	9,661	10,824	11,735	12,551
Wales	3,580	3,798	4,305	4,856	5,576	6,142
Northern Ireland Executive	4,233	4,441	4,792	5,514	5,894	6,226
Northern Ireland Office	986	982	952	1,125	1,152	1,031
Chancellor's Departments	3,280	3,472	3,376	4,160	4,280	4,292
Cabinet Office	1,277	1,481	1,411	1,661	1,579	1,651
Welfare to Work	275	513	641			
Allowance for shortfall				-2,013		
Total central government own expenditure within DEL⁽¹⁾	117,753	124,769	134,232	149,654	160,568	171,949
Within Departmental AME						
Education and Skills	1,596	1,659	1,661	1,757	1,863	2,119
Health	1,693	1,153	752	1,533	1,155	1,074
Transport and Regions	3,668	3,827	3,355	4,619	4,674	4,880
Home Office	777	722	437	506	544	562
Lord Chancellor's Departments	-3	196	88	71	89	82
Attorney General's Departments	4	6	7	17	16	18
Defence	13,409	13,763	16,602	15,358	15,352	15,854
Foreign and Commonwealth Office	140	118	320	173	181	193
International Development	317	592	713	518	548	661
Trade and Industry	-30	2,416	4,566	467	950	748
Environment, Food and Rural Affairs	2,789	2,578	4,219	2,622	2,343	2,374
Culture, Media and Sport	1,641	1,718	1,668	1,486	2,119	2,213
Work and Pensions	79,525	84,355	85,934	91,466	94,783	98,862
Scotland	1,559	1,546	1,764	1,864	1,961	2,080
Wales	509	518	475	896	941	957
Northern Ireland Executive	3,490	3,591	5,070	5,508	5,718	6,197
Northern Ireland Office	-34	87	-57	100	86	117
Chancellor's Departments	168	297	307	464	419	501
Cabinet Office	1,260	1,519	1,303	1,252	1,518	1,602
Total central government own expenditure within Departmental AME	112,479	120,662	129,184	130,680	135,262	141,097
Locally financed support in Northern Ireland	97	111	129	137	141	146
Net payments to EC institutions	3,590	2,807	3,696	776	2,163	2,364
Central government debt interest	29,512	24,927	25,945	22,160	21,132	23,192
Accounting and other adjustments ⁽¹⁾	-16,626	-19,570	-22,124	-14,969	-12,800	-4,800
Total central government own expenditure⁽¹⁾	246,805	253,706	271,062	288,439	306,500	333,900

(1) See footnote 1 to Table 1.14.

4. CENTRAL GOVERNMENT OWN EXPENDITURE

Table 4.2 Central government own current expenditure by department, 1998-99 to 2003-04

	resources, £ million					
	1998-99 outturn	1999-00 outturn	2000-01 outturn	2001-02 estimated outturn	2002-03 plans	2003-04 plans
Within Resource Budget DEL						
Education and Skills	9,380	10,717	11,819	13,692	15,378	16,521
Health	38,293	40,028	43,848	48,577	52,379	57,489
Transport and Regions	3,001	3,262	3,253	3,431	4,195	4,060
Local Government	210	239	234	264	242	240
Home Office	2,747	2,967	4,112	5,487	5,340	5,296
Lord Chancellor's Departments	2,396	1,894	2,303	2,553	2,506	2,517
Attorney General's Departments	334	332	362	421	427	440
Defence	17,729	18,201	19,156	18,940	18,888	18,945
Foreign and Commonwealth Office	954	1,028	1,182	1,278	1,320	1,159
International Development	2,012	2,276	2,425	2,791	2,948	3,161
Trade and Industry	2,724	2,841	3,040	3,911	3,634	3,298
Environment, Food and Rural Affairs	1,319	1,529	1,621	2,506	1,728	1,808
Culture, Media and Sport	777	848	874	950	1,065	1,083
Work and Pensions	4,695	4,673	4,840	5,871	6,421	7,031
Scotland	7,777	8,173	8,621	9,920	10,721	11,633
Wales	3,392	3,706	4,018	4,644	5,272	5,791
Northern Ireland Executive	3,816	4,042	4,304	4,916	5,330	5,375
Northern Ireland Office	964	956	916	1,057	1,092	984
Chancellor's Departments	3,172	3,331	3,528	3,908	4,037	4,045
Cabinet Office	1,045	1,277	1,198	1,422	1,408	1,462
Welfare for Work	268	492	635			
Allowance for shortfall				-2,013		
Total within Resource Budget DEL	107,005	112,811	122,488	134,527	144,329	152,338
Within Resource Departmental AME						
Education and Skills	1,595	1,656	1,660	1,756	1,861	2,118
Health	1,693	1,153	752	1,533	1,155	1,074
Transport and Regions	3,668	3,827	3,355	4,619	4,674	4,880
Home Office	777	722	437	506	544	562
Lord Chancellor's Departments	-3	196	88	71	89	82
Attorney General's Departments	4	6	7	17	16	18
Defence	13,409	13,763	16,602	15,358	15,352	15,854
Foreign and Commonwealth Office	140	118	320	167	175	188
International Development	317	592	713	518	548	661
Trade and Industry	196	1,497	3,306	331	650	964
Environment, Food and Rural Affairs	2,780	2,576	4,217	2,620	2,341	2,373
Culture, Media and Sport	677	378	905	1,061	1,032	906
Work and Pensions	79,525	84,325	85,912	91,391	94,707	99,780
Scotland	1,559	1,546	1,764	1,864	1,961	2,080
Wales	509	518	475	896	941	957
Northern Ireland Executive	3,489	3,590	5,069	5,507	5,717	6,196
Northern Ireland Office	-34	87	-57	100	86	117
Chancellor's Departments	168	298	307	464	419	501
Cabinet Office	1,260	1,519	1,303	1,252	1,518	1,602
Total within Resource Departmental AME	111,730	118,368	127,135	130,036	133,790	139,914
Total central government own current expenditure within Resource Budgets	218,735	231,179	249,624	264,563	278,119	292,252
Locally financed support in Northern Ireland	97	111	129	137	141	146
Net payments to EC institutions	3,590	2,807	3,696	776	2,163	2,364
Central government debt interest	29,512	24,927	25,945	22,160	21,132	23,192
Accounting and other adjustments	-16,587	-16,533	-20,926	-15,670	-11,900	-5,800
Classification changes to national accounts	3,790	3,943	4,833	4,917	5,853	6,082
Total central government own current expenditure	239,137	246,435	263,301	276,884	295,500	318,200

4. CENTRAL GOVERNMENT OWN EXPENDITURE

Table 4.3 Central government own capital expenditure by department, 1998-99 to 2003-04

	resources, £ million					
	1998-99 outturn	1999-00 outturn	2000-01 outturn	2001-02 estimated outturn	2002-03 plans	2003-04 plans
Within Capital Budget DEL⁽¹⁾						
Education and Skills	187	243	392	562	862	1,083
Health	-343	-68	73	431	224	1,343
Transport and Regions	2,284	3,092	2,507	3,758	4,479	5,924
Local Government	1	0	0	0	1	1
Home Office	312	297	342	698	662	596
Lord Chancellor's Departments	43	11	28	53	25	32
Attorney General's Departments	5	4	14	22	16	15
Defence	5,989	5,873	5,674	5,592	5,655	5,892
Foreign and Commonwealth Office	86	88	105	117	115	132
International Development	226	271	238	328	391	399
Trade and Industry	247	187	337	641	819	1,061
Environment, Food and Rural Affairs	226	287	251	391	437	425
Culture, Media and Sport	103	69	15	42	78	63
Work and Pensions	-305	45	49	220	120	43
Scotland	713	674	840	904	1,014	918
Wales	188	93	287	212	305	351
Northern Ireland Executive	418	400	488	598	564	851
Northern Ireland Office	23	26	36	68	60	46
Chancellor's Departments	108	141	-152	251	243	247
Cabinet Office	232	204	213	239	171	190
Welfare to Work	7	21	6			
Total within Capital Budget DEL	10,748	11,958	11,743	15,127	16,240	19,611
Within Capital Departmental AME						
Education and Skills	1	3	1	1	1	1
Foreign and Commonwealth Office				5	5	5
Trade and Industry	-226	919	1,260	136	300	-216
Environment, Food and Rural Affairs	9	2	1	1	1	1
Culture, Media and Sport	964	1,339	763	425	1,087	1,307
Work and Pensions		29	22	75	76	83
Northern Ireland Executive	1	1	1	1	1	1
Chancellor's Departments		0	0			
Total within Capital Departmental AME	749	2,294	2,049	644	1,472	1,183
Total central government own capital expenditure within Capital Budgets	11,497	14,252	13,792	15,771	17,712	20,794
Accounting and other adjustments	-39	-3,037	-1,198	701	-900	1,000
Classification changes to national accounts	-3,790	-3,943	-4,833	-4,917	-5,853	-6,082
Total central government own capital expenditure	7,668	7,272	7,761	11,555	10,900	15,700

4. CENTRAL GOVERNMENT OWN EXPENDITURE

**Table 4.4 Central Government own expenditure by economic category
1998-99 to 2003-04**

	resources, £ million					
	1998-99 outturn	1999-2000 outturn	2000-01 outturn	2001-02 estimated outturn	2002-03 plans	2003-04 plans
Within Resource Budget DEL⁽¹⁾:						
Pay	20,703	23,253	24,178	26,305	27,390	27,496
Other current expenditure on goods and services	67,520	67,895	74,424	82,065	85,810	91,680
Subsidies	2,827	2,920	3,171	3,797	3,815	3,738
Current grants to the private sector	14,045	15,994	17,895	20,765	22,282	23,394
Current transfers abroad	2,422	2,921	3,166	3,832	3,915	3,880
Other current expenditure	-510	-172	-345	-223	1,116	2,149
Allowance for Shortfall				-2,013		
Total within Resource Budget DEL⁽¹⁾	107,005	112,811	122,489	134,527	144,329	152,338
Within Resource Departmental AME:						
Pay	163	161	152	414	114	103
Other current expenditure on goods and services	451	451	-33	140	42	112
Subsidies	4,900	4,606	4,193	5,439	3,667	3,612
Current grants to the private sector	83,149	87,632	89,980	95,596	98,822	102,817
Current transfers abroad	1,208	1,332	1,423	1,502	1,588	1,662
Depreciation	7,345	7,619	9,647	9,696	9,986	10,722
Cost of capital charges	10,126	10,379	11,296	12,644	12,932	13,602
Provisions and other charges	815	2,604	6,397	-519	1,618	1,875
Other current expenditure	3,573	3,586	4,080	5,125	5,020	5,411
Total within Resource Departmental AME	111,730	118,368	127,135	130,036	133,790	139,914
Total within Resource Budgets	218,735	231,179	249,624	264,563	278,119	292,252
Current grants to the private sector	97	111	129	137	141	146
Current transfers abroad	3,590	2,807	3,696	776	2,162	2,364
Interest payments	29,512	24,927	25,945	22,160	21,132	23,192
Accounting and other adjustments ⁽¹⁾	-16,587	-16,533	-20,926	-15,670	-11,876	-5,827
Classification changes to national accounts	3,790	3,943	4,833	4,917	5,853	6,082
Total Central Government own current expenditure	239,137	246,435	263,301	276,884	295,531	318,209
Within Capital Budget DEL⁽¹⁾:						
Net capital expenditure on assets	7,795	8,165	7,929	9,586	9,955	10,485
Capital grants	2,830	3,259	3,280	4,554	4,965	7,106
Net lending and other financial transactions	123	163	159	397	427	542
Other Capital expenditure		372	376	589	893	1,478
Total within Capital Budget DEL⁽¹⁾	10,748	11,958	11,743	15,127	16,240	19,611
Within Capital Departmental AME:						
Net capital expenditure on assets	377	468	164	18	18	18
Capital grants	599	878	602	416	1,078	1,298
Net lending and other financial transactions	-226	949	1,283	211	376	-134
Total within Capital Departmental AME	749	2,294	2,049	644	1,472	1,183
Total within Capital Budgets	11,497	14,252	13,792	15,771	17,712	20,794
Accounting and other adjustments ⁽¹⁾	-39	-3,037	-1,198	701	-900	1,000
Classification changes to national accounts	-3,790	-3,943	-4,833	-4,917	-5,853	-6,082
Total Central Government own capital expenditure	7,668	7,272	7,761	11,555	10,935	15,736
Total Central Government own expenditure	246,805	253,706	271,062	288,439	306,500	334,000

(1) See footnote (1) to Table 1.14.

4. CENTRAL GOVERNMENT OWN EXPENDITURE

Table 4.5 Central government own expenditure by function, 1996-97 to 2003-04

	cash £million					resources £ million		
	1996-97 outturn	1997-98 outturn	1998-99 outturn	1999-00 outturn	2000-01 outturn	2001-02 estimated outturn	2002-03 plans	2003-04 plans
Education								
Under fives	10	637	135	127	59	126	487	542
Schools	1,161	1,368	1,383	1,445	1,568	1,777	1,851	1,885
Further Education	3,577	3,587	3,661	4,030	4,358	6,654	7,158	8,728
Higher Education	4,659	4,726	4,746	5,318	6,011	6,564	6,976	7,270
Student support (including mandatory awards & access fund)	524	557	629	1,176	1,478	1,692	1,854	1,937
Miscellaneous educational services, research and administration	968	991	980	1,108	900	1,393	1,681	1,735
Total education	10,899	11,866	11,534	13,204	14,374	18,206	20,007	21,197
Health and personal social services								
National Health Service	39,459	41,395	43,897	47,612	51,177	57,091	61,119	68,044
Central health and other services	935	903	858	968	987	1,130	1,087	1,147
Total health	40,394	42,298	44,755	48,580	52,164	58,221	62,206	69,191
Personal social services	433	466	467	529	604	793	927	1,013
Adjustments to TME	1,276	1,498	1,536	1,606	1,529	1,417	1,550	1,707
Total health and personal social services	42,103	44,263	46,758	50,715	54,297	60,431	64,683	71,911
Transport								
National roads	2,161	1,986	1,837	1,892	1,956	2,171	2,242	2,337
Local roads	0	0	0	1	13	13	7	7
Local transport	224	222	307	332	332	322	346	357
Ports	11	5	1	1	1	12	10	4
Marine, coastguard, shipping and civil aviation services	-2	1	28	31	55	112	22	23
Driver and vehicle licensing and testing	152	151	75	115	128	134	157	163
National and International rail services	1,929	1,532	1,393	1,141	978	1,671	2,723	3,546
UK Maritime Agency	89	83	84	90	95	99	106	106
Other transport services	139	223	159	276	178	238	328	388
Total transport	4,703	4,203	3,884	3,879	3,736	4,772	5,941	6,931
Housing								
Social housing	1,045	729	745	831	1,153	1,636	1,412	1,802
Other	1,119	1,062	855	799	864	1,401	1,470	1,427
Total housing	2,164	1,791	1,600	1,630	2,017	3,037	2,882	3,229
Other environmental services								
Environmental protection	382	382	376	365	890	862	951	987
Countryside and water	-62	-71	-72	278	480	780	948	1,076
Urban	122	103	93	61	21	105	378	415
Other	860	787	823	703	898	1,047	1,308	1,384
Total other environmental services	1,301	1,201	1,220	1,407	2,289	2,794	3,585	3,862
Law, order and protective services								
Administration of justice	2,695	2,717	2,731	2,989	3,377	3,937	3,993	3,951
Prisons and offender programmes	1,925	2,055	2,249	2,244	2,146	2,968	3,030	3,223
Police	849	925	895	849	1,044	1,799	2,063	1,657
Immigration and citizenship	223	252	212	797	1,398	1,631	1,001	1,050
Fire	56	55	58	62	23	35	35	36
Civil defence	28	27	24	3	4	5	5	5
Constitutional and community services	50	52	56	187	75	99	102	124
Central and miscellaneous services	432	429	460	507	606	703	666	673
Total law, order and protective services	6,258	6,512	6,685	7,638	8,673	11,177	10,895	10,719

4. CENTRAL GOVERNMENT OWN EXPENDITURE

Table 4.5 Central government own expenditure by function, 1996-97 to 2004-05 (continued)

	cash £ million					resources £ million		
	1996-97 outturn	1997-98 outturn	1998-99 outturn	1999-00 outturn	2000-01 outturn	2001-02 estimated outturn	2002-03 plans	2003-04 plans
Defence								
Defence budget	22,143	21,471	22,493	22,594	24,825	24,053	24,137	24,832
Receipts for sale of married quarters	-962	-700	0	0	0	0	0	0
Total defence	21,181	20,771	22,493	22,594	24,825	24,053	24,137	24,832
International development assistance and other international services								
International development assistance	1,866	1,770	2,039	2,275	2,441	2,806	2,928	3,132
Other international services	1,063	1,078	1,102	1,154	1,283	1,918	1,900	1,368
Total international development assistance and other services	2,929	2,848	3,141	3,429	3,724	4,724	4,828	4,500
Trade industry, energy, employment and training								
Regional and other industrial support	1,103	1,199	1,254	1,136	1,391	1,952	1,937	1,909
Trade, scientific and technological support	2,029	2,090	2,298	2,233	2,441	2,945	3,100	3,296
Support for aerospace, shipbuilding, coal, steel	290	111	21	211	224	516	178	-244
Employment	1,966	1,803	2,068	2,426	2,899	3,741	3,478	3,900
Training	1,774	1,691	1,512	1,626	1,765	381	394	340
Departmental administration and other services	273	282	266	296	363	552	463	460
Total trade, industry, energy, employment and training	7,435	7,175	7,419	7,928	9,083	10,087	9,550	9,661
Agriculture, fisheries, food and forestry								
Market support under CAP	2,984	2,531	2,802	2,582	2,528	3,122	2,459	2,525
Other agriculture, fisheries and food	1,500	1,381	1,390	1,346	1,542	3,711	1,842	1,931
Forestry	87	90	91	104	88	111	126	139
BSE	1,144	849	447	332	325	377	377	370
Total agriculture, fisheries, food and forestry	5,716	4,851	4,730	4,364	4,483	7,321	4,804	4,965
Culture, Media and Sport								
Museums and galleries	274	272	268	290	287	354	379	387
Other arts and heritage	483	493	482	516	478	546	633	643
Libraries	150	141	124	136	115	149	149	152
Films	24	23	22	25	24	24	27	27
Tourism	64	64	65	67	91	165	141	123
Sport and recreation	118	115	116	128	72	107	136	147
Broadcasting	10	12	8	12	12	13	13	13
Administration	36	47	50	49	31	39	43	37
Lottery	388	803	1,488	1,618	1,514	1,303	1,922	1,990
Total Culture, Media and Sport	1,547	1,970	2,623	2,841	2,624	2,700	3,443	3,519

4. CENTRAL GOVERNMENT OWN EXPENDITURE

Table 4.5 Central government own expenditure by function, 1996-97 to 2004-05 (continued)

	cash £ million					resources £ million		
	1996-97 outturn	1997-98 outturn	1998-99 outturn	1999-00 outturn	2000-01 outturn	2001-02 estimated outturn	2002-03 plans	2003-04 plans
Social Security								
Pension benefits	32,883	34,483	36,552	38,731	40,187	43,621	45,893	48,048
Widows' benefits	1,017	1,021	1,008	1,023	1,019	1,142	1,183	1,101
Unemployment, incapacity and other benefits	8,723	7,804	7,636	7,304	7,032	7,193	8,869	8,867
Industrial injury benefits	765	768	783	785	779	797	759	695
Family benefits	9,754	10,022	10,430	11,013	9,619	9,822	10,001	10,464
War pensions	1,351	1,288	1,264	1,256	1,411	1,240	1,187	1,148
Disability benefits	9,214	9,942	10,547	11,148	11,688	12,597	13,237	13,911
Income support	17,295	16,720	16,215	16,765	18,194	19,159	19,305	20,308
Social Fund	159	117	116	117	120	174	228	241
Housing benefits	309	618	602	449	406	393	382	378
Administration and miscellaneous services	3,307	3,102	2,866	3,121	3,335	3,726	3,663	3,708
Total social security	84,777	85,885	88,019	91,712	93,790	99,864	104,707	108,869
Central administration and associated expenditure								
Public and common services	4,907	4,633	5,082	5,546	5,690	7,456	7,855	8,168
EC Net Payments	1,802	2,153	3,590	2,806	3,753	904	2,162	2,364
Total Central administration and associated expenditure	6,709	6,786	8,672	8,352	9,443	8,360	10,017	10,532
Total expenditure on services⁽¹⁾	197,721	200,121	208,778	219,693	233,358	258,326	270,379	285,627
Central government debt interest	27,987	29,968	29,512	25,297	25,945	22,160	21,132	23,192
Net Public Service pensions	4,978	5,352	4,681	5,223	5,016	5,125	5,020	5,411
Other adjustments	5,199	5,824	3,834	3,493	6,743	2,827	9,900	19,700
Total Central Government own expenditure	235,885	241,265	246,805	253,706	271,062	288,439	306,500	333,900

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

5. CENTRAL GOVERNMENT ADMINISTRATION AND STAFFING

INTRODUCTION

5.1 This chapter sets out some details of expenditure by central government departments subject to Treasury controls on administration costs, and on civil service staffing levels in all central government departments and the devolved administrations. The data on administration costs is on a resource basis and starts in 1998-99, with plans going through to 2003-04. The data on staffing levels covers a period of eight years, starting in 1996-97, with projections going through to 2003-04.

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

GROSS ADMINISTRATIVE EXPENDITURE

5.3 The primary aim of administration costs control is to promote economical and efficient administration and service delivery in central government. Administration costs cover departments' current expenditure on staff, accommodation and other services used in the administration of central government. It also covers the direct delivery of services by departments and their agencies where these are carried out by civil servants; for example, prison officers, HM Coastguards and personal advisers helping people into work all fall within administration costs. Expenditure is controlled during the year through accruals-based administration costs limits, which are notified to Parliament in the Supply Estimates. These limits are largely set on a gross basis, though for certain executive agencies, operating in areas where expenditure and receipts vary in line with demand, net control limits may be set. Administration costs control limits for 2002-03 will be announced in the 2002-03 Supplementary Budgetary Information (Cm5510).

5.4 Table 5.1 shows gross administrative expenditure from 1998-99 to 2003-04 for all central government departments for which administration cost controls are operated. There are no numbers for the Ministry of Defence, which is not subject to the administration cost controls operated on civil departments, nor for the devolved administrations, which operate their own controls. Administrative expenditure is measured after eliminating double counting and offsetting VAT refunds on eligible contracted out services. The table compares plans for 2002-03 and 2003-04 with outturn for 1998-99 through to 2000-01, and with the estimated outturn for 2001-02. Recent years' outturn have, on average, been overestimated by about 2.5 per cent. On this basis, outturn in 2001-02 will be over £400 million below the published number.

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

CIVIL SERVICE STAFFING

5.6 Table 5.2 provides a summary of Civil Service staffing by department, starting in 1996-97, with estimates for 2001-02 and plans for 2002-03 through to 2003-04. The figures comprise all permanent staff and exclude temporary and casual staff. Numbers are measured in terms of "full-time equivalent" staff, with part-time staff recorded according to the proportion of a full week for which they are contracted to work.

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

5. CENTRAL GOVERNMENT ADMINISTRATION AND STAFFING

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

	resources, £ million					
	1998-99 outturn	1999-00 outturn	2000-01 estimated outturn	2001-02 plans	2002-03 plans	2003-04 plans
Departmental Expenditure Limits						
Education	237	244	224	253	247	247
Health ⁽⁴⁾	287	289	396	424	423	431
Transport and Regions	799	857	920	920	962	983
Home office	2,211	2,138	2,506	2,858	2,904	3,045
Lord Chancellor's Departments	526	535	635	713	696	709
Attorney General's Department	256	249	280	334	317	327
Foreign and Commonwealth Office	580	559	630	679	678	689
International Development	59	70	72	77	77	80
Trade and Industry ⁽⁵⁾	427	503	565	559	569	546
Environment, Food and Rural Affairs	524	489	498	742	492	552
Culture, Media and Sport	30	34	31	35	35	34
Work and Pensions	3,735	3,906	4,234	4,898	5,020	5,584
<i>Of which: funded by the Welfare Modernisation Fund</i>					554	655
Scotland	3	3	6	8	7	7
Wales		1	3	3	2	2
Northern Ireland Office	160	170	145	159	152	154
Chancellor's Departments:	3,202	3,375	3,653	3,945	4,104	4,096
<i>Of which</i>						
Inland Revenue	2,058	2,221	2,405	2,488	2,731	2,722
Customs and Excise	790	790	837	951	956	963
Others	354	364	411	507	417	410
Cabinet Office	571	705	633	716	696	727
Departmental totals	13,610	14,128	15,429	17,324	17,381	18,212
<i>Of which estimated IT PFI capital⁽⁶⁾</i>	66	107	131	206	335	440
Total gross expenditure on civil departments' administration costs	13,544	14,021	15,298	17,118	17,046	17,772
<i>Of which administration costs paybill⁽⁷⁾</i>	7,742	8,230	8,617	9,354	9,138	9,243
Ministry of Defence civilian paybill	2,267	2,241	2,263	2,277	2,291	2,294
Total expenditure on civil department' administration costs in AME⁽⁸⁾	1,211	1,224	1,145	1,391	1,547	1,636

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

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

(3) Excludes administration costs of devolved bodies.

(4) From April 2000, Department of Health includes the Food Standards Agency. Total administration costs for the Food Standards Agency are £100 million (2000-01 estimated outturn), £102 million (2001-02 plans), £104 million (2002-03 plans) and £104 million (2003-04 plans).

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

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

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

(8) Depreciation and cost of capital charges on assets related to administration costs and not within the Civil Estate currently fall within administration costs in Annually Managed Expenditure. As part of the full implementation of resource budgeting, these non-cash costs will move from AME into resource DEL (and hence into administration).

5. CENTRAL GOVERNMENT ADMINISTRATION AND STAFFING

Table 5.2 Staff of Home Civil Service Central Government Departments and Devolved Bodies⁽¹⁾, 1996-97 to 2003-04

	thousands (full-time equivalents)							
	1996-97 actual	1997-98 actual	1998-99 actual	1999-00 actual	2000-01 actual	2001-02 estimated	2002-03 plans	2003-04 plans
Department for Education and Skills (including OFSTED) ⁽²⁾	37.4	33.7	34.0	33.0	36.4	6.3	6.1	6.3
Department of Health	4.4	4.2	4.3	4.5	4.8	5.1	4.4	4.4
Food Standards Agency	0.0	0.0	0.0	0.0	1.9	2.0	2.1	2.1
Department of Transport								
Local Government and the Regions (including, ORR, PSA Services, HSE, OFWAT and Ordnance Survey)	18.9	17.6	17.6	19.6	21.0	19.0	19.3	19.4
Home Office (including Charity Commission)	50.4	50.7	50.7	50.4	56.2	60.3	64.0	64.3
Lord Chancellor's and Attorney General's Officers' Departments	18.7	17.6	17.0	17.6	18.0	19.0	19.8	19.9
Ministry of Defence	94.2	89.7	86.8	86.1	84.4	81.1	80.8	80.1
Foreign and Commonwealth Office	5.7	5.5	5.5	5.6	5.5	5.5	5.8	5.8
Department for International Development	1.0	1.0	1.1	1.3	1.2	1.4	1.3	1.3
Department for Trade and Industry (including ACAS, OFT, OFTEL, OFGEM & the Postal Services Commission)	8.5	8.3	8.4	9.0	10.0	9.5	9.8	9.8
Export Credits Guarantee Department	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Department for Environment, food and Rural affairs	10.1	9.3	10.2	10.4	9.4	9.8	10.0	9.9
Intervention Board	0.9	1.1	1.1	1.3	1.2	1.1	0.0	0.0
Department for Culture, Media and Sport ⁽³⁾	1.0	0.6	0.6	0.7	0.6	0.6	0.7	0.7
Department for Work and Pensions ⁽⁵⁾	93.6	91.4	88.6	84.7	83.8	116.6	118.6	111.7
The Scotland Office				0.0	0.1	0.1	0.1	0.1
Scotland ⁽⁵⁾⁽⁶⁾	11.8	12.0	12.2	12.2	13.8	12.7	12.9	12.9
Wales ⁽⁵⁾⁽⁷⁾	2.1	2.1	2.2	2.6	3.1	3.1	3.7	3.7
The Wales Office	0.0	0.0	0.0	0.03	0.04	0.04	0.04	0.04
Northern Ireland Office	4.5	4.4	4.2	3.9	3.4	3.3	3.3	3.3
Northern Ireland ⁽⁵⁾	20.1	19.6	19.6	19.7	21.8	23.7	23.7	23.7
HM Customs and Excise	22.9	23.3	23.1	22.4	21.8	21.9	21.9	21.3
Inland Revenue	55.4	53.8	53.6	62.4	66.7	66.9	71.3	71.5
Chancellor's other departments ⁽⁸⁾	9.8	8.9	8.8	4.7	4.9	4.7	5.0	4.9
Cabinet Office, OPS, COI, and PCO	2.9	2.5	2.5	2.5	2.4	2.3	2.6	2.6
Security and Intelligence Services	8.6	8.3	8.1	8.1	7.7	8.0	8.3	8.4
Trading funds and DSA	33.0	30.7	27.1	27.3	27.1	19.3	19.2	18.9
TOTAL⁽¹⁾	516.5	469.9	487.4	490.4	507.3	503.5	515.1	507.3
<i>of which: Home Civil Service</i>	<i>487.5</i>	<i>468.5</i>	<i>459.4</i>	<i>462.3</i>	<i>478.0</i>	<i>472.2</i>	<i>483.7</i>	<i>476.0</i>

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

(2) The Office of Her Majesty's Chief Inspector of Schools in England conducts business under the name of Office for Standards in Education (OFSTED)

(3) Figures include The Office of the National Lottery (OFLOT) until 31/03/99. From 01/04/99 OFLOT became the National Lottery Commission and moved out of the Civil Service.

(4) From 2001-02 due to change in Machinery of Government staffing data has been changed for DWP, DTLR and DEFRA.

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

(6) Includes Crown Office.

(7) Figures for 99-00 have been calculated on a pro rata basis because the Wales Office was only in existence from July 1999.

(8) Figures from 1999-00 reflect transfer of National Savings operational locations to a Private Sector Partner.

6. LOCAL AUTHORITY EXPENDITURE

INTRODUCTION

6.1 This chapter describes central government support for local authorities from 1996–97 to 2003–04 and local authority expenditure for outturn years. It deals primarily with Great Britain – most equivalent spending in Northern Ireland is central government spending carried out by Northern Ireland departments. Where relevant, district council spending in Northern Ireland is included in certain tables in this section.

6.2 In this chapter all outturn data up to 2000-01 for central government support are on a cash basis. Estimated outturn and plans for central government support are on a resource basis. All outturn data (to 2000-2001) fall under the umbrella of National Statistics.

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

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

6.5 Local authority expenditure accounts for around one quarter of TME. Data for all years up to 1999-2000 are final outturn figures; 2000-01 are provisional outturn and might be subject to revision; 2001-02 are estimates based on local authority budget plans; 2002-03 and 2003-04 are based on the spending plans by central government departments that support local authorities and forecasts of local authority expenditure financed locally.

6.6 Total current and capital spending by local authorities within TME (excludes payments to other parts of the public sector) in 2000-2001 and 2001-02 is estimated to be £91.2 billion and £98.8 billion, respectively. Outturn figures and projections for the later years are set out in **Table 6.1**. **Table 6.6** presents total local authority expenditure by department for the outturn and estimated outturn years: 1996-97 to 2001-02. **Table 6.9** shows total local authority expenditure for those years, broken down by country and economic category.

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

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

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

MAIN LOCAL SERVICES

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

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

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

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

OTHER SPENDING

6.13 This is financed almost wholly by central government through specific grants outside AEF, with little or no impact on local tax levels. The main examples are rent allowances and rebates, and council tax benefit. Table 6.5 shows current specific grants outside AEF by country, for the years 1996–97 to 2003–04. Grants outside of AEF are a mixture of support falling in DEL and Departmental AME.

CAPITAL EXPENDITURE

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

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

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

6.16 Gross capital expenditure, split by country and service from 1996-97 to 2001-02, is shown in Table 6.7. Gross means that it is before sales of capital assets and depreciation. Local authority gross capital spending in the United Kingdom in 2000-01 totalled £9.6 billion with offsetting receipts of £3.6 billion. In 2001-02 gross capital spending rises to £11.4 billion with offsetting receipts of £4.3 billion, giving net capital spending of around £7.1 billion. These estimates take account of the returns from local authorities on capital expenditure. Table 6.8 shows local authority receipts within the United Kingdom, again by country and service. Tables 6.7 and 6.8 use a definition of capital expenditure that is consistent with the national accounts, i.e. excludes financial transactions.

SUPPORT FOR LOCAL AUTHORITY CAPITAL PROGRAMMES

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

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

CHANGES SINCE LAST PESA

6.19 From 2002–03, the National Crime Squad and the National Criminal Intelligence Service are Non-Departmental Public Bodies directly funded by central Government. Previously they were funded principally by a levy on police authorities. From 2002-03, support for sixth forms in schools is paid through the Learning and Skills Council; previously it was funded through Revenue Support Grant (RSG).

6. LOCAL AUTHORITY EXPENDITURE

Table 6.1 Financing of local authority expenditure in the United Kingdom, 1996-97 to 2003-04

	cash, £ million					resource, £ million		
	1996-97 outturn	1997-98 outturn	1998-99 outturn	1999-00 outturn	2000-01 outturn	2001-02 estimated outturn	2002-03 plans	2003-04 plans
Expenditure within DEL								
Current								
Aggregate External Finance within DEL								
England								
Revenue support grant	18,024	18,675	19,506	19,902	19,470	21,122	19,931	} 39,247
Non-domestic rate payments	12,736	12,027	12,524	13,612	15,400	15,137	16,626	
Specific and special grants	5,082	5,354	5,723	5,924	7,245	9,286	11,557	12,116
Total England	35,842	36,050	37,753	39,438	42,115	45,545	48,114	51,363
Scotland								
Revenue support grant	3,665	3,520	3,487	3,537	3,593	3,853	4,227	4,480
Specific and special grants	409	427	439	568	611	620	630	636
Total Scotland	4,074	3,947	3,926	4,105	4,204	4,473	4,857	5,116
Wales								
Revenue support grant	1,792	1,734	1,806	1,892	2,033	2,181	} 2,996	3,105
Non-domestic rate payments	459	584	606	656	657	702		
Specific and special grants	265	260	286	274	281	271	294	306
Total Wales	2,516	2,578	2,698	2,822	2,971	3,154	3,290	3,411
Great Britain								
Revenue support grant	23,482	23,929	24,798	25,331	25,096	27,156	27,154	} 46,832
Non-domestic rate payments	13,195	12,611	13,130	14,268	16,057	15,839	16,626	
Specific and special grants	5,756	6,041	6,448	6,766	8,137	10,177	12,481	13,058
Total AEF Great Britain	42,433	42,581	44,376	46,365	49,290	53,172	56,261	59,890
Other current grants	2,473	2,444	2,334	1,090	1,161	1,172	1,581	1,858
Total current grants within DEL	44,906	45,025	46,710	47,455	50,451	54,344	57,842	61,748
Capital								
Capital grants	1,869	1,807	1,742	1,519	2,307	2,865	3,831	4,657
Credit approvals	3,191	2,968	3,193	3,282	4,131	3,602	4,322	4,841
Total capital support within DEL	5,060	4,775	4,935	4,801	6,438	6,467	8,153	9,498
Total central government support in DEL	49,966	49,800	51,645	52,256	56,889	60,811	65,955	71,246
Central Government support in departmental AME*	11,847	11,763	11,472	11,245	11,379	13,007	13,710	14,368
Locally financed expenditure								
Local authority self financed expenditure	12,177	13,803	15,373	17,059	16,653	17,662	18,797	20,127
Locally financed support in Scotland	1,313	1,326	1,395	1,441	1,663	1,554	1,718	1,646
Total Locally financed expenditure	13,490	15,129	16,768	18,500	18,316	19,216	20,515	21,773
Accounting and other adjustments	1,205	1,369	1,990	4,058	4,634	5,779	5,300	7,400
Total Local Authority expenditure	76,508	78,061	81,875	86,058	91,219	98,812	105,500	114,700

*Includes expenditure financed from the Lottery

Table 6.2 Central government support for local authorities in the United Kingdom by department, 1996–97 to 2003–04

	cash, £ million					resources, £ million		
	1996–97 outturn	1997–98 outturn	1998–99 outturn	1999–00 outturn	2000–01 outturn	2001–02 estimated outturn	2002–03 plans	2003–04 plans
Current within DEL								
Education and Skills	2,353	2,382	2,260	1,375	2,170	3,292	4,801	4,976
Health	611	519	668	603	612	1,443	2,310	2,450
DTLR – Main programmes	256	536	558	373	827	712	884	1,056
DTLR – Local Government and Regional Policy	30,990	30,846	32,165	33,677	35,020	36,653	37,112	39,809
Home Office	3,706	3,823	4,067	4,096	4,279	4,098	4,079	4,347
Legal Departments	260	257	257	261	271	302	243	273
Trade and Industry	12	17	15	10	15	29	40	31
Environment, Food and Rural Affairs	-169	-168	-175	-185	-196	-189	-170	-143
Work and Pensions	276	299	302	329	299	329	375	381
Culture, Media and Sports		8	6	6		2	12	
Cabinet Office	2	2	14	14	14	19	14	14
Scotland ⁽¹⁾	4,224	4,077	4,016	4,193	4,275	4,554	4,952	5,198
Wales ⁽¹⁾	2,326	2,363	2,485	2,616	2,789	3,021	3,108	3,275
Northern Ireland ⁽¹⁾						81	84	83
Total within DEL	44,907	45,028	46,710	47,457	50,452	54,346	57,844	61,749
Current within departmental AME								
DTLR – Main programmes	3,309	3,125	2,825	2,580	2,447	3,355	3,379	3,265
Environment, food and Rural affairs						6	6	6
Culture, Media and Sport	8,204	8,161	8,129	8,194	8,450	8,996	9,719	10,703
Work and pensions								
Wales	189	181	168	171	174	202	198	195
Total current within departmental AME	11,702	11,467	11,122	10,945	11,071	12,559	13,303	14,170
Locally Financed Expenditure in Scotland	1,313	1,326	1,395	1,441	1,473	1,553	1,570	1,590
Total Current	57,922	57,821	59,227	59,843	63,186	68,505	72,806	77,303
Capital within DEL								
Education and Skills	692	751	930	1,058	1,902	1,927	2,302	3,005
Health	132	82	60	61	57	63	97	97
DTLR – Main programmes	2,467	2,279	2,275	2,174	3,109	2,949	3,829	4,373
DTLR – Local Government and Regional Policy	111	305	358	272	55	69	273	323
Home Office	244	217	194	194	197	168	285	230
Legal Departments	33	22	28	29	23	42	56	49
Trade and Industry						7	1	1
Environment, Food and Rural Affairs	77	59	59	55	46	74	98	123
Work and Pensions	4	5	5	5	3	5	6	5
Culture, Media and Sport	8	14	7	4	25	25	25	25
Scotland	734	574	590	521	579	682	668	760
Wales	557	465	425	425	439	455	512	506
Northern Ireland	2	1	1	1				
Total Capital within DEL	5,061	4,774	4,932	4,799	6,435	6,466	8,152	9,497
Capital within AME								
Financing from the National Lottery	132	287	342	292	301	351	333	273
Departmental AME						50	132	185
Total Capital within AME Main programmes	132	287	342	292	301	401	465	458
Total Capital	5,193	5,061	5,274	5,091	6,736	6,867	8,617	9,955
Total	63,115	62,882	64,501	64,934	69,922	75,572	81,423	87,258

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

(2) Includes financial transactions.

6. LOCAL AUTHORITY EXPENDITURE

Table 6.3 Central government capital support for local authorities in the United Kingdom by country and service, 1996-97 to 2003-04

	cash, £ million					resources, £ million		
	1996-97 outturn	1997-98 outturn	1998-99 outturn	1999-00 outturn	2000-01 outturn	2001-02 estimated outturn	2002-03 plans	2003-04 plans
England								
Credit approvals								
Housing	751	666	987	1,024	1,810	684	953	1,142
Transport	469	443	368	470	766	1,187	1,367	1,391
Education	435	404	383	456	546	565	806	1,041
Personal social services	105	69	54	57	55	56	56	56
Fire services	31	29	28	30	33	57	57	59
Environment, Food and Rural Affairs	40	33	33	28	31	34	42	42
Recreation and Sport	7	14	7	4	25	25	25	25
Law and Order	78	69	58	58	58	71	98	79
Other services	235	438	500	432	55	43	8	8
Total Credit Approvals	2,151	2,165	2,418	2,559	3,379	2,722	3,412	3,843
Capital grants								
Housing	331	309	239	226	84	117	228	249
GLA Transport grants					53	109	178	299
Transport	256	211	159	159	34	513	763	949
Education	257	347	548	603	1,356	1,362	1,495	1,963
Personal social services	30	17	8	6	4	11	46	45
Environment, food and Rural affairs	37	27	26	27	15	40	55	80
Law and Order	151	129	126	124	117	130	226	186
Urban and regeneration programmes	536	517	383	136	75	49	27	19
Other services	1	0	0	1	287	298	512	581
Total Capital grants	1,599	1,557	1,489	1,282	2,025	2,594	3,541	4,371
Total England	3,750	3,722	3,907	3,841	5,404	5,316	6,953	8,214
Scotland ⁽¹⁾								
Scotland Executive HRA housing								
Net capital allocations ⁽²⁾	240	183	195	158	161	176	176	176
Capital grants	1	0	0	0	0	4	4	4
Scottish Executive: Other								
Net capital allocations ⁽²⁾	443	332	326	298	350	450	459	539
Capital grants	51	59	69	65	68	52	28	41
Capital Consent allocations ⁽²⁾	1	1	1	1	1	1	1	1
Total Net capital allocations	683	515	521	456	511	626	635	715
Total Capital grants	52	59	69	65	68	56	32	45
Total Scotland	735	574	590	521	579	682	667	760
Wales ⁽¹⁾								
Credit approvals								
National Assembly for Wales	347	281	248	259	233	247	264	274
Other departments ⁽⁴⁾	11	7	5	6	6	7	8	7
Total Credit approvals	358	288	253	265	239	254	272	281
Capital grants								
National Assembly for Wales	210	184	177	166	206	208	248	232
Other departments ⁽⁴⁾	7	6	5	6	6	6	12	10
Total Capital grants	217	190	182	172	212	214	260	242
Total Wales	575	478	435	437	451	468	532	523
Northern Ireland capital grants ⁽¹⁾	2	1	1	1	0	0	0	0
Capital grants from the lottery	132	287	342	292	301	351	333	273
United Kingdom Total	5,062	4,775	4,933	4,800	6,434	6,466	8,152	9,497
of which:								
Credit approvals	3,192	2,968	3,192	3,280	4,129	3,602	4,319	4,839
Capital grants	1,870	1,807	1,741	1,520	2,305	2,864	3,833	4,658

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

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

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

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

6. LOCAL AUTHORITY EXPENDITURE

**Table 6.4 Aggregate External Finance in Great Britain by country and grant
1996-97 to 2003-04**

	cash, £ million					resources, £ million		
	1996-97 outturn	1997-98 outturn	1998-99 outturn	1999-00 outturn	2000-01 outturn	2001-02 estimated outturn	2002-03 outturn	2003-04 outturn
England								
Revenue Support Grant	18,024	18,675	19,506	19,902	19,470	21,122	19,931	} 39,247
NNDR	12,743	12,027	12,524	13,612	15,400	15,137	16,626	
Police	3,183	3,302	3,470	3,518	3,637	3,795	3,788	4,092
Health	611	519	668	603	612	1,316	2,044	2,303
Education	314	397	389	602	1,834	3,272	4,875	5,061
Offenders programme	313	310	310	329	353			
Other	257	423	476	459	374	443	402	222
Magistrates Courts	246	243	244	248	256	286	270	256
Social Security	157	161	165	166	178	174	178	182
Total England	35,841	36,057	37,752	39,439	42,114	45,545	48,114	51,363
Scotland ⁽¹⁾								
Revenue Support Grants	3,665	3,520	3,487	3,537	3,593	3,853	4,227	4,480
NNDR ⁽²⁾	1,313	1,326	1,395	1,441	1,663	1,554	1,718	1,646
Police	296	329	337	357	373	387	404	416
Other	113	98	101	211	238	233	226	219
Total Scotland	5,387	5,273	5,320	5,546	5,867	6,027	6,575	6,761
Wales ⁽¹⁾								
Revenue Support Grants	1,792	1,734	1,804	1,891	2,032	2,181	2,996	3,105
NNDR	459	584	606	656	657	702		
Police	166	171	180	181	186	200	217	226
Other	99	89	108	95	96	71	77	80
Total Wales	2,516	2,578	2,698	2,823	2,971	3,154	3,290	3,411
Total Great Britain	43,744	43,908	45,770	47,808	50,952	54,726	57,979	61,535
<i>Of which: AEF grants within DEL</i>	<i>42,432</i>	<i>42,581</i>	<i>44,376</i>	<i>46,366</i>	<i>49,293</i>	<i>53,172</i>	<i>56,261</i>	<i>59,890</i>

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

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

6. LOCAL AUTHORITY EXPENDITURE

Table 6.5 Current specific grants outside Aggregate External Finance in the United Kingdom by country and grant, 1996–97 to 2003–04

	cash, £million					resources, £ million		
	1996–97 outturn	1997–98 outturn	1998–99 outturn	1999–00 outturn	2000–01 outturn	2001–02 estimated outturn	2002–03 outturn	2003–04 outturn
England								
Mandatory student awards	1,887	1,856	1,837	727	312	132	57	52
Rent rebates	3,397	3,179	2,910	2,657	2,558	3,477	3,516	3,413
Rent allowances	4,904	4,789	4,642	4,704	4,855	5,113	5,376	5,836
Community charge rebates/ Council tax benefits	1,824	1,863	1,893	1,889	1,887	2,109	2,337	2,540
Others	223	240	271	104	350	595	1,023	1,217
GLA transport grant					263	216	296	334
Total England	12,235	11,927	11,553	10,081	10,225	11,642	12,605	13,392
Scotland								
Rent rebates	565	611	628	622	634	622	592	568
Rent allowances	290	291	305	300	349	365	458	530
Community charge rebates/ Council tax benefits	231	260	277	280	278	295	323	353
Others	171	152	114	112	92	109	121	108
Total Scotland	1,257	1,314	1,324	1,314	1,353	1,391	1,494	1,559
Wales								
Mandatory student awards	121	126	34	43	19	7	3	3
Rent allowances	222	213	207	222	229	235	245	273
Community charge rebates/ Council tax benefits	81	87	91	101	108	118	128	139
Others	212	187	183	193	228	303	266	317
Total Wales	636	613	515	559	584	663	642	732
Total Northern Ireland						81	84	83
Northern Ireland current specific grants	60	67	72	89	77	81	84	83
Total United Kingdom	14,188	13,921	13,464	12,043	12,239	13,777	14,825	15,766
<i>Memo: Of which within DEL:</i>								
England	2,099	2,094	2,101	827	919	876	1,307	1,543
Scotland	170	151	113	111	91	108	120	108
Wales	143	131	48	64	73	106	70	124
Northern Ireland	60	67	72	89	77	81	84	83
Total within DEL	2,472	2,443	2,334	1,091	1,160	1,171	1,581	1,858

6. LOCAL AUTHORITY EXPENDITURE

Table 6.6 Local authority current and capital expenditure by department, 1996-97 to 2001-02

	£ million					
	1996-97 outturn	1997-98 outturn	1998-99 outturn	1999-00 outturn	2000-01 outturn	2001-02 estimated outturn
Current						
Education and Skills	20,540	20,472	21,946	22,136	23,637	25,994
Health	7,947	8,458	9,059	10,050	10,699	11,076
DTLR – Main Programmes	6,671	6,705	7,060	7,353	8,141	8,659
Home Office	7,170	7,435	7,637	8,023	8,271	8,384
Legal Departments	326	331	331	334	344	346
Trade and Industry	168	168	161	163	166	174
Environment, Food and Rural Affairs	2,387	2,557	2,701	2,891	3,049	3,216
Culture, Media and Sport	1,477	1,490	1,517	1,618	1,737	1,758
Work and Pensions	11,875	11,700	11,622	11,809	11,916	12,213
Cabinet Office	18	17	16	22	26	26
Scotland	5,756	5,795	5,972	6,908	7,088	7,510
Wales	2,328	2,394	2,626	2,704	2,845	3,116
Northern Ireland	199	207	212	229	242	257
Total current	66,862	67,729	70,860	74,240	78,161	84,729
Capital						
Education and Skills	931	983	1,169	1,289	1,600	1,596
Health	136	107	83	83	93	106
DTLR – Main programmes	2,891	2,517	2,315	1,644	2,298	3,058
Home Office	192	197	189	183	199	261
Legal Departments	29	19	28	28	19	44
Trade and Industry		2		1	1	1
Environment, Food and Rural Affairs	47	76	70	137	133	148
Culture, Media and Sport	264	320	369	426	455	584
Work and Pensions	3	2	2	3	5	5
Scotland	513	656	714	627	747	750
Wales	563	489	510	396	431	548
Northern Ireland	53	53	47	51	54	59
Total capital	5,622	5,421	5,496	4,868	6,035	7,160
Debt Interest ⁽¹⁾	3,568	3,935	3,716	3,740	3,246	3,074
Accounting and other adjustments	456	976	1,803	3,211	3,800	5,900
Total Local Authority Expenditure	76,508	78,061	81,875	86,059	91,200	98,800

(1) Excludes debt interest funded by housing subsidy.

6. LOCAL AUTHORITY EXPENDITURE

Table 6.7 Local authority gross¹ capital expenditure by country and service, 1996-97 to 2001-02

	1996-97	1997-98	1998-99	1999-00	2000-01	£ million 2001-02 estimated outturn
	outturn	outturn	outturn	outturn	outturn	
England						
Housing	2,084	1,992	2,245	2,155	2,482	3,241
Transport	1,176	1,097	1,037	1,028	1,356	1,506
Education	1,047	1,114	1,249	1,389	1,716	1,760
Personal Social Services	191	148	135	128	150	195
Fire services	49	50	56	50	37	60
Environment, Food and Rural Affairs	180	164	174	198	194	276
Sports and Recreation	201	194	217	226	273	331
Law and Order ⁽²⁾	290	272	284	314	314	453
Other Services	670	834	890	1,085	1,104	1,437
Urban and Regeneration	725	604	527	299	341	418
Total England	6,613	6,469	6,814	6,872	7,967	9,677
Scotland						
Housing	429	315	319	398	392	323
Non Housing	559	577	671	624	604	726
Total Scotland	988	892	990	1,022	996	1,049
Wales						
National Assembly for Wales	641	579	590	492	506	596
Other Departments ⁽³⁾	19	21	17	23	20	34
Total Wales	660	600	607	515	526	630
Total Great Britain	8,261	7,961	8,411	8,409	9,489	11,356
Total Northern Ireland	61	65	70	76	81	85
Total United Kingdom	8,322	8,026	8,481	8,485	9,570	11,441

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

(2) Magistrates and Coroners courts, Offenders Programmes and Police.

(3) Includes expenditure on services related to DTLR, Home Office and Lord's Chancellors' Department, outside the responsibility of the devolved administration

Table 6.8 Local authority capital receipts by country and service, 1996-97 to 2001-2002

	£ million					
	1996-97 outturn	1997-98 outturn	1998-99 outturn	1999-00 outturn	2000-01 outturn	2001-02 estimated outturn
England						
Housing	1,049	1,289	1,462	2,134	2,320	2,355
Transport	49	13	24	103	89	96
Education	120	133	82	102	119	168
Personal social services	57	43	53	50	63	94
Fire services	5	9	3	5	8	7
Environment, Food and Rural Affairs	133	88	105	63	64	130
Sport and recreation	9	13	10	8	12	15
Law and Order	82	71	77	120	108	176
Other services	476	522	639	643	550	1,026
Total England	1,980	2,181	2,455	3,228	3,333	4,067
Scotland						
Scottish Executive						
Non Housing	318	163	212	84	82	110
Housing	159	68	60	219	68	67
Total Scotland	477	231	272	303	150	177
Wales						
National Assembly for Wales						
Welsh Office	68	81	75	100	84	61
Other departments	4	4	5	4	5	2
Total Wales	72	85	80	104	89	63
Total Great Britain	2,529	2,497	2,807	3,635	3,572	4,307
Total Northern Ireland	7	11	23	25	27	27
Total United Kingdom	2,536	2,508	2,830	3,660	3,599	4,334

6. LOCAL AUTHORITY EXPENDITURE

Table 6.9 Local authority expenditure by country and economic category, 1996-97 to 2001-02

	£ million					
	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02
	outturn	outturn	outturn	outturn	outturn	estimated outturn
England						
Pay	31,602	32,028	33,968	36,137	38,417	41,323
Other current expenditure on goods and services	12,208	12,615	13,692	14,674	15,955	16,602
Subsidies	520	632	623	582	838	849
Current grants to persons	12,169	11,897	11,629	10,796	10,514	10,777
Net capital expenditure on assets	3,533	3,362	3,421	2,879	3,738	4,510
Capital grants	1,098	927	939	767	897	1,100
Lending and other financial transactions	-153	-83	-148	127	152	160
Total England	60,977	61,378	64,124	65,962	70,511	75,321
Scotland						
Pay	3,913	3,991	4,117	4,349	4,497	4,789
Other current expenditure on goods and services	1,709	1,677	1,730	2,572	2,611	2,738
Subsidies	104	85	87	56	59	64
Current grants to persons	1,006	1,072	1,106	1,035	1,060	1,075
Net capital expenditure on assets	438	599	662	656	786	807
Capital grants	74	62	56	63	61	64
Lending and other financial transactions	2	-5	-4	-92	-100	-121
Total Scotland	7,246	7,481	7,754	8,639	8,974	9,416
Wales						
Pay	1,994	2,097	2,256	2,076	2,195	2,355
Other current expenditure on goods and services	760	762	838	1,182	1,240	1,359
Subsidies						
Current grants to persons	678	666	602	552	539	543
Net capital expenditure on assets	403	339	326	283	341	453
Capital grants	185	175	202	128	97	114
Lending and other financial transactions	-10	-8	-6	4	9	13
Total Wales	4,010	4,031	4,218	4,225	4,414	4,833
Great Britain						
Pay	37,509	38,116	40,341	42,562	45,102	48,463
Other current expenditure on goods and services	14,677	15,054	16,260	18,428	19,806	20,699
Subsidies	624	717	710	638	897	913
Current grants to persons	13,853	13,635	13,337	12,383	12,113	12,395
Net capital expenditure on assets	4,374	4,300	4,409	3,818	4,865	5,770
Capital grants	1,357	1,164	1,197	958	1,055	1,278
Lending and other financial transactions	-161	-96	-158	39	61	52
Total Great Britain	72,233	72,890	76,096	78,826	83,899	89,570
Northern Ireland						
Pay	198	211	222	240	254	269
Other current expenditure on goods and services	1	-3	-10	-11	-12	-13
Net capital expenditure on assets	52	52	45	49	52	56
Capital grants	2	2	2	2	2	2
Total Northern Ireland	253	262	259	280	296	314

Table 6.9 Local authority expenditure by country and economic category, 1996-97 to 2001-02 (continued)

	£ million					
	1996-97 outturn	1997-98 outturn	1998-99 outturn	1999-00 outturn	2000-01 outturn	2001-02 estimated outturn
United Kingdom						
Pay	37,707	38,327	40,563	42,802	45,366	48,732
Other current expenditure on goods and services	14,678	15,051	16,250	18,417	19,794	20,686
Subsidies	624	717	710	638	897	913
Current grants to persons	13,858	13,635	13,337	12,383	12,113	12,395
Net capital expenditure on assets	4,426	4,352	4,454	3,867	4,917	5,826
Capital grants	1,359	1,166	1,199	960	1,057	1,280
Lending and other financial transactions	161	-96	-158	39	61	52
Local Authority debt interest	3,568	3,935	3,716	3,740	3,246	3,074
Accounting and other adjustments	454	974	1,804	3,213	3,789	5,855
Total United Kingdom	76,508	78,061	81,875	86,059	91,239	98,813
<i>Of which: Expenditure not allocated to countries</i>	4,022	4,909	5,520	6,953	7,044	8,924

7. PUBLIC CORPORATIONS

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

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

PUBLIC CORPORATIONS IN NATIONAL ACCOUNTS

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

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

SELF-FINANCING PUBLIC CORPORATIONS, AND TRADING FUNDS

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

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

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

RECENT DEVELOPMENTS

7.6 National Air Traffic Services (NATS) became a Public Private Partnership (PPP) during 2001 and is now classified as a private company in national accounts. The controlling private sector partner has 46 per cent of the shares, government holds 49 per cent and employees 5 per cent. It is intended to set up PPPs in the private sector for the Commonwealth Development Corporation and QinetiQ – formerly part of the Defence Evaluation and Research Agency.

7.7 In 2002 London Underground Limited is expected to move from being a public corporation sponsored by a central government department (DTLR) to a public corporation that will be controlled by Transport for London (TfL)- a local authority, part of the Greater London Authority. Other parts of London Transport are already reporting to TfL.

THE CORPORATE CONTROL FRAMEWORK

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

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

PUBLIC EXPENDITURE MEASUREMENT AND CONTROL

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

- Subsidy paid to the PC by the Department (in resource DEL, except for the subsidy paid to Crown Estates which is in AME);
- Capital charge on the net assets of the PC (in resource AME during stage 1 of resource budgeting)

- The PC's profit/loss. A loss adds to expenditure within the department's resource budget; a profit reduces it.
- The PC's capital expenditure. This includes spending on fixed capital assets and financial assets, net of sales, and net of any capital grants received from outside the public sector.

The last three items are in AME if it is an SFPC, subsidies are in DEL.

7.10 The tables do not give details of public corporations controlled by local authorities since they are not within DEL or departmental AME. These PCs include for example the businesses reporting to Transport for London (TfL) and local authority airports such as Manchester. However they are included in the bottom lines of table 7.1 which shows the total contribution of all public corporations to Total Managed Expenditure (TME). The contribution of local authority PCs are in the accounting adjustments line. There is a special budgeting treatment for London Underground Limited (LUL). Rather than recording its capital expenditure in DTLR capital DEL, the grant given to TfL for LUL is recorded in DEL within grants to local authorities. This is why it does not appear in table 7.3. Small amounts in DEL relating to the former London Regional Transport body and British Rail are included in "other transport".

PUBLIC CORPORATIONS IN NATIONAL ACCOUNTS

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

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

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

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

TABLES

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

7. PUBLIC CORPORATIONS

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

7.16 Table 7.3 shows the contributions of PCs to capital budget DELs; and gives figures for each department and each PC. In the main, this contribution is the capital expenditure of PCs that are not SFPCs. Capital expenditure is recorded net of any asset sales and includes any capital grants paid by a PC net of any received from the private sector or abroad. The table also shows the aggregate impact of SFPCs on departmental AME (ie their capital expenditure), by department and PC for outturn years up to 2000-01 and in aggregate only for 2001-02 onwards.

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

	resources, £ million					
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
	outturn	outturn	outturn	estimated outturn	plans	plans
Within Resource Budget:						
<i>Resource Budget DELs:⁽¹⁾</i>						
CG subsidies to PCs	505	595	643	490	419	416
Profit(-)/Losses(+) of PCs after subsidies	-1,574	-1,996	-2,051	-1,672	-1,800	-1,964
Total Resource Budget DEL⁽¹⁾	-1,070	-1,401	-1,409	-1,182	-1,382	-1,549
<i>Resource Budget AME:</i>						
Cost of Capital Charge for all PCs	1,821	2,022	2,192	1,679	1,756	1,929
Profit/Loss of Self-Financing PCs	-195	442	-155	-306	-448	-687
Total Resource Budget AME	1,626	2,464	2,038	1,373	1,308	1,243
Total Public Corporations' Contribution to Resource Budget	556	1,062	629	191	-74	-306
Within Capital Budget:						
<i>Capital Budget DELs:⁽¹⁾</i>						
Capital expenditure of PCs	1,991	2,224	2,492	2,535	3,496	2,819
Total Capital Budget DEL⁽¹⁾	1,991	2,224	2,492	2,535	3,496	2,819
<i>Capital Budget AME:</i>						
Capital expenditure of Self-Financing PCs	709	1,387	1,374	1,119	1,198	1,210
Total Capital Budget AME	709	1,387	1,374	1,119	1,198	1,210
Total Public Corporations' Contribution to Capital Budget	2,700	3,611	3,867	3,654	4,694	4,029
Accounting adjustments ⁽¹⁾	1,316	-95	379	1,034	1,800	2,200
Total Public Corporations' Contribution to Total Managed Expenditure	4,572	4,579	4,875	4,879	6,400	5,900

(1) See footnote (1) to table 1.14

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

	resources, £ million					
	1998-99 outturn	1999-00 outturn	2000-01 outturn	2001-02 estimated outturn	2002-03 plans	2003-04 plans
Public Corporations' current expenditure in Resource Budget DEL⁽¹⁾						
Health	-1,104	-1,090	-1,209	-1,176	-1,313	-1,472
Transport and the Regions	-269	-209	-252	8	24	10
Local Government		5	16	22	22	22
Home Office			0	-5	-8	-10
Lord Chancellor's Departments	-10	-42	-30	-56	-18	-17
Defence		-49	83	-36	-22	-16
Foreign and Commonwealth Office		-1	-1	-1	-1	-1
Trade and Industry	6	1	-17	1	2	4
Culture, Media and Sport	71	73	73	80	83	84
Scotland	-114	-255	-284	-242	-298	-296
Wales	145	-33	-7	-5	-142	-122
Northern Ireland Executive	58	48	30	70	102	94
Chancellor's Departments			0	0	-1	-1
Cabinet Office	-2	-1	-1			
Total Public Corporations' current expenditure in to Resource Budget DEL	-1,070	-1,401	-1,409	-1,182	-1,382	-1,549

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

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

	resources, £ million					
	1998-99 outturn	1999-00 outturn	2000-01 outturn	2001-02 estimated outturn	2002-03 plans	2003-04 plans
Public Corporations' Capital Expenditure in Capital Budget DEL						
Health						
Estates Directorate		0	0	0	0	0
Medicines Control Agency		6	7	4	8	5
National Health Service Trusts (England)	1,043	970	1,247	1,359	2,170	1,551
Total Health	1,043	976	1,254	1,363	2,178	1,556
Transport and Regions						
Civil Aviation Authority (excluding National Air Traffic Services)		1	1	1	1	1
Driving Standards Agency	8	2	2	4	2	2
Fire Service College	0	1	1	4	2	2
Queen Elizabeth II Conference Centre	0	0	1	1	1	1
Vehicle Inspectorate	7	7	8	15	15	15
Other	549	361	308	59	131	93
Total Transport and Regions	565	371	320	83	152	114
Local Government						
Audit Commission			1	1		
Total Local Government			1	1		
Home Office						
Forensic Science Service				9	9	10
Total Home Office				9	9	10
Lord Chancellor's Departments						
Land Registry	21	20	26	26	22	30
Total Lord Chancellor's Departments	21	20	26	26	22	30
Defence						
Defence Aviation Repair Agency				7	8	8
Defence Evaluation and Research Agency		73	50	15		
Defence, Scientific and Technology Laboratories					28	9
Hydrographic Office		5	2	9	8	7
Meteorological Office		25	14	15	29	31
NAAFI				8	3	3
Total Defence		103	66	54	76	58
Foreign and Commonwealth Office						
BBC World Service	15	14	25	18	30	31
Total Foreign and Commonwealth Office	15	14	25	18	30	31

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

	resources, £ million					
	1998-99 outturn	1999-00 outturn	2000-01 outturn	2001-02 estimated outturn	2002-03 plans	2003-04 plans
Public Corporations' Capital Expenditure in Capital Budget DEL						
Trade and Industry						
Companies House		4	1	1	6	6
The Patent Office		0	0	0	1	1
Total Trade and Industry		4	1	1	7	7
Environment, Food and Regional Affairs						
British Waterways Board	-1	6	39	1	5	5
Covent Garden Market Authority		0	0	0	0	0
Forestry Enterprises		-7	4	5	6	2
Total Environment, Food and Regional Affairs	-1	-1	43	6	11	7
Culture, Media and Sport						
Historic Royal Palaces Agency	4	2	4	0	1	
The Welsh Fourth Channel Authority	1	1	1	1	0	0
Total Culture, Media and Sport	5	2	5	1	1	0
Work and Pensions						
Remploy Ltd	6	5	1	5	5	5
Total Work and Pensions	6	5	1	5	5	5
Scotland⁽¹⁾						
National Health Service Trusts (Scotland)	64	152	135	205	205	205
Scottish Homes	-2					
Scottish Water Authority		371	465	462	512	520
Scottish transport corporations	13	13	11	13	3	3
Total Scotland	76	536	610	679	720	727
Wales⁽¹⁾						
National Health Service Trusts (Wales)	102	118	69	247	238	221
Welsh Development Agency	88					
Other				-29	-5	-16
Total Wales	191	118	69	217	233	205
Northern Ireland Executive						
Laganside	1	2	0	12	10	11
National Health Service Trusts (Northern Ireland)	59	63	69	127	108	115
Northern Ireland Housing Executive				-68	-67	-64
Northern Ireland Public Trust Port Authorities	10	10				
Northern Ireland Transport Holding Company					0	6
Total Northern Ireland Executive	70	75	69	72	51	68
Chancellor's Departments						
Office of Government Commerce			0	0	0	0
Total Chancellor's Departments			0	0	0	0
Total Public Corporations Capital Expenditure in Capital Budget DELs	1,991	2,224	2,492	2,535	3,496	2,819

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

	resources, £ million					
	1998-99 outturn	1999-00 outturn	2000-01 outturn	2001-02 estimated outturn	2002-03 plans	2003-04 plans
<i>Self-Financing Public Corporations' Capital Expenditure in Capital Budget AME⁽²⁾</i>						
Home Office						
The Tote	8	32	16			
Total Home Office	8	32	16			
Trade and Industry						
British Nuclear Fuels	466	492	518			
Consignia		708	607			
Total Trade and Industry	466	1,200	1,125			
Culture, Media and Sport						
British Broadcasting Corporation	163	114	124			
Channel Four Television	7	11	11			
Total Culture, Media and Sport	171	126	135			
Chancellor's Departments						
Crown Estate		-23	18			
Royal Mint	13	6	4			
Total Chancellor's Departments	13	-17	21			
Transport and Regions						
National Air Traffic Services	52	46	77			
Total Transport and Regions	52	46	77			
Total Public Corporations Capital Expenditure in Capital Budget AME	709	1,387	1,374	1,119	1,198	1,210
Accounting adjustments	1,806	881	894	1,125	1,600	1,800
Total Public Corporations, Capital Expenditure in Total Managed Expenditure	4,506	4,492	4,761	4,779	6,300	5,800

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

(2) Figures for capital expenditure by individual SFPCs are not shown, except in outturn. Qinetiq is also an SFPC, within Defence Capital Budget AME, but Qinetiq did not exist within the period shown in this table for individual SFPCs.

8. ANALYSIS OF PUBLIC EXPENDITURE BY COUNTRY AND REGION

INTRODUCTION

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

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

PUBLIC EXPENDITURE BY COUNTRY

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

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

8.5 The data presented in this section was collected in the autumn of 2001 and is therefore not entirely consistent with other figures in this publication and individual departmental reports. It does, however, provide an indication of the distribution by country of expenditure on each main function. All data is on a cash basis.

THE TABLES

8.6 Table 8.1 shows identifiable expenditure on services by country for a 16 year period from 1985-86 to 2000-01. This represents the full run of years for which data have been collected and published in PESA and its predecessor publications. Past data have been

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

adjusted so as to put the numbers on a consistent basis with the latest data in this publication as regards the coverage of identifiable expenditure and the definition of expenditure on services. However, some of the adjustments made to previous published data are very approximate; this needs to be borne in mind when using the data series to study trends over a long time period, and in particular in looking at year-on-year movements in earlier years.

8.7 Tables 8.2 through to 8.6 give fuller details of identifiable spending by country, broken down by broad function, for each of the five years for which data were collected in the latest exercise. The five years are 1996-97 through to 2000-01. Table 8.7 has a further breakdown of identifiable expenditure for 2000-01 only, showing, for Scotland, Wales and Northern Ireland, the relative contributions of the devolved administrations and of UK departments to spending under each functional head. This table also includes a functional breakdown of non-identifiable expenditure.

8.8 Table 8.8 provides, for 2000-01, a breakdown by programme of non-identifiable expenditure on services that has not been allocated to a specific country.

REGIONAL ANALYSIS OF PUBLIC EXPENDITURE

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

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

THE TABLES

8.11 Table 8.9 shows identifiable expenditure on services by English region for a 14 year period from 1987-88 to 2000-01. As for the equivalent table for spending by country (Table 8.1), this represents the full run of years for which data have been collected and published in PESA and its predecessor publications. Because of a change in regional boundaries used in these data collection exercises in the mid-1990s, it is not possible to present long run data series at the full disaggregation of the nine Government Office Regions. Instead, a six region breakdown is used, with the current North East and North West regions being combined in a single "North and North West" region, and the current Eastern, London and South East regions being combined into a single "South East and East Anglia" region.

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

8.13 Tables 8.10 through to 8.12 present fuller details of identifiable expenditure by region, broken down by function, for the three years for which data were collected in the latest exercise (1998-99, 1999-2000 and 2000-01).

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

Table 8.1 Total identifiable expenditure by country 1985-86 to 2000-01⁽¹⁾

	cash, £ million															
	1985-86	1986-87	1987-88	1988-89	1989-1990	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01
England	95,259	100,981	105,069	107,829	120,086	136,859	151,981	167,349	175,723	182,657	189,320	193,280	196,336	202,288	213,044	226,446
Scotland	13,160	13,956	14,395	14,769	15,942	17,927	18,931	21,729	22,962	23,366	24,224	24,680	25,029	25,830	26,970	28,428
Wales	6,269	6,898	7,185	7,509	8,142	9,338	9,915	11,930	12,377	12,756	13,334	13,678	13,838	14,410	14,877	15,622
Northern Ireland	4,864	5,147	5,323	5,948	6,289	6,713	7,118	7,798	8,287	8,277	8,692	9,081	9,261	9,627	10,033	10,906
Total identifiable expenditure	119,553	126,982	131,973	136,055	150,459	170,838	187,945	208,806	219,348	227,056	235,570	240,719	244,464	252,155	264,924	281,402
Non-identifiable expenditure	23,577	24,496	25,141	28,390	30,906	29,301	35,244	36,408	36,706	34,697	36,551	34,986	34,144	38,202	38,203	40,436
Total expenditure on services	143,130	151,478	157,113	164,445	181,366	200,139	223,189	245,214	256,054	261,753	272,121	275,705	278,608	290,357	303,127	321,838

	£ per head															
	1985-86	1986-87	1987-88	1988-89	1989-1990	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01
England	2,019	2,133	2,213	2,264	2,512	2,852	3,153	3,459	3,621	3,750	3,871	3,937	3,984	4,087	4,282	4,529
Scotland	2,562	2,724	2,816	2,900	3,128	3,514	3,707	4,251	4,485	4,553	4,716	4,813	4,886	5,045	5,268	5,558
Wales	2,231	2,446	2,536	2,631	2,837	3,245	3,429	4,116	4,258	4,379	4,571	4,683	4,728	4,913	5,065	5,302
Northern Ireland	3,108	3,271	3,365	3,751	3,955	4,207	4,429	4,800	5,059	5,023	5,252	5,441	5,512	5,701	5,930	6,424
Total identifiable expenditure	2,109	2,233	2,315	2,380	2,623	2,968	3,251	3,599	3,769	3,888	4,019	4,093	4,142	4,257	4,452	4,709
Non-identifiable expenditure	416	431	441	497	539	509	610	628	631	594	624	595	579	645	642	677
Total expenditure on services	2,525	2,664	2,756	2,877	3,162	3,477	3,860	4,227	4,400	4,482	4,643	4,688	4,721	4,902	5,094	5,386

(1) Data for years previous to 1996-97 have been adjusted so as to put the numbers on a consistent basis as regards the coverage of identifiable expenditure and the definition of expenditure on services.

8. ANALYSIS OF PUBLIC EXPENDITURE BY COUNTRY AND REGION

Table 8.2a Identifiable expenditure by country, 1996-97

	cash, £ million					As a percentage of United Kingdom identifiable expenditure			
	England	Scotland	Wales	Northern Ireland	United Kingdom	England	Scotland	Wales	N Ireland
Education	28,943	3,943	1,821	1,428	36,135	80	11	5	4
Health and personal social services	42,733	5,610	2,957	1,661	52,961	81	11	6	3
Roads and transport	8,197	1,122	561	206	10,087	81	11	6	2
Housing	3,396	582	359	241	4,579	74	13	8	5
Other environmental services	6,410	721	718	250	8,099	79	9	9	3
Law, order and protective services	13,141	1,511	675	1,046	16,373	80	9	4	6
Trade, industry, energy and employment	4,719	949	427	490	6,585	72	14	6	7
Agriculture, fisheries, food and forestry	2,971	1,091	344	434	4,841	61	23	7	9
Culture, media and sport	2,975	321	320	64	3,679	81	9	9	2
Social security	78,145	8,779	5,394	3,116	95,434	82	9	6	3
Miscellaneous expenditure ⁽¹⁾	1,650	51	102	144	1,947	85	3	5	7
Total	193,280	24,680	13,678	9,081	240,719	80	10	6	4

Table 8.2b Identifiable expenditure by country, per head, 1996-97

	£ per head					Index (United Kingdom identifiable expenditure = 100) ⁽²⁾			
	England	Scotland	Wales	Northern Ireland	United Kingdom	England	Scotland	Wales	N Ireland
Education	590	769	623	855	614	96	125	101	139
Health and personal social services	871	1,094	1,012	995	901	97	121	112	111
Roads and transport	167	219	192	124	172	97	128	112	72
Housing	69	114	123	144	78	89	146	158	186
Other environmental services	131	141	246	149	138	95	102	179	109
Law, order and protective services	268	295	231	627	278	96	106	83	225
Trade, industry, energy and employment	96	185	146	294	112	86	165	131	262
Agriculture, fisheries, food and forestry	61	213	118	260	82	74	258	143	316
Culture, media and sport	61	63	109	38	63	97	100	175	61
Social security	1,592	1,712	1,846	1,867	1,623	98	105	114	115
Miscellaneous expenditure ⁽¹⁾	34	10	35	86	33				
Total	3,937	4,813	4,683	5,441	4,093	96	118	114	133

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

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

8. ANALYSIS OF PUBLIC EXPENDITURE BY COUNTRY AND REGION

Table 8.3a Identifiable expenditure by country, 1997-98

	cash, £ million					As a percentage of United Kingdom identifiable expenditure			
	England	Scotland	Wales	Northern Ireland	United Kingdom	England	Scotland	Wales	N Ireland
Education	29,766	4,058	1,887	1,462	37,173	80	11	5	4
Health and personal social services	44,894	5,751	3,077	1,760	55,482	81	10	6	3
Roads and transport	7,596	984	459	201	9,240	82	11	5	2
Housing	2,708	475	297	238	3,718	73	13	8	6
Other environmental services	6,463	960	695	234	8,352	77	11	8	3
Law, order and protective services	13,614	1,550	772	1,069	17,005	80	9	5	6
Trade, industry, energy and employment	4,404	922	449	493	6,268	70	15	7	8
Agriculture, fisheries, food and forestry	2,677	989	271	404	4,341	62	23	6	9
Culture, media and sport	3,429	347	324	88	4,188	82	8	8	2
Social security	79,021	8,937	5,512	3,186	96,656	82	9	6	3
Miscellaneous expenditure ⁽¹⁾	1,763	56	95	125	2,039	86	3	5	6
Total	196,336	25,029	13,838	9,261	244,464	80	10	6	4

Table 8.3b Identifiable expenditure by country, per head, 1997-98

	£ per head					Index (United Kingdom identifiable expenditure=100) ⁽²⁾			
	England	Scotland	Wales	Northern Ireland	United Kingdom	England	Scotland	Wales	N Ireland
Education	604	792	645	870	630	96	126	102	138
Health and personal social services	911	1,123	1,051	1,048	940	97	119	112	111
Roads and transport	154	192	157	119	157	98	123	100	76
Housing	55	93	101	142	63	87	147	161	225
Other environmental services	131	187	237	139	142	93	132	168	99
Law, order and protective services	276	303	264	636	288	96	105	92	221
Trade, industry, energy and employment	89	180	153	293	106	84	169	144	276
Agriculture, fisheries, food and forestry	54	193	93	240	74	74	262	126	327
Culture, media and sport	70	68	111	53	71	98	96	156	74
Social security	1,603	1,745	1,883	1,896	1,638	98	107	115	116
Miscellaneous expenditure ⁽¹⁾	36	11	32	75	35				
Total	3,984	4,886	4,728	5,512	4,142	96	118	114	133

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

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

8. ANALYSIS OF PUBLIC EXPENDITURE BY COUNTRY AND REGION

Table 8.4a Identifiable expenditure by country, 1998-99

	cash, £ million					As a percentage of United Kingdom identifiable expenditure			
	England	Scotland	Wales	Northern Ireland	United Kingdom	England	Scotland	Wales	N Ireland
Education	31,152	4,159	1,938	1,509	38,757	80	11	5	4
Health and personal social services	47,634	6,017	3,245	1,856	58,753	81	10	6	3
Roads and transport	7,103	937	453	202	8,695	82	11	5	2
Housing	2,612	508	321	238	3,679	71	14	9	6
Other environmental services	6,381	989	693	240	8,303	77	12	8	3
Law, order and protective services	14,030	1,576	809	1,073	17,487	80	9	5	6
Trade, industry, energy and employment	4,530	932	472	504	6,438	70	14	7	8
Agriculture, fisheries, food and forestry	2,810	1,075	334	427	4,646	60	23	7	9
Culture, media and sport	4,006	400	417	128	4,950	81	8	8	3
Social security	80,050	9,177	5,614	3,312	98,153	82	9	6	3
Miscellaneous expenditure ⁽¹⁾	1,981	60	114	138	2,293	86	3	5	6
Total	202,288	25,830	14,410	9,627	252,155	80	10	6	4

Table 8.4b Identifiable expenditure by country, per head, 1998-99

	£ per head					Index (United Kingdom identifiable expenditure = 100) ⁽²⁾			
	England	Scotland	Wales	Northern Ireland	United Kingdom	England	Scotland	Wales	N Ireland
Education	629	812	661	893	654	96	124	101	137
Health and personal social services	962	1,175	1,106	1,099	992	97	118	112	111
Roads and transport	144	183	155	120	147	98	125	105	82
Housing	53	99	109	141	62	85	160	176	227
Other environmental services	129	193	236	142	140	92	138	169	102
Law, order and protective services	283	308	276	636	295	96	104	93	215
Trade, industry, energy and employment	92	182	161	299	109	84	168	148	275
Agriculture, fisheries, food and forestry	57	210	114	253	78	72	268	145	323
Culture, media and sport	81	78	142	76	84	97	93	170	91
Social security	1,617	1,792	1,914	1,961	1,657	98	108	116	118
Miscellaneous expenditure ⁽¹⁾	40	12	39	82	39				
Total	4,087	5,045	4,913	5,701	4,257	96	119	115	134

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

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

Table 8.5a Identifiable expenditure by country, 1999-2000

	cash, £ million					As a percentage of United Kingdom identifiable expenditure			
	England	Scotland	Wales	Northern Ireland	United Kingdom	England	Scotland	Wales	N Ireland
Education	32,760	4,592	2,072	1,593	41,017	80	11	5	4
Health and personal social services	51,804	6,473	3,477	2,018	63,771	81	10	5	3
Roads and transport	7,133	858	425	208	8,625	83	10	5	2
Housing	2,062	469	221	236	2,988	69	16	7	8
Other environmental services	6,752	897	722	258	8,628	78	10	8	3
Law, order and protective services	15,102	1,699	881	1,100	18,781	80	9	5	6
Trade, industry, energy and employment	5,057	862	382	487	6,787	74	13	6	7
Agriculture, fisheries, food and forestry	2,746	1,072	313	369	4,500	61	24	7	8
Culture, media and sport	4,366	434	450	140	5,389	81	8	8	3
Social security	83,103	9,503	5,786	3,466	101,859	82	9	6	3
Miscellaneous expenditure ⁽¹⁾	2,157	111	150	159	2,578	84	4	6	6
Total	213,044	26,970	14,877	10,033	264,924	80	10	6	4

Table 8.5b Identifiable expenditure by country, per head, 1999-2000

	£ per head					Index (United Kingdom identifiable expenditure = 100) ⁽²⁾			
	England	Scotland	Wales	Northern Ireland	United Kingdom	England	Scotland	Wales	N Ireland
Education	658	897	705	941	689	96	130	102	137
Health and personal social services	1,041	1,264	1,184	1,193	1,072	97	118	110	111
Roads and transport	143	168	145	123	145	99	116	100	85
Housing	41	92	75	139	50	83	182	150	278
Other environmental services	136	175	246	153	145	94	121	169	105
Law, order and protective services	304	332	300	650	316	96	105	95	206
Trade, industry, energy and employment	102	168	130	288	114	89	148	114	252
Agriculture, fisheries, food and forestry	55	209	107	218	76	73	277	141	288
Culture, media and sport	88	85	153	83	91	97	94	169	91
Social security	1,670	1,856	1,970	2,049	1,712	98	108	115	120
Miscellaneous expenditure ⁽¹⁾	43	22	51	94	43				
Total	4,282	5,268	5,065	5,930	4,452	96	118	114	133

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

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

Table 8.6a Identifiable expenditure by country, 2000-01

	cash, £ million					As a percentage of United Kingdom identifiable expenditure			
	England	Scotland	Wales	Northern Ireland	United Kingdom	England	Scotland	Wales	N Ireland
Education	35,966	4,747	2,161	1,754	44,628	81	11	5	4
Health and personal social services	56,583	6,888	3,839	2,178	69,489	81	10	6	3
Roads and transport	7,380	947	446	230	9,002	82	11	5	3
Housing	2,413	469	234	231	3,347	72	14	7	7
Other environmental services	7,563	1,023	761	281	9,628	79	11	8	3
Law, order and protective services	16,281	1,806	926	1,227	20,239	80	9	5	6
Trade, industry, energy and employment	5,491	1,000	403	677	7,571	73	13	5	9
Agriculture, fisheries, food and forestry	3,310	1,105	303	423	5,141	64	21	6	8
Culture, media and sport	4,514	429	443	143	5,529	82	8	8	3
Social security	84,577	9,819	5,932	3,526	103,853	81	9	6	3
Miscellaneous expenditure ⁽¹⁾	2,368	196	174	235	2,974	80	7	6	8
Total	226,446	28,428	15,622	10,906	281,402	80	10	6	4

Table 8.6b Identifiable expenditure by country, per head, 2000-01

	£ per head					Index (United Kingdom identifiable expenditure=100) ⁽²⁾			
	England	Scotland	Wales	Northern Ireland	United Kingdom	England	Scotland	Wales	N Ireland
Education	719	928	733	1,033	747	96	124	98	138
Health and personal social services	1,132	1,347	1,303	1,283	1,163	97	116	112	110
Roads and transport	148	185	151	135	151	98	123	100	90
Housing	48	92	79	136	56	86	164	142	243
Other environmental services	151	200	258	165	161	94	124	160	103
Law, order and protective services	326	353	314	723	339	96	104	93	213
Trade, industry, energy and employment	110	196	137	399	127	87	154	108	315
Agriculture, fisheries, food and forestry	66	216	103	249	86	77	251	120	290
Culture, media and sport	90	84	150	84	93	98	91	162	91
Social security	1,692	1,920	2,013	2,077	1,738	97	110	116	120
Miscellaneous expenditure ⁽¹⁾	47	38	59	139	50				
Total	4,529	5,558	5,302	6,424	4,709	96	118	113	136

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

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

Table 8.7 Identifiable expenditure⁽¹⁾: Total expenditure on services⁽²⁾ analysed by country and function, 2000-01

	Identifiable expenditure											cash £ million		
	England		Scotland		Wales			Northern Ireland			Total	Non Identifiable ⁽⁵⁾	United Kingdom	
	England	Total	Scottish Executive ⁽³⁾	Other	Total	National Assembly for Wales ⁽⁴⁾	Other	Total	Northern Ireland Office	Northern Ireland Executive				Other ⁽³⁾
Education	35,966	4,747	4,747		2,161	2,071	90	1,754		1,754		44,628	9	44,637
Health and personal social services	56,583	6,888	6,888		3,839	3,839		2,178		2,178		69,489	173	69,662
Roads and transport	7,380	947	813	134	446	373	72	230		221	9	9,002	-1	9,000
Housing	2,413	469	469		234	234		231		231		3,347		3,347
Other environmental services	7,563	1,023	978	45	761	747	14	281		387	-106	9,628	8	9,636
Law, order and protective services	16,281	1,806	1,680	126	926	0	925	1,227	1,075	52	100	20,239	1	20,241
Defence													23,690	23,690
Overseas services													3,697	3,697
Trade, industry, energy and employment	5,491	1,000	638	362	403	243	160	677		665	12	7,571	2,580	10,151
Agriculture, fisheries, food and forestry	3,310	1,105	935	169	303	228	75	423		364	59	5,141	359	5,501
Culture, Media and Sport	4,514	429	282	147	443	105	338	143		40	103	5,529	0	5,529
Social security	84,577	9,819		9,819	5,932		5,932	3,526		3,526		103,853	1,424	105,278
Miscellaneous expenditure ⁽⁶⁾	2,368	196	127	69	174	140	35	235	19	203	13	2,974	8,495	11,469
Total	226,446	28,428	17,557	10,871	15,622	7,980	7,642	10,906	1,094	9,621	190	281,402	40,436	321,838

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

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

(3) Includes the Scotland Office.

(4) Includes the Wales Office.

(5) In 2000-01 around £31 million of non-identifiable expenditure was for the benefit of England and Wales, £1,842 million for GB, and the remaining £38,544 million for the UK as a whole.

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

Table 8.8 Non-identifiable expenditure by programme, 2000-01

Programme	£ million
Defence and overseas services	27,384
BSE related expenditure	358
Science and technology	2,080
BNFL	402
Net medical payments to European Economic Area countries ⁽¹⁾	173
Records, registrations and surveys	43
War pensions and pensions paid to UK nationals abroad	1,403
Net payments to EC institutions	3,520
Cabinet Office	188
Parliament and associated expenditure	191
Office for National Statistics	142
Tax collection and funding for Bank of England	3,430
Civil service superannuation	68
Security and intelligence services	771
Smaller programmes	283
Total	40,436

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

Table 8.9 Identifiable expenditure by region, 1987-88 to 2000-01⁽¹⁾

	cash, £ million													
	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
Region														
North and North West ⁽²⁾	22,820	23,325	25,081	28,353	31,679	34,904	36,571	37,447	39,338	40,173	41,117	41,719	44,249	46,968
Yorkshire	11,060	11,443	12,301	14,038	15,561	17,247	17,997	18,700	19,157	19,765	20,058	20,471	21,155	23,618
East Midlands	8,086	8,257	9,144	10,488	11,719	12,868	13,637	14,146	14,767	15,107	15,459	16,028	16,912	18,010
West Midlands	11,384	11,597	12,816	14,551	16,296	17,775	18,498	19,410	19,971	20,497	21,126	21,498	22,493	23,959
SouthWest	9,489	9,669	10,898	12,483	13,802	15,361	16,099	17,109	17,502	18,029	18,213	18,890	20,162	21,454
South East and East Anglia ⁽²⁾	42,231	43,539	49,847	56,947	62,924	69,194	72,921	75,845	78,585	79,708	80,363	83,683	88,073	92,438
Total	105,069	107,829	120,086	136,859	151,981	167,349	175,723	182,657	189,320	193,280	196,336	202,288	213,044	226,446

	£ per head													
	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
Region														
North and North West ⁽²⁾	2,417	2,473	2,654	2,996	3,339	3,675	3,844	3,937	4,139	4,236	4,339	4,401	4,677	4,959
Yorkshire	2,254	2,326	2,486	2,829	3,123	3,448	3,589	3,721	3,809	3,929	3,983	4,059	4,192	4,669
East Midlands	2,053	2,082	2,289	2,613	2,904	3,168	3,340	3,448	3,581	3,651	3,720	3,844	4,035	4,280
West Midlands	2,183	2,218	2,445	2,772	3,095	3,368	3,497	3,666	3,763	3,859	3,971	4,031	4,216	4,491
SouthWest	2,060	2,077	2,331	2,660	2,926	3,237	3,376	3,566	3,626	3,727	3,736	3,854	4,085	4,312
South East and East Anglia ⁽²⁾	2,179	2,241	2,557	2,904	3,191	3,496	3,671	3,797	3,907	3,937	3,937	4,069	4,238	4,412
Total	2,213	2,264	2,512	2,852	3,153	3,459	3,621	3,750	3,871	3,937	3,984	4,087	4,282	4,529

(1) Data for years previous to 1996-97 have been adjusted so as to put the numbers on a consistent basis as regards the coverage of identifiable expenditure and the definition of expenditure on services.

(2) Some Government Office Regions (GOR) have been aggregated, to take account changes in GOR, see paragraph 8.11.

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

	Allocation of expenditure by region									£ million
	North East	North West	Yorkshire and Humberside	East Midlands	West Midlands	South West	Eastern	London	South East	Total England
Education	1,679	4,503	3,133	2,528	3,497	2,884	3,190	5,088	4,650	31,152
Health and personal social services	2,614	6,787	4,951	3,753	4,968	4,396	4,680	8,441	7,045	47,634
Roads and transport	354	824	541	553	652	701	857	1,436	1,185	7,103
Housing	142	432	264	122	160	20	169	1,047	258	2,612
Other environmental services	415	857	589	494	705	593	615	1,097	1,015	6,381
Law, order and protective services	756	2,004	1,363	1,028	1,425	1,233	1,269	3,009	1,943	14,030
Trade, industry, energy and employment	217	606	426	373	480	447	506	714	759	4,530
Agriculture, fisheries, food and forestry	117	324	352	297	319	263	423	267	448	2,810
Culture, Media and Sport	253	618	359	282	393	325	373	826	578	4,006
Social security	5,073	12,723	8,350	6,449	8,721	7,865	7,763	11,716	11,389	80,050
Central administration and miscellaneous	108	315	142	146	178	163	210	414	305	1,981
Total	11,727	29,992	20,471	16,028	21,498	18,890	20,053	34,055	29,575	202,288

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

	Allocation of expenditure by region									£ per head
	North East	North West	Yorkshire and Humberside	East Midlands	West Midlands	South West	Eastern	London	South East	Total England
Education	648	654	621	606	656	588	593	708	581	629
Health and personal social services	1,009	985	982	900	932	897	870	1,174	880	962
Roads and transport	137	120	107	133	122	143	159	200	148	144
Housing	55	63	52	29	30	4	31	146	32	53
Other environmental services	160	124	117	118	132	121	114	153	127	129
Law, order and protective services	292	291	270	247	267	251	236	419	243	283
Trade, industry, energy and employment	84	88	85	90	90	91	94	99	95	92
Agriculture, fisheries, food and forestry	45	47	70	71	60	54	79	37	56	57
Culture, Media and Sport	98	90	71	68	74	66	69	115	72	81
Social security	1,959	1,846	1,656	1,547	1,636	1,605	1,444	1,630	1,423	1,617
Central administration and miscellaneous	42	46	28	35	33	33	39	58	38	40
Total	4,529	4,352	4,059	3,844	4,031	3,854	3,729	4,738	3,695	4,087

Table 8.11a Identifiable expenditure, by region and function, 1999–2000

	Allocation of expenditure by region									Total England
	North East	North West	Yorkshire and Humberside	East Midlands	West Midlands	South West	Eastern	London	South East	
Education	1,768	4,755	3,331	2,666	3,680	3,080	3,540	5,365	4,576	32,760
Health and personal social services	2,860	7,468	5,360	3,986	5,324	4,738	5,061	9,327	7,680	51,804
Roads and transport	388	874	494	563	652	752	876	1,366	1,168	7,133
Housing	92	342	227	32	73	85	-30	1,165	77	2,062
Other environmental services	464	1,112	183	579	731	531	554	1,448	1,150	6,752
Law, order and protective services	819	2,155	1,459	1,107	1,536	1,322	1,374	3,224	2,106	15,102
Trade, industry, energy and employment	266	681	536	447	543	481	537	753	812	5,057
Agriculture, fisheries, food and forestry	135	358	360	243	277	317	405	231	421	2,746
Culture, Media and Sport	315	592	413	334	409	366	391	922	623	4,366
Social security	5,259	13,146	8,639	6,788	9,063	8,292	8,118	12,111	11,688	83,103
Central administration and miscellaneous	127	274	153	168	206	197	235	462	335	2,157
Total	12,493	31,756	21,155	16,912	22,493	20,162	21,062	36,375	30,636	213,044

Table 8.11b Identifiable expenditure per head, by region and function, 1999–2000

	Allocation of expenditure by region									Total England
	North East	North West	Yorkshire and Humberside	East Midlands	West Midlands	South West	Eastern	London	South East	
Education	685	691	660	636	690	624	653	736	567	658
Health and personal social services	1,108	1,085	1,062	951	998	960	934	1,280	951	1,041
Roads and transport	150	127	98	134	122	152	162	188	145	143
Housing	36	50	45	8	14	17	-6	160	10	41
Other environmental services	180	162	36	138	137	108	102	199	142	136
Law, order and protective services	317	313	289	264	288	268	254	443	261	304
Trade, industry, energy and employment	103	99	106	107	102	97	99	103	101	102
Agriculture, fisheries, food and forestry	52	52	71	58	52	64	75	32	52	55
Culture, Media and Sport	122	86	82	80	77	74	72	127	77	88
Social security	2,037	1,911	1,712	1,619	1,699	1,680	1,498	1,663	1,447	1,670
Central administration and miscellaneous	49	40	30	40	39	40	43	63	41	43
Total	4,840	4,615	4,192	4,035	4,216	4,085	3,887	4,993	3,793	4,282

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

	Allocation of expenditure by region									Total England
	North East	North West	Yorkshire and Humberside	East Midlands	West Midlands	South West	Eastern	London	South East	
Education	1,922	5,152	3,752	2,944	3,968	3,355	3,802	5,653	5,418	35,966
Health and personal social services	3,083	8,200	5,759	4,309	5,747	5,376	5,536	10,206	8,367	56,583
Roads and transport	444	882	597	594	677	740	866	1,396	1,183	7,380
Housing	130	467	244	108	113	103	60	1,140	49	2,413
Other environmental services	512	1,258	781	595	768	679	650	1,262	1,058	7,563
Law, order and protective services	852	2,329	1,588	1,197	1,631	1,456	1,553	3,351	2,324	16,281
Trade, industry, energy and employment	291	730	607	457	595	516	593	820	882	5,491
Agriculture, fisheries, food and forestry	114	334	437	383	385	356	591	241	469	3,310
Culture, Media and Sport	282	524	733	302	497	418	417	755	585	4,514
Social security	5,480	13,510	8,923	6,934	9,361	8,246	8,286	12,067	11,769	84,577
Central administration and miscellaneous	158	315	196	186	217	208	258	476	353	2,368
Total	13,268	33,700	23,618	18,010	23,959	21,454	22,613	37,368	32,458	226,446

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

	Allocation of expenditure by region									Total England
	North East	North West	Yorkshire and Humberside	East Midlands	West Midlands	South West	Eastern	London	South East	
Education	746	747	742	700	744	674	696	767	668	719
Health and personal social services	1,196	1,190	1,139	1,024	1,077	1,081	1,014	1,384	1,031	1,132
Roads and transport	172	128	118	141	127	149	159	189	146	148
Housing	51	68	48	26	21	21	11	155	6	48
Other environmental services	199	182	154	141	144	136	119	171	130	151
Law, order and protective services	331	338	314	285	306	293	285	454	286	326
Trade, industry, energy and employment	113	106	120	109	111	104	109	111	109	110
Agriculture, fisheries, food and forestry	44	48	86	91	72	72	108	33	58	66
Culture, Media and Sport	109	76	145	72	93	84	76	102	72	90
Social security	2,126	1,960	1,764	1,648	1,755	1,658	1,518	1,636	1,450	1,692
Central administration and miscellaneous	61	46	39	44	41	42	47	65	44	47
Total	5,148	4,888	4,669	4,280	4,491	4,312	4,142	5,067	4,000	4,529

APPENDIX A CONVENTIONS AND ECONOMIC ASSUMPTIONS

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

ROUNDING CONVENTIONS

A.2 The figures in this publication are generally shown to the nearest £1 million, except figures for total DEL and the DEL reserve, and aggregates that include DEL such as TME, are rounded to the nearest £100 million from 2002-2003 onwards.

REAL TERMS

A.3 A number of the tables in this publication give figures in real terms. Real terms figures are the cash outturns or plans adjusted to a constant price level by excluding the effect of general inflation as measured by the GDP deflator at market prices. The real terms figures in this publication are given in 2000-2001 prices.

2001-2002 ESTIMATED OUTTURN

A.4 The estimated outturns for individual departments for 2001-2002 are based on the latest information available from departments. The estimated outturn for resource DEL for 2001-2002 includes an allowance for shortfall of [£2] billion reflecting the difference between the sum of individual departments' estimates of outturn and the Treasury's overall assessment.

DATA IN TABLES

A.5 This edition of PESA reports budget outturns (for 2000-01) on a cash basis for the last time, in Tables 1.15 and 1.16, and in Tables 2.1 and 2.2. Otherwise budgeting data, including all spending plans for 2002-03 and 2003-04, and estimated outturns for 2001-02, are presented in resource terms. Consistent data on a resource basis are only available back to 1998-99. As a result most of the tables that show plans or projections to 2003-04 cover a period of six years, from 1998-99 to 2003-04.

A.6 For most of the tables that do not show plans years, for example most of the public sector spending tables in Chapter 3, tables for this edition of PESA are in line with previous practice and cover a period of six years, from 1996-97 to 2001-02. In these tables the first four years, to 1999-2000, use cash data, and the last two years, 2000-01 and 2001-02, use resource data, with a break in series between the cash and resource years. In a few cases, for example Table 4.5 showing central government own expenditure by function, data is shown over eight years, from 1996-97 to 2003-04, with the first four years on a cash basis and the last four years on a resource basis. All tables indicate whether the data are £ million resources or £ million cash.

A.7 There are a couple of exceptions to the foregoing general rules as regards use of cash and resource data. Central Government support to local authorities is presented in Chapter 6 on a cash basis up to 2000-01, and thereafter on a resource basis. And all data in Chapter 8 on public spending by country and region is on a cash basis; these data are outturn, up to 2000-01, only.

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

ECONOMIC ASSUMPTIONS

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

- (a) Income related social security benefits are uprated annually in April in line with the change in the Rossi (a modified measure of inflation based on the Retail Prices Index) in the year up to the previous September. Other non income-related benefits are also uprated in April, but in line with the change in the Retail Prices Index over the same period. The uprating factors used for the projections in this publication were, for Rossi, $1\frac{3}{4}$ per cent in 2001-02, $1\frac{3}{4}$ per cent in 2002-03, and $2\frac{1}{4}$ per cent in 2003-04; for the RPI, $1\frac{3}{4}$ per cent for 2001-02, 2 per cent for 2002-03 and $3\frac{1}{2}$ per cent for 2003-04.
- (b) UK claimant unemployment is assumed to grow from recent levels of 0.95 million to 1.00 million in 2003-04, consistent with the average of independent forecasts. This planning assumption has been audited by the National Audit Office. (See the NAO Report: Audit of Assumptions for the 2002 Budget, published as HC760).
- (c) Further details on economic assumptions can be found in the April 2002 Financial Statement and Budget Report, (HC 592), paragraphs C22 to C23.

ECONOMIC GROWTH AND INFLATION

A.10 General inflation as measured by the GDP deflator is forecast to be $1\frac{3}{4}$ per cent in 2000-01, and $2\frac{1}{2}$ per cent for each year from 2001-02 to 2003-04.

A.11 GDP at market prices (money GDP) is projected to rise $2\frac{1}{2}$ per cent in 2002-03 and 2003-04.

APPENDIX B COVERAGE OF THE ACCOUNTING AND OTHER ADJUSTMENTS IN AME

NEED FOR ACCOUNTING ADJUSTMENTS

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

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

B.3 So a number of adjustments are needed to relate DEL and various identified programme lines in AME (see Appendix E) to TME. These adjustments are shown in table 1.12. They are listed below and grouped according to the main categories in that table. The operator (ie “add” or “subtract”) describes the adjustment needed to derive TME from DEL plus programme AME.

CHANGES SINCE PESA 2001-02

B.4 The central government debt interest recorded in AME now excludes interest paid to public corporations. It is therefore no longer necessary to have an accounting adjustment for this to consolidate the public sector for the purpose of calculating TME.

B.5 National accounts now records the income of levy funded bodies as tax, and TME is recorded gross of the receipts. This is in line with the treatment of the expenditure in departmental AME, and so the accounting adjustment for this is no longer needed.

B.6 There used to be an adjustment to add the expenditure of the Financial Services Authority that is financed by levies classified as taxes. The FSA has now been reclassified as a public corporation so now only its capital expenditure and interest paid to the private sector is within TME, and this is accounted for within the accounting adjustments.

B.7 Subscriptions by the Department for International Development (DfiD) to the International Development Association (IDA) used to be classified as financial transactions by the ONS for national accounts. The subscriptions are in DfiD’s capital DEL, and so there was an accounting adjustment to remove them in calculating TME. Since Blue Book 2001, ONS have classified these as current grants on the assumption that this type of foreign aid was unlikely ever to be repaid to the UK. The accounting adjustment now removes the subscriptions from capital and adds them to current expenditure.

B.8 The Highways Agency recorded some road maintenance expenditure in their capital DEL but which NAO subsequently judged to be current expenditure. ONS now record this as current expenditure but it remains in capital DEL. So an accounting adjustment is needed to move the expenditure from capital to current.

B.9 Fines from motoring offences identified through speed and traffic light cameras can be netted-off expenditure on the camera systems. The receipts reduce the expenditure recorded in DEL as central government grants to local authorities because the fines are routed

through central government. Local authorities expenditure in national accounts is recorded gross of the receipts so an accounting adjustment is needed to add the receipts to calculate TME measured from DEL plus AME.

B.10 DEL and departmental AME exclude certain certain grants to local authorities to replace current grants to finance borrowing - since the initial borrowing would have required a credit approval that was scored in DEL. The expenditure financed by these grants helps finance local authority expenditure but that expenditure is not part of LASFE. An accounting adjustment is therefore needed to add in the grants when calculating TME from DEL and AME.

LIST OF THE ACCOUNTING ADJUSTMENTS

Non-trading capital consumption

- (i) Add the value of general government non-trading capital consumption (i.e. depreciation) as measured by ONS for national accounts. This applies to central and local government. In the category below for non-cash items in RAB, the depreciation included in central government departmental resource budgets, as measured by departments, is deducted. ONS expect to start using the depreciation figures produced by departments in national accounts in Blue Book 2003.

VAT Refunds

- (ii) Add VAT refunded to central government departments in respect of contracted out services for non-business purposes, and VAT refunds to local authorities in respect of all non-business activities. DEL and Local Authority Self-Financed Expenditure (LASFE) are measured net of these VAT refunds, but in TME the expenditure is recorded including the VAT paid.
- (iii) Add VAT refunds paid to NHS trusts in respect of contracted out services in connection with activities that are non-business for VAT purposes. TME records these refunds as other current grants to NHS trusts but, like subsidies, they are not consolidated in calculating TME and so add to TME.
- (iv) Add VAT refunds paid to the BBC, ITN, and to free public museums, in respect of non-business activities. These are treated as subsidies in TME.
- (v) Add VAT refunds paid to DIY house builders. These are treated as capital grants in TME.

EC Contributions

- (vi) Deduct the customs duties, agricultural and sugar levies, and part of VAT paid to the institutions of the European Communities. National accounts treats these payments as payments direct from UK citizens and businesses to the EC; so they are excluded from government income and expenditure in national accounts. Similarly, receipts from the EU in respect of agricultural subsidies, research grants, investment grants, European social fund grants, and other EC schemes, are treated as payments direct from the EC to UK citizens and institutions, and so are not recorded as government expenditure in national accounts. In practice these payments are routed through government

departments. So DELs, and the AME line for expenditure under the Common Agricultural Policy (CAP), include EC expenditure in the UK. Other programme expenditure in AME also includes a line for the net UK contribution to the EC. This equals payments to the EC (duties, levies and VAT, and the GNP-based contribution), less receipts from the EC in respect of the schemes just described. The line therefore removes the spending in DEL and under the CAP. To arrive at TME it is necessary to make a further adjustment by removing the duties levies and VAT recorded in the net contribution line, which is what this adjustment does.

Tax Credits

- (vii) Add payments of certain tax credits which score as government expenditure in national accounts. Includes: Mortgage Interest Relief, Life Assurance Premium Relief, Private Medical Insurance Premium Relief, Vocational Training Relief (part up to 1998-99; all from 1999-2000), Working Families Tax Credit and Disabled Persons Tax Credit (from 1999-2000), Research and Development Tax Credit (from 2001-02), payments of transitional relief to charities formerly entitled to receive tax credits on dividends, and the new scheme for tax relief on clearing contaminated land. National accounts treat such tax credits as public expenditure rather than as adjustments to tax receipts. Note that this adjustment also includes the voted "public expenditure" income tax tax credits paid to non-taxpayers, since these are not within DEL.
- (viii) The national accounts treatment of the new tax credits (Working Tax Credit and the Child Tax Credit) will differ from the treatment for the existing ones. Amounts given to a household that are below its total tax liability will be netted-off tax, amounts given in excess of a household's tax liability will be treated as public expenditure. This new treatment has been anticipated in the figures for 2003/04 when the new tax credits begin.

Adjustments for local authorities

- (ix) Deduct license fees that are treated as revenue in the calculation of LASFE, but are netted-off expenditure in national accounts.
- (x) Add subsidies paid to LA trading bodies. These are deducted from the figure for the operating surplus of LA trading bodies, one of the revenue items in the calculation of LASFE, but are included as LA expenditure in national accounts.

Adjustments for Public Corporations

Under resource budgeting, a department's budget includes certain items in respect of each of its public corporations. These items are:

- (a) Subsidies paid by the department to the public corporation;
- (b) the net capital expenditure of the public corporation on fixed capital assets and stocks;
- (c) capital grants received by the public corporation from outside the department (this reduces expenditure scored against a department's budget);

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

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

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

So the adjustments needed are

- (xi) Add of the profits made by public corporations sponsored by central government departments (or the deduction of losses in cases where losses are made).
- (xii) Add interest paid by public corporations to the private sector and abroad – because property income paid by the public sector to the rest of the economy is in TME, but not in departmental budgets.
- (xiii) Deduct from capital expenditure the net acquisitions of financial assets by public corporations that are included within the capital expenditure of public corporations in departmental budgets. These are financial transactions outside TME.
- (xiv) Add to current expenditure the capital expenditure of NHS trusts that is funded from retained operating income. This operating income is mainly from charges paid by health authorities buying the services of NHS trusts, and is in the current DEL of health departments. The NHS trusts' capital expenditure is in capital DEL of health departments. So the capital expenditure funded by current income is in a sense counted twice in DEL. An adjustment is made to current DEL to remove this double counting. (Note that the profit/loss in DEL is recorded after depreciation). The amount is added to the accounting adjustments to undue the adjustment made to DEL.
- (xv) Add the capital expenditure of local authority public corporations that is not funded by grants from local authorities, nor from borrowing supported by credit approvals. Typically this will be the capital expenditure of local authority airports since such borrowing does not require credit approvals and does not score in DETR's DEL.
- (xvi) Some public corporation capital expenditure is not recorded in departmental budgets. This has to be added in the accounting adjustments. For example the creation of artistic originals by the BBC and C4 is recorded as public corporations capital expenditure for national accounts, but in budgets is an operating cost affecting profit rather than capital. The capital expenditure of the Financial Service Authority is added since it is not recorded in DEL nor in departmental AME.

Intra General Government Sector Debt Interest

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

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

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

Note that central government interest paid to public corporations is netted-off in the main CG debt interest line.

Financial Transactions in DEL and AME

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

- (xviii) Deduct loans, net of repayments of loans, to public corporations, the private sector and overseas that score in DEL and departmental AME.
- (xix) Deduct the net acquisition of private sector company securities that score in DEL and departmental AME.
- (xx) Deduct the measure of the subsidy and bad debt element of student loans that scores in DEL - because national accounts treat all lending to students as a financial transaction outside TME, but departmental budgets regards part of the lending as grants to reflect the low interest charged and likelihood of bad debts.

Adjustments for expenditure financed by receipts

- (xxi) Add receipts of certain taxes imposed by departments, including licenses imposed by the utility regulators such as OFGEM and OFTEL, which are netted-off in DEL but not in TME because all taxes and tax-like licenses are treated as revenue in national accounts.
- (xxii) Add certain fines imposed by departments which are netted-off in DEL but not in TME because all fines are treated as revenue in national accounts.

- (xxiii) Add penalties collected by local authorities in respect of certain parking and vehicle emissions offences which are netted-off in LASFE but not in TME because all penalties are treated as revenue in national accounts.
- (xxiv) Add those receipts of current donations which are netted-off in DEL but not in TME because all current donations are treated as revenue in national accounts.
- (xxv) Add those receipts of current compensation which are netted-off in DEL but not in TME because all current compensation is treated as revenue in national accounts.
- (xxvi) Add receipts of rent of land since these are netted-off in DEL but not in TME because rent of land, along with other property income, is treated as revenue in national accounts.
- (xxvii) Add receipts of dividends netted-off in DEL but not in TME because dividends, along with other property income, are treated as revenue in national accounts.

Non-cash items in RAB

- (xxviii) Deduct depreciation recorded in departmental budgets (see non-trading capital consumption above).
- (xxix) Deduct the cost of capital charge, movements in provisions, notional audit fee, and other non-cash items recorded in departmental budgets but not in national accounts.

Accruals recording in RAB

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

Other accounting adjustments

- (xxxii) **Finance leases:** add the capital value of assets and deduct the principal element of repayments on finance leases taken out by central government before 1 April 1996; and do the same for any central government finance lease or transaction that is in substance borrowing taken out after 1 April 1996 and which is exceptionally treated in DEL as though it was an operating lease.

- (xxxiii) **Privatisation programme** (applies to outturn years only): add current and capital expenditure on privatisations which is borne outside DEL.
- (xxxiv) **DfiD loan write-offs**: Deduct the costs of interest forgone by the Department for International Development in respect of debts forgiven under Retrospective Terms Adjustments arrangements which forms part of DfiD's DEL but is not in TME.
- (xxxv) **PC grants to LAs**: deduct current grants to local authorities by public corporations financed by subsidies from general government. In national accounts this is treated as a central government grant to local government and so does not add to TME.
- (xxxvi) **Reconciliation with ONS**: add, for outturn years, the residual difference between TME as measured by ONS for national accounts and Treasury sources. Differences can arise because of differences in the timing and sources of data.

ADJUSTMENTS AFFECTING THE SPLIT BETWEEN CURRENT AND CAPITAL EXPENDITURE

B.II These adjustments have no impact on the sum of current and capital expenditure, and so are not shown in tables 1.12. They do however affect the split of total TME into current and capital expenditure.

- (a) Expenditure on military equipment that only has a military purpose, and is capital in nature, is recorded as capital expenditure in departmental budgets but treated as current expenditure in national accounts.
- (b) Departmental budgets record all expenditure on capital grants as capital expenditure including that which is funded by the EC. This expenditure has to be deducted in moving to TME since it is regarded in national accounts as the EC's own expenditure, not UK Government's. It is deducted through the net EU contribution line in AME, but this is all treated as current expenditure. So to record government's own capital expenditure correctly it is necessary to have an adjustment that subtracts EC funded capital expenditure from total capital expenditure, and adds that amount to current expenditure.
- (c) The Department for International Development (DfiD) writes-off certain debts owed to it. This is recorded in DfiD's resource budget DEL since bad debts are recorded in the operating statement in resource accounts. In national accounts, writing off a debt is treated as a capital transfer. So it is necessary to have an adjustment to add DfiD write-offs to capital expenditure, and remove from current expenditure, for the TME split.

NOTE ON CONSOLIDATION IN TOTAL MANAGED EXPENDITURE

B.12 Interest and dividend payments and receipts within the public sector are consolidated out. So TME scores only the public sector's interest and dividend payments to the private sector and overseas. The same is also true of other transfer payments such as current grants and capital grants, and rent.

B.13 The same is not true for transactions in goods and services and subsidies: these are not consolidated. General Government's purchases of services from, and subsidies to, public corporations and trading bodies score as public sector current expenditure. The public corporations' and trading bodies' receipts of these payments forms part of their Gross Trading Surplus which is on the revenue side of the public accounts.

CASH AND RESOURCES

B.14 The accruals adjustments differ depending on whether budgets (DEL and AME) are expressed in cash or resource terms. So, for example, the accruals adjustments in table 1.1 (resource basis) are not the same as those in table 1.15 (cash basis). The non-cash items in RAB (see paragraph xxix) explain most of the difference.

APPENDIX C DEPARTMENTAL GROUPINGS

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

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

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

MACHINERY OF GOVERNMENT CHANGES

Departmental groupings are on the basis of current departmental boundaries and names. There were a substantial number of machinery of Government changes announced in June 2001, following the 2001 General Election. As a result of these changes, there are a number of differences between the departmental groupings used here and those used in PESA 2001-02. Full details of the machinery of Government changes - changes to departmental names and main responsibilities that transferred - are set out in the following table.

The changes do not change total DEL over all departments. In all the tables in PESA the changes have been taken back in time to show what the spending of each department would have been had the new allocation of functions existed then.

Department	Gains	Losses
MOD	From Cabinet Office Some Security Services From DSS War Pensions Agency	
HO	From CO Anti Drugs Coordination Unit From DfEE Work permits	To LCD Freedom of Information Data Protection Human Rights Constitutional issues To DCMS Censorship and video classification Liquor licensing Queens Golden Jubilee Gambling Horse Race Betting Levy Board Tote To DTLR Fire Service College Electoral Law Electoral Commission To DEFRA Animal Welfare and Hunting To DTI Sunday Trading Summertime
DCMS	From HO Censorship and video classification Liquor licensing Queens Golden Jubilee Gambling Horse Race Betting Levy Board Tote	
DFEE Now DFES		To HO Work Permits To DWP Employment, Disability Employment Opportunities Fund New Deal
MAFF Now DEFRA	From DETR Rural Development Countryside & Wildlife Sustainable Development Environment Agency Countryside Agency English Nature	

From HO	Animal Welfare and Hunting	
DTI	From DETR Construction Industry Regional Development Agencies From HO Sunday Trading Summertime	
CO	From DETR Regional Coordinator and Government Offices for the Regions	To MoD Some Security Services To HO Anti Drugs Coordination Unit
DSS Now DWP	From DfEE Employment Disability Employment Opportunities Fund New Deal	To MOD War Pensions Agency
LCD	From HO Freedom of Information Data Protection Human Rights Constitutional issues	
DETR Now DTLR	From HO Fire Service College Electoral Law Electoral Commission	To DEFRA Rural Development, Countryside & Wildlife Sustainable Development Environment Agency Countryside Agency English Nature To DTI Regional Development Agencies Construction Industry To Cabinet Office Regional Coordinator and Government Offices for the Regions

The net impact (£ million) of the changes in an example year (2001-02) are shown below

Department	Change in DEL
DfES	-2000
DTLR – main programmes	-756
DTLR - Local Government	+50
Home Office	-178
LCD	+9
Defence	+36
DTI	+78
DEFRA	+690
DCMS	+8
DWP	+1941
Cabinet Office	+119

APPENDIX D PUBLIC CORPORATIONS

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

Departmental Group	Agency
Education and Skills	Remploy
Health	Medicines Control Agency (T) NHS Trusts (England) Estates Directorate
Transport and the Regions	London Underground Limited ⁽¹⁾ Driving Standards Agency (T) Civil Aviation Authority Vehicle Inspectorate Ordnance Survey Queen Elizabeth II Conference Centre (T)
Local Government	Audit Commission Fire Service College
Home Office	The Tote (S) Forensic Science Service
Lord Chancellor’s Departments	HM Land Registry (T)
Defence	Defence Science and Technology Laboratory ⁽²⁾ Hydrographic Office (T) Meteorological Office (T) QinetiQ (S) ⁽²⁾ NAAFI
Foreign and Commonwealth Office	BBC World Service
International Development	Commonwealth Development Corporation (S)
Trade and Industry	Companies House (T) Patent Office (T) British Nuclear Fuels Limited (S) Consignia (S)
Environment, Food, and Rural Affairs	Covent Garden Market Authority Forestry Enterprise British Waterways Board
Culture, Media and Sport	British Broadcasting Corporation (S) Channel 4 (S) Welsh Channel 4
Scotland	Caledonian MacBrayne Highlands and Islands Airports NHS Trusts Scotland Scottish Water Authority

Departmental Group**Agency**

Wales

Welsh Development Agency
NHS Trusts Wales

Northern Ireland (Office)

Laganside
HSS Trusts
NI Housing Executive
NI Public Trust Port Authorities
NI Transport Holding Company

Chancellor's Departments

Royal Mint (S)
Crown Estate (S)

- (1) London Underground Limited is due to transfer to Transport for London (part of the GLA) during 2002.
- (2) The Defence Science and Technology Laboratory and Qinetiq are new PCs that were previously part of the Defence Evaluation and Research Agency (DERA)

Former public corporations reporting to central government departments:

Docklands Light Railway is now a public corporation reporting to Transport for London – a local authority.

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

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

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

E.1 This Appendix describes the two main budgeting and control aggregates: Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME). It shows how they relate to Total Managed Expenditure (TME), an aggregate drawn from national accounts.

RESOURCE ACCOUNTING AND BUDGETING

E.2 Since 2001-02 departmental budgets have been set and monitored in resource terms, and Parliament votes resources as well as cash in the Supply Estimates. There are separate departmental budgets for resources and capital expenditure.

Resource Budget

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

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

E.5 The annual cost to departments of the assets it uses to deliver services is included in resource budgets. This cost is in the form of charges for capital consumed in that year (depreciation) and the opportunity cost of tying up resources in these assets (the cost of capital charge). The cost of capital charge is 6 per cent of the net assets (fixed capital and financial assets net of financial liabilities and provisions) employed by each department.

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

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

Capital Budget

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

Two stage approach

E.9 Resource budgeting is being introduced in two stages. In stage 1, applied during the Spending Review in 2000 (SR2000), most of the non-cash items of resource budgets – depreciation, cost of capital charges and provisions – were included in AME rather than DEL.

Most of these non-cash items have been moved into DEL for SR2002, and there will be some other changes to the budgeting regime. Two non-cash costs scored in DEL under SR2000 rules; capital charges on the civil estate (mostly central government offices) and notional audit fees.

Resource budgeting: some points to note

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

E.11 Defence fighting equipment is treated as capital expenditure, but national accounts treat it as current.

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

E.13 The whole expenditure of non-departmental public bodies (NDPBs) is recorded as if it were the department's own expenditure, rather than recording just the grant paid to the NDPB.

DEPARTMENTAL EXPENDITURE LIMITS

E.14 About half of public expenditure by value is in DEL and half in AME. But because AME includes a small number of large programmes, most public expenditure programmes are in DEL. The programmes that are in AME are set out later in this section.

E.15 DELs are set for three years during a Spending Review. They represent firm plans for departmental spending that can only be increased in exceptional circumstances with Treasury's agreement through a claim on the DEL reserve. Departments can carry forward unspent DEL from one year to the next within the three year period. SR 2000 set firm spending plans for the period 2001-2002 to 2003-04. SR2002 now underway will set plans for 2003/4 to 2005/06.

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

E.17 Capital DEL includes expenditure on fixed capital assets, capital grants and the acquisition of certain financial assets acquired or sold for policy reasons. Capital DEL is net of the cash receipts from the sale of capital assets, including any profit/loss on sale relative to book value. In SR2002 the profit/loss on asset sales will be moved to resource DEL so that it aligns with the recording in the operating cost statement in resource accounts, and capital grants will also be in the resource budget in line with GAAP.

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

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

E.20 DEL includes a Reserve to meet unexpected needs, and the unallocated provisions for the three challenge funds – the Capital Modernisation Fund, the Invest to Save Budget and the Policy Innovation Fund. When sums are allocated, individual departments' DELs are increased.

E.21 Most of DEL is assigned to departments when it is spent. However, expenditure funded by the Windfall Tax was separate from Departmental DEL and controlled centrally as the Welfare to Work budget and then the Employment Opportunities Fund. It is no longer managed and recorded separately.

E.22 Non-Departmental Public bodies. DEL includes the expenditure of most non-departmental public bodies classified to the central government sector. The actual expenditure of NDPBs is recorded, rather than just the grant-in-aid from the parent department.

E.23 Central Government Support for Local Authorities. DEL scores current and capital grants to local authorities. Capital DEL includes supported credit approvals (capital allocations in Scotland) given to local authorities by central government departments; they give the local authority permission to borrow to fund capital expenditure. More information on local authorities is in Chapter 6.

E.24 Public Corporations. For most public corporations, DEL scores:

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

E.25 For self-financing public corporations the profit/loss and capital expenditure are included in AME.

E.26 More information on the scoring of public corporations is given in Chapter 7.

ANNUALLY MANAGED EXPENDITURE

E.27 This part describes the components of AME, which may be divided into:

- Departmental AME, including non-cash items;
- Locally Financed Expenditure;
- Central Government debt interest
- Net payments to European Communities institutions
- Accounting adjustments

Departmental Annually Managed Expenditure

E.28 Departmental AME programmes are set out in departmental reports, and are identified under this heading in Estimates. A programme is included in AME if it cannot reasonably be subject to firm three-year limits – as for DEL. Typically this is where the

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

E.29 The main programmes in departmental AME are:

- Social Security Benefits
- Housing Revenue Account Subsidies
- EU funding of Common Agricultural Policy
- Export Credits Guarantee Department (part – see below)
- Self-Financing Public Corporations' capital expenditure
- Net Public Service Pensions
- National Lottery

E.30 Other departmental expenditure in AME includes:

- Valuation Office – Beneficial Portion Payments;
- Purchases of assets under finance leases since 1 April 1996;
- Redundancy Payments Scheme;
- Older Workers Employment Credit;
- Expenditure of certain levy-funded bodies;
- Acceptances of artworks in lieu of Inheritance Tax;
- Profit/loss of self-financing public corporations;

E.31 In addition, for every spending programme, AME records the new non-cash items included under resource budgeting. These are:

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

E.32 Most of these non-cash costs will be included in DEL for SR2002.

E.33 Social Security Benefits. Includes payments of social security and National Insurance benefits by the Department for Social Security and the DSS (Northern Ireland). It includes central government support for certain social security benefits paid by local authorities, eg Housing Benefit. It also includes central government support for local authorities' payments of Council Tax Benefit.

E.34 Housing Revenue Account Subsidies. Includes in England and Wales Housing Element subsidy paid to local authority council housing and central government support for local authorities' payments of Rent Rebates. In Scotland includes Housing Support Grant.

E.35 Common Agricultural Policy. Includes expenditure on the CAP in UK funded by the EU.

E.36 Export Credits Guarantee Department. Includes Fixed Rate Export Finance and other programmes treated as outside ECGD's trading account. It includes refinancing of export finance by Guaranteed Export Finance Corporation.

E.37 Self-Financing Public Corporations. This line comprises the capital expenditure of self-financing public corporations.

E.38 Net Public Service Pensions. This line comprises payments in respect of public sector occupational pensions schemes less relevant receipts. The main examples are the schemes for the civil service, armed forces, teachers and NHS staff.

E.39 Pensions expenditure includes members' continuing pensions (including annual compensation payments), lump sums, spouses' benefits and similar payments, and bulk and individual transfers out.

E.40 Relevant receipts include employers' contributions (including accruing superannuation liability charges paid by departments to the Principal Civil Service Pension Scheme), employees' contributions for ordinary pensions (including widows'/widowers' pensions) and for added years and receipts of bulk and individual transfers in.

E.41 In addition, grants outside DEL to enable NDPBs in the central government sector with their own pay as you go pension schemes to make bulk transfer payments are recorded in this AME line.

E.42 Note that this line does not cover:

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

E.43 National Lottery. Expenditure on the six good causes funded from the proceeds of the National Lottery is in this line: the arts, sport, heritage, charities, projects to mark the Millennium and the New Opportunities Fund.

E.44 This line also includes expenditure funded by the National Endowment for Science, Technology and the Arts, which had been set up by a grant from the National Lottery Distribution Board.

Other AME

E.45 Locally Financed Expenditure. This line comprises the following items:

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

E.46 NIRR are set by the central government in Northern Ireland. The product is not hypothecated to financing specific expenditure. By convention it is treated in PESA as locally financed central government expenditure. The whole of the product of NIRR is treated as a transfer from AME into DEL. AME also records – as a payment for a service reducing TME – the element of NIRR that represents receipts of water charges.

E.47 LASFE is that part of total local authority expenditure not met by central government support. Its largest single financing component is the product of the Council Tax. Other components include the surplus in trading activities, interest receipts, investment grants from the EU, use of reserves and borrowing.

E.48 **Net Payments to European Community Institutions.** This line is mainly made up of the following components:

- Import duties
- plus* Agricultural & sugar levies
- plus* VAT contribution
- plus* GNP-based contribution (including payments to EC budget reserves)
- less* the UK's abatement
- less* receipts from the EC that come to or pass through government
- less* European Coal & Steel Community receipts
- less* receipt reflecting the cost of collecting tariffs & levies
- plus* net lending to the European Investment Bank
- less* attributed aid and Common Foreign & Security Policy, which are in DEL

E.49 **Central Government Debt interest.** Interest paid within central government is excluded. Interest paid to other parts of the public sector is now excluded from this line – a change from last year's PESA so the corresponding accounting adjustment is no longer needed. The capital uplift on index-linked gilts is scored as interest at the time it accrues. This line includes the amortisation of discounts/premia on gilts at issue.

E.50 **Accounting and Other Adjustments.** The contents of this line are described in Appendix B.

E.51 **AME Margin.** The AME Margin is an allowance for estimating changes.

TOTAL MANAGED EXPENDITURE

E.52 TME is an aggregate drawn from national accounts. It covers the current and capital expenditure of the public sector, net of some receipts. So it includes expenditure of central and local government and also of public corporations. TME excludes grants and interest payments between parts of the public sector – it is a consolidated measure. TME does not include financial transactions. So TME is the expenditure side of the equation that gives Public Sector Net Borrowing, the government's preferred measure of the fiscal stance.

E.53 DEL and AME have been defined to sum to TME.

E.54 In addition, TME may be expressed as the sum of:

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

APPENDIX F EXPENDITURE ON SERVICES

F.1 The tables in Chapters 3 and 4 which show public expenditure disaggregated by function and by economic category and the tables in Chapter 8 which show public expenditure by country and by region all focus on total **expenditure on services**. The definition of expenditure on services can be described as public sector expenditure on services, and as such is consistent with the use of TME – a total public sector aggregate – as the main measure of total public spending in this volume.

F.2 Expenditure on services differs from TME in that it excludes debt interest payments, the net public sector pensions line in the standard AME table (see eg Table 1.3) and most of the accounting adjustments in Other AME. Alternatively, building up from the components of TME, expenditure of services is equal to DEL plus Departmental programmes in AME (but not non-cash items), (see Appendix E), except for Net Public Service Pensions, plus Net Payments to EC Institutions, plus Locally Financed Expenditure plus certain accounting adjustments in Other AME.

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

- spending in Departmental Expenditure Limits
- + spending in Departmental in AME (except non-cash items)
- net public service pensions
- + net payments to EC Institutions
- + locally financed expenditure
- + accounting adjustments to remove all debt interest flows from DEL and AME
- + accounting adjustments to deduct financial transactions from DEL and AME, except for the subsidy and bad debt element of student loans
- + accounting adjustments to remove the profit/loss of public corporations recorded in DEL and AME
- + accounting adjustments to remove non-cash items recorded in DEL and AME. Such items arise from the introduction of accruals recording.

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

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

GLOSSARY OF TERMS

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

Accounting adjustments are certain items of expenditure within AME that account for the difference between TME and the sum of DEL, the specific categories of **departmental AME** shown in table, and other identified programme lines in AME shown in table such as debt interest and lottery expenditure. TME is drawn from **national accounts**. However there are certain components in national accounts which are not included in the control regimes for the management of public expenditure; and there are some items in the control regimes that are not part of TME. These items form the accounting adjustments and include the non-cash items in resource accounts, certain **VAT refunds** to public bodies; net contributions to the EC; tax credits; and adjustments for **public corporations**, interest, **financial transactions** and some types of receipts (appendix B has full details).

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

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

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

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

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

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

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

Assets can be either financial or non-financial.

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

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

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

Billion – a thousand million.

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

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

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

Capital expenditure can be understood in several ways.

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

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

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

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

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

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

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

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

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

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

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

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

The **Comprehensive Spending Review (CSR)**, which reported in July 1998 and set spending plans for the three years 1999-2000 to 2001-02, was the first new style Spending Review and replaced the system of annual Public Expenditure Surveys.

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

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

The **Control Total** was the principal aggregate measure for public expenditure budgeting and control used over the period from 1993 to 1999. It covered around 85% of public spending. It was replaced as a budgeting and control measure by **DEL** and **AME** from 1999-2000.

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

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

Criminal Justice System – the work of the legal departments

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

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

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

Departmental AME – is spending that is outside of DEL, but included in departmental budgets. Main categories include social security benefits, housing subsidies, common agricultural policy spending and self-financing public corporations. At present, under the rules for transitional resource budgeting, departmental AME also includes non-cash items such as depreciation, cost of capital charges, and provisions.

Departmental Expenditure Limits (DELs) are firm plans for three years for a specific part of a department's expenditure. In general the DEL will cover all running costs and all programme expenditure except in certain cases spending is included in departmental AME because it cannot reasonably be subject to close control over a three year period. DELs are divided into current and capital budgets.

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

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

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

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

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

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

- Pay
- Other current expenditure on goods and services
- Subsidies
- Current grants to the private sector
- Current transfers abroad
- Current grants to local authorities, includes distribution of Non-domestic rates
- Net capital expenditure on assets
- Capital grants to local authorities
- Other capital grants
- Credit approvals
- Lending and other financial transactions

Employment Opportunities Fund (EOF) used to include most Welfare to Work spending financed out of the windfall tax and included in the 'Welfare to Work' DEL. The EOF is no longer part of the budgeting regime.

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

Estimates – see **Supply Expenditure**

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

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

External Finance limits (EFLs) were limits imposed by government on a public corporation's EFR under cash accounting. EFLs are no longer used and have been replaced by the including a public corporations' capital expenditure, profit/loss, payments of subsidies and a capital charge on its assets.

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

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

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

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

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

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

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

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

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

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

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

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

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

The **Housing Revenue Account (HRA)** is the aggregation of the current income and expenditure of local authority social housing provision. The surplus of income (including rent rebates and subsidies paid by other parts of government) over expenditure is treated as a trading surplus on the revenue side of the aggregate local government account. This means

that the current expenditure of local authority housing departments is not included in TME. The cost of rent rebates and subsidies are included in TME; they are within the AME lines for social security benefits and HRA subsidies.

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

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

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

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

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

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

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

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

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

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

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

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

Net lending has two meanings.

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

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

New tax credits are the Working Tax Credit and Child Tax Credit. They will replace existing personal tax credits in 2003/04.

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

Operating Cost Statement

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

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

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

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

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

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

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

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

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

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

Public Expenditure Survey (PES) was the annual review of public expenditure plans conducted each autumn up until 1996, and which reported in the autumn statement (up to 1992) and then in the Budget from 1993 to 1996. They have now been replaced by the less frequent **Spending Reviews** which set firm plans for three years ahead. The most recent Spending Review reported in July 2000 and set spending plans for the years 2001 to 2004.

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

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

Public sector current expenditure:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Resource budgeting is the budgeting regime adopted for the spending plans set in the 2000 Spending Review. It is derived from resource accounting rules, but there are several differences in treatment between resource accounts and resource budgets.

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

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

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

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

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

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

Spending Reviews set DELs and plans for AME for the following three years. They have replaced the annual PES, and are held at less frequent intervals. The first was the CSR in 1998. The most recent was SR2000 which reported in July 2000 and set spending plans for the years 2001 to 2004. The next, SR2002, will report in the summer of 2002.

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

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

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

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

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

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

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

Trading bodies are publicly owned trading businesses.

Public corporations are trading bodies.

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

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

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

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

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

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

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

The **Working Families Tax Credit (WFTC)** and the **Disabled Persons Tax Credit (DPTC)** are adjustments to employee pay packets to give more pay to low earners. The payments are recorded as social benefit expenditure in **national accounts**, with the income tax being recorded gross. In cash based presentations of public finances they are netted-off gross income tax. See also new tax credits.



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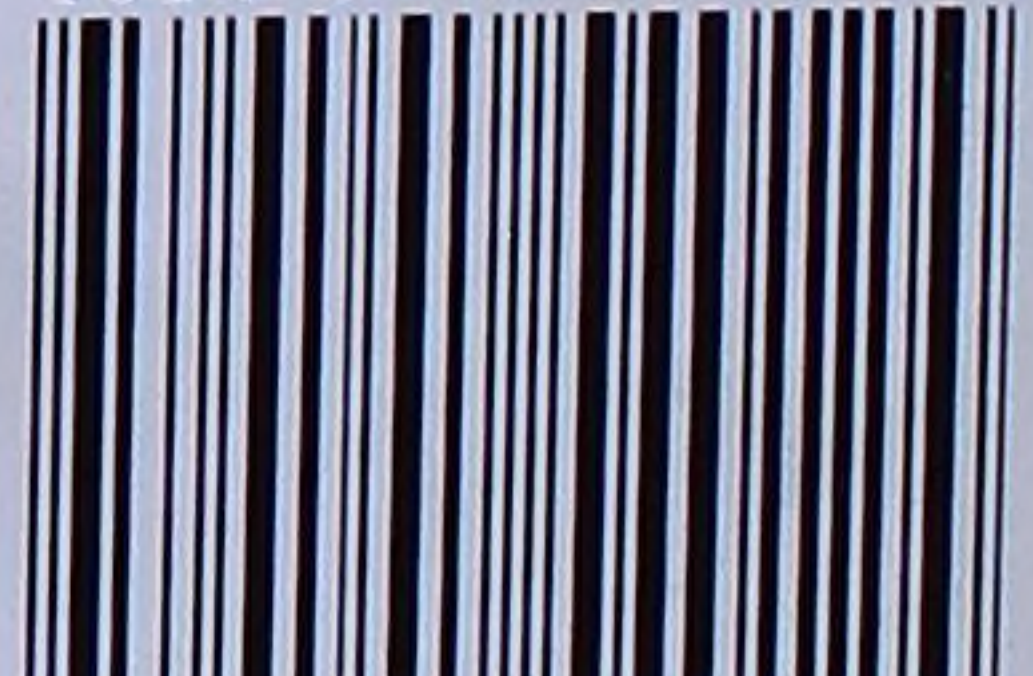
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