

# Public Expenditure Statistical Analyses: Response to reader consultation

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May 2006



HM TREASURY





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**Public Expenditure  
Statistical Analyses:  
Response to reader consultation**

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# INTRODUCTION

## Purpose of this Document

**1.1** In July 2005 HM Treasury launched a reader consultation of Public Expenditure Statistical Analyses (PESA). This report sets out how we mean to respond to the wishes and preferences expressed by readers. We would be grateful for comments on our proposals. Comments should be sent by 31 August 2006 to Kate Hill<sup>1</sup>, the Editor of PESA.

## A National Statistics Consultation and Response

**1.2** Most of the outturn data in PESA are National Statistics. Insofar as this response document covers National Statistics, the response document itself is covered by the National Statistics protocols.

## Background: PESA

**1.3** PESA is an annual publication by HM Treasury. It is published soon after the Spring Budget. It analyses public expenditure in three main ways:

- According to the **budgetary aggregates** used by HM Treasury to plan and control public expenditure and reflecting the organisational structures of government. Therefore PESA is part of the accountability process in which the Government informs Parliament of what it plans to do and what it has done.
- In a **statistical analysis by function**. Functional series transcend both differences in the way in which the public sector is organised for various activities and also changes in the machinery of government; and
- A further statistical analysis of functional spending according to the country and region of the UK that benefits from the spending – the **Country and Regional Analysis (CRA)**.

**1.4** PESA can be accessed on the Treasury's website<sup>2</sup> or bought from the Stationery Office<sup>3</sup>.

**1.5** PESA is a specialist publication. It is used by Parliamentary staff, research institutes, trades unions, HM Treasury officials and others who wish to have detailed analyses of public spending.

## Recent improvements to PESA

**1.6** PESA has seen major improvements over the years as the Treasury has developed its scope and quality. In particular, PESA 2004 saw two key developments:

- Improved quality in the attribution of spending to functions. HM Treasury worked with the Office for National Statistics (ONS) to improve the alignment of the definition of level 1 functional categories used in PESA with

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<sup>2</sup> [http://www.hm-treasury.gov.uk/economic\\_data\\_and\\_tools/finance\\_spending\\_statistics/pes\\_publications/pespub\\_index.cfm](http://www.hm-treasury.gov.uk/economic_data_and_tools/finance_spending_statistics/pes_publications/pespub_index.cfm)

<sup>3</sup> PESA 2005 Cm 6521 April 2005

the United Nations (UN) Classification of the Functions of Government (COFOG) definitions, and then worked with departments to improve the attribution of spending to functions; and

- An improved CRA following the publication of the McLean Report<sup>4</sup>. The Treasury, working with the ONS and with government departments improved methods for allocating spending to countries and regions, and departments are progressively implementing methodological and data quality improvements.

## Conduct of the Review

**1.7** The Treasury decided to take stock with readers of what they wanted for the future development of PESA:

- A questionnaire was posted on the Treasury's website and advertised through a flier in PESA 2005. A list of respondents is at Annex A.
- The Treasury met officials of the House of Commons Scrutiny Unit and the Treasury Select Committee on three occasions to discuss their wishes. The Scrutiny Unit had also sought the views of a range of House of Commons officials. We took the views of David Heald, Professor of Financial Management, Sheffield University Management School, member of the Financial Reporting Advisory Board and an advisor to certain select committees. We also met representatives of the Institute for Fiscal Studies.
- We sought the views of the ONS. We met the Treasury's internal users of data to see what more they would use.
- We analysed the requests that the Treasury's PESA branch received for information from members of the public to see whether there were general lessons to be learnt.
- We considered other published material that could be seen as comments on the usefulness of PESA.

**1.8** We are very grateful to those who took the time to help us with this consultation. The replies have been valuable to us in planning the development of PESA.

**1.9** Compared with the numbers for website hits, and even for sales of PESA in book form, the number of respondents who took part in the reader survey is small. That is inevitable in a user survey for a publication of this sort. But we believe that by focusing on Parliament and representatives of key users we have enough information to go on to identify readers' wishes. The next chapter sets out the key findings from asking readers for their views.

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<sup>4</sup> Professor McLean *Identifying the flow of domestic and European expenditure into the English regions*  
<http://www.local.odpm.gov.uk/research/regeco.htm>

# 2

## KEY FINDINGS FROM THE REVIEW

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### 2.1 The main findings were:

- Readers found PESA useful as an authoritative source of public expenditure information. Its basic model was right. So the publication should be developed rather than being reconstructed from scratch;
- Readers had faith in the integrity of the publication. They believed that if the numbers were published then they would be free from interference. Readers mostly think them to be reasonably accurate. Most outturn data in PESA are National Statistics and therefore come within the Government's framework for improving confidence in official statistics;
- Pretty well every table was used by someone; and
- The textual material was seen as useful both for the explanations it offered and as a comfort on the integrity of the compilation of the data. And readers valued its "measured tone"<sup>1</sup>.

### 2.2 The main areas for development of the data offering in PESA that were identified by readers were (in our perception of declining order of importance to readers):

- Readers wanted more **long run historical information**. PESA presents a level 1 COFOG series back to 1987-88. Readers wanted:
  - The series to go back earlier, in particular so that it covered the whole of the period of the previous Government which took office in 1979-80;
  - More analytical long-run series, in particular for investment; and
  - While there was little demand for a complete presentation of the historical series at the more detailed COFOG levels 2 & 3, there was some demand for long run series for some key functions at these levels.
- Most analyses in PESA cover four or five outturn years and one estimated outturn year. So PESA 2005 had data back to 1999-2000. Readers sought more **short run historical information** to allow the decisions of the present government to be analysed, so data back to 1997-98. Such data should cover both budgetary and functional analyses. Users thought that it would be enough for 1997-98 to be shown as a point year, with a gap before data for more recent years.
- More **plans information**. Many tables in PESA cover the years for which the Government's Spending Review (SR) has published plans. So, many tables in PESA 2005 went forward to 2007-08, the last year of the SR04 period. However, functional tables for the public sector only went up to 2004-05 because there were no firm plans for local government spending beyond that year. Readers wanted public sector functional tables also to go beyond 2004-05 to the end of the SR period.

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<sup>1</sup> Professor David Heald, quoted in House of Commons Treasury Select Committee - first report of session 2004-05 – 17 January 2005 - HC138 - paragraph 63

- Readers sought more information on the effects of the Government's action to improve **efficiency in the public sector**, on the **Private Finance Initiative (PFI)** and on **end-year flexibility (EYF)**.
- Readers wanted a higher proportion of spending data to be analysed in the **CRA** and an analysis showing the effects of devolved decision making.

**2.3** In addition, readers had wishes for the **usability of PESA**:

- Readers – especially new readers - found PESA hard to navigate. PESA is a fully articulated publication with intricate links between the tables. But these links are not transparently shown. Readers sought more **aids to navigation**.
- PESA produces information on a budgeting basis and on a basis broadly linked to national accounts presentations. Departmental Reports include common core tables on the budgeting basis, with regional analyses of spending in a national accounts based series. Other public expenditure data are published on other bases:
  - The ONS national accounts blue book shows General Government Outlays (GGO) by function on a full national accounts basis;
  - Parliamentary Supply Estimates are the means by which departments seek parliamentary authority for their expenditure and cash each year and cover a specific definition of expenditure; and
  - Departmental Resource Accounts are produced on the basis of Generally Accepted Accounting Practice (GAAP) adapted as necessary for the public sector.

Readers sought improved **reconciliations** between these different bases for measuring public spending.

- Readers sought a greater commitment from the Treasury to publishing **consistent series of plans and outturn data** when plans were updated at fiscal events and Spending Reviews.

# 3

## PROPOSALS FOR IMPROVING PESA

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**3.1** This chapter sets out the improvements to data and presentation that we propose to implement progressively for future PESAs, subject to other priorities and resolving practical difficulties. In some cases we set out methodological or practical issues in preparing the data.

### LONG RUN SERIES

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#### Long Run Sectoral Investment Series

**3.2** Long run series reflect not only the Government's decisions to spend more or less on a particular activity, they also reflect decisions on the boundaries of the public sector. These boundary changes were particularly prominent during the 1980s and 1990s with the privatisation of nationalised industries and other State-owned concerns and the sale of Government assets, in particular council-owned dwellings. There have been further boundary changes in the new century and the Government recently announced an asset sales target.

**3.3** It is right that the public expenditure figures reflect boundary changes: the privatisation of say the water supply industry in England and Wales means that its investment had been and is now no longer part of public expenditure. On the other hand, the raw data make it hard to know whether changes in the level of public expenditure are due to decisions to spend less or to have less to spend public money on.

**3.4** This is particularly important for investment series. The reasons are:

- Most privatisations related to trading activities. Public corporations' main impact on public spending is through subsidies paid to them and their own capital expenditure. Normally the industries would continue to make capital expenditure, it is just that it would score in the private sector not the public sector. Subsidies paid to a private sector company would show up in public expenditure the same way as those paid to a public corporations; and
- Capital expenditure is normally shown net of asset sales and before deduction of depreciation. Therefore a move to dispose of assets will show up as a reduction in investment. That is right in the relevant function – other things being equal sales of council houses are disinvestment in State housing. But sales figures are matched by purchases by other sectors in the economy – the asset does not disappear. The use of a figure net of sales does not reveal the level of gross expenditure before deduction of sales income. Large asset sales on one function may cloud the investment picture on other functions.

**3.5** So to understand long run investment trends fully readers should look also at numbers that are adjusted to give expenditure figures for a notional consistent or unchanging scope of the public sector.

**3.6** Such consistent series also need to be used with care:

- First, they need judgement in their preparation: it is not always easy to identify the spending that related to an industry that has since been privatised. So data quality is not as good as it is in an unadjusted series; and

- Second, although they tell us what the government in a particular year spent on activities that are still in the public sector, they do not tell us what the government would have spent had those been the only activities in the public sector.

**3.7** There have been several attempts to construct long run consistent investment series. For example, PESA 2002<sup>1</sup> included two tables that gave information on public sector gross and net investment from 1978-79 to 2000-01 on consistent sectoral boundaries. The tables also showed information on PFI and general government asset sales. Consistent boundaries were arrived at mostly by adjusting aggregate national accounts figures held by the ONS for the national accounts, rather than using data held by the Treasury. The adjustments were:

- Excluding spending of bodies that had been privatised;
- Treating NHS trusts which had shifted between the central government and public corporations sectors as though they had always been in central government; and
- The income from local authority council house sales was added back to both gross and net investment figures, while the depreciation figure was increased commensurately. In other words, council housing figures show the level of local authority capital spending measured on the basis of a housing stock maintained at 1970s levels.

**3.8** We intend to update these tables showing capital expenditure on consistent sectoral boundaries. We will supplement them by showing them in real terms and as a percentage of GDP.

**3.9** The adjustments for most privatisations and intra public sector sectoral movements are not controversial: we would, for example, simply remove the capital expenditure of the nationalised water industry.

**3.10** It is more problematic to provide a consistent series where the State used to produce services and the Government now supports capital expenditure by private sector bodies by way of capital grants. The two main areas affected are railways and social housing. One option would be to exclude capital expenditure by British Rail but to include capital grants to it. Another would be to exclude significant industry-specific capital grants to privatised sectors. Either approach would mean that the series reasonably consistently excluded capital expenditure financed from the farebox and included capital expenditure financed from taxes. The availability of readily identifiable data will be a key issue.

**3.11** Moreover, there is no such clear approach to normalising for council house sales. The treatment is made harder because unlike say telecommunications where there was a clean break, council housing remains an important local authority activity. The PESA 2002 approach is not without its conceptual difficulties.

**3.12** An alternative approach to dealing with the impact on the numbers for council house sales might be:

- To provide figures for local authority and public sector investment that exclude capital expenditure and income relating to local authority housing

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<sup>1</sup> PESA 2002-03 - May 2002 - Cm 5401 - Paragraphs 3.4-7 and Tables 3.2a & 3.2b  
[http://www.hm-treasury.gov.uk/economic\\_data\\_and\\_tools/finance\\_spending\\_statistics/pes\\_publications/pespub\\_pesa02-03.cfm](http://www.hm-treasury.gov.uk/economic_data_and_tools/finance_spending_statistics/pes_publications/pespub_pesa02-03.cfm)

altogether. The figures would include capital grants and subsidies paid to local authority and private sector social housing – thus giving a consistent boundary; and

- To provide separate figures for council house capital expenditure before deduction of asset sales, asset sales and depreciation.

## Further historical analyses

**3.13** We considered producing the following series but because of the difficulties of producing them we cannot commit ourselves to doing so. We would however aim to produce them if practical difficulties can be resolved allowing us to obtain adequate data quality at reasonable cost (it is more expensive for PESA to produce and maintain historical information than to use information maintained by departments on the Treasury’s live database):

- taking the existing long run COFOG Level 1 Total Expenditure on Services (TES) series back to years before 1987-88,
- splitting the long run COFOG Level 1 TES series into: current expenditure and capital expenditure,
- showing a long run COFOG Level 1 TES series for capital expenditure adjusted for privatisations, and
- taking selected COFOG Level 2 sub-functions back. We would choose those that were of general interest and where the main Level 2 series did not form the bulk of the Level 1 series. So for example we might identify separately spending on schools and higher education.

**3.14** In order to improve the historical series in the future, we plan to change the way in which we record and maintain the historical series so that we will continue to be able to produce relatively detailed analyses of years that are currently live. The aim would be to produce current and capital expenditure splits, and information on selected Level 2 functions.

## PROJECTING PLANS FOR FUTURE YEARS

**3.15** Local authorities (LAs) undertake about one quarter of the spending in TES. The key issue for the production of detailed functional figures at the level of the public sector for the plan years of the SR period is that the Treasury does not hold information on the spending plans of LAs. The Treasury forecasts the total spending of LAs, divided into capital and current, in order to forecast total spending in the fiscal framework. But LAs are independent bodies. So central government does not plan their forward spending patterns.

**3.16** The table below shows PESA 2005 Table 6.6 reworked as percentages of spending.

**Table 6.6 - Local authority current and capital expenditure in the United Kingdom by function, 1999-00 to 2004-05 (1)**

	accruals, £ million					
	National Statistics					
	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
	outturn	outturn	outturn	outturn	outturn	estimated outturn
<b>Current</b>						
General public services	3.7%	3.5%	3.4%	3.3%	3.0%	3.3%
Debt interest <sup>(2)</sup>	0.4%	0.5%	0.4%	0.3%	0.3%	0.4%
Defence	0.0%	0.0%	-	-	-	-
Public order and safety	13.3%	13.0%	12.7%	12.2%	12.3%	12.4%
Enterprise and economic development	0.5%	0.4%	0.4%	0.4%	0.4%	0.4%
Employment policies	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Agriculture, fisheries and forestry	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Transport	3.5%	3.7%	3.9%	4.1%	4.8%	5.3%
Environment protection	3.5%	3.6%	3.6%	3.6%	3.6%	3.6%
Housing and community amenities	1.3%	1.7%	1.8%	1.7%	2.0%	2.0%
Health	0.5%	0.5%	0.5%	0.5%	0.4%	0.3%
Recreation, culture and religion	3.2%	3.2%	3.2%	3.2%	3.1%	3.0%
Education and training	32.6%	32.9%	33.9%	33.3%	34.1%	33.6%
Social protection	28.9%	28.3%	28.0%	29.1%	29.9%	29.5%
Accounting adjustments	8.5%	8.6%	8.0%	8.3%	6.0%	6.1%
<b>Total local authorities' current expenditure on services</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Capital</b>						
General public services	5.0%	3.6%	3.5%	4.2%	4.9%	7.2%
Public order and safety	5.3%	5.2%	5.0%	6.0%	6.8%	7.3%
Enterprise and economic development	1.6%	0.7%	0.6%	-0.1%	0.1%	0.6%
Employment policies	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%
Agriculture, fisheries and forestry	-0.7%	-0.6%	-0.4%	-0.4%	-0.4%	-0.4%
Transport	21.3%	27.8%	25.5%	31.4%	31.1%	30.2%
Environment protection	2.9%	2.4%	2.0%	2.6%	3.6%	3.9%
Housing and community amenities	8.9%	17.5%	18.8%	9.1%	5.7%	19.4%
Health	-	-	-	-	0.6%	1.0%
Recreation, culture and religion	10.7%	10.9%	8.4%	7.8%	7.3%	10.0%
Education and training	27.2%	32.4%	26.5%	26.9%	31.5%	30.2%
Social protection	2.0%	2.1%	1.5%	1.8%	1.9%	2.0%
Accounting adjustments	15.8%	-2.0%	8.4%	10.7%	6.9%	-11.4%
<b>Total local authorities' capital expenditure on services</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Total local authorities' expenditure on services</b>	<b>86,368</b>	<b>91,080</b>	<b>99,262</b>	<b>107,511</b>	<b>115,784</b>	<b>127,047</b>

(1) The local authority figures for 2004-05 reflect local authority budgets data, as set at the beginning of 2004-05. This differs from the totals of local authority expenditure in this table, which reflects latest figures for estimated outturn, as forecast in the public finances section of the FSBR in March 2005. The difference is adjusted for within the accounting adjustments

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

Current Expenditure as a %age of total expenditure	93.7%	93.9%	91.8%	92.0%	92.2%	89.8%
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**3.17** The table shows that:

- The distribution of LA current spending by function is reasonably stable over time. While some lines – e.g. transport – appear to show trend growth, that is unusual; and
- The distribution of capital spending is less stable, but is a relatively small part of the total.

**3.18** We therefore plan to explore whether we can develop a simple rule to project forward the distribution of LA spending to function in outturn years for those years for which no LA-sourced plan data exist, with some allowance for known policy effects. We would need to check that such projections provided reasonable results. We would make clear in the presentation that the numbers are projections, not plans or forecasts. The purpose would not be to show a projection of LA spending, rather to allow us to show overall public sector spending projections to reasonable levels of quality.

## THE STRUCTURE OF TOTAL EXPENDITURE ON SERVICES

**3.19** TES is the aggregate used for functional analyses. It is similar in coverage to the main reporting aggregate TME, which is drawn from the national accounts. More information on TES is in PESA 2006, Appendix E. This passage discusses proposals for changes in the coverage of TES.

### Move to UN COFOG Level 2

**3.20** PESA Level 1 is almost entirely aligned with UN COFOG Level 1. PESA Level 2 shows some differences from UN COFOG Level 2. Some UN functions are grouped for PESA, some are split out into a number of sub-functions. In addition there are cases where UN and PESA Level 2 functions do not map easily onto each other. Annex B sets out the relationships between PESA and UN Level 2 functions.

**3.21** This response document pre-announces a change in the attribution of spending to level 2 functions. From PESA 2007, the data underpinning the functional analysis in PESA will be wholly consistent with UN COFOG Level 2. We may, however, group some of the sub-functions for ease of presentation, give more detailed splits than Level 2 where the detail is available and would be helpful to readers, show some *of which* lines or other lines that are not truly UN COFOG based but that might be of interest to readers.

**3.22** The dataset that is provided to ONS will therefore be wholly consistent with UN COFOG Level 2. From end 2007, the ONS intend to use that dataset for reporting General Government Outlays (GGO) to EUROSTAT, who have asked EU member states to report at COFOG Level 2 in the future. That should mean that there will be directly comparable COFOG Level 2 data across the European Union, which will aid international comparisons once Eurostat move to publishing the data.

**3.23** Because PESA analyses are based on TES rather than GGO, PESA will not be directly comparable with the information published by other member states. A further barrier to using PESA for international comparisons is that PESA uses financial years while the national accounts and many EU member states use calendar years.

## Non-Trading Capital Consumption/ Depreciation

**3.24** ONS produce the non-trading capital consumption (NTCC) number in TME using a Perpetual Inventory Model (PIM). TES is based on TME and therefore includes the current and capital spending of the public sector. But unlike TME TES does not include NTCC. That is because the Treasury did not have ready access to depreciation numbers that could be split by PESA sub-functions.

**3.25** Since the introduction of RAB, departments have produced GAAP based depreciation numbers. The ONS intend to use these as the basis for the central government NTCC figures in the national accounts. ONS will also address the issues raised by the transition from PIM numbers to GAAP numbers in the long run series. ONS will consider producing PIM NTCC data for earlier years by UN COFOG Level 2/3.

**3.26** We therefore intend to put into TES: current expenditure including NTCC; and capital expenditure with no deduction for depreciation. This would be the basis most consistent with TME, GGO and GDP. It would put the current cost of government services onto a comparable basis with the cost of bought-in services. We would make the change once the ONS has a time-table for moving to using GAAP numbers and can provide a consistent back data series.

## Net investment

**3.27** Once we use depreciation numbers in TES, we would also be able to show a variation of table 3.9 [Public Sector Capital Expenditure by Spending Sector and Function] that showed capital expenditure on the acquisition of tangible fixed assets (ie excluding capital grants) net of sales and net of depreciation.

**3.28** That would not quite be an analogue to Public Sector Net Investment (which does include capital grants) but would give an indication of the extent to which the public sector was maintaining the asset base used by central government for the delivery of public services.

## Public Service Pensions in TES

**3.29** Contributions to the unfunded public service pensions schemes score in the functional lines along with pay. So for example costs of employer pension contributions for NHS doctors score in the health functional line.

**3.30** Payments to pensioners score in the social protection function in TES. As is the case with TME, income from contributions is netted off payments to pensioners. That ensures that the totals do not overstate the amount of cash that needs to be raised to finance public service pensions. It also means not counting pensions twice, once as contributions and once as pensions in payment (although it would not be the same pension that was counted twice in any one period).

**3.31** In the national accounts, including the ONS' presentation of GGO, pensions in payment are shown gross. Income from contributions is treated as a resource on the income side of the account. That reflects that the Government has two rôles: employer; and pension fund.

**3.32** We propose to stop netting contributions off pensions in payment in the social protection line in TES. So that line would include gross pensions in payment. Since employer pension contributions would be included with pay in the various spending lines, TES, like GGO would include both pensions in payment and pensions

contributions. An accounting adjustment would deduct pension contributions to move from TES to TME.

## FURTHER ANALYSES OF TES

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### Asset Sales

**3.33** We propose to show central government and public corporations asset sales by function, supplementing the existing table of local authority asset sales by function.

### Procurement

**3.34** Most public sector current expenditure goes on grants to individuals, pay and procurement. With the interest in the Government's efficiency measures there is some demand for more information on procurement.

**3.35** The Treasury's datasets that underpin PESA cannot meet the demand for information on what is being bought; nor do we think it worth the cost of expanding them to do so. PESA can show who is doing the buying or what functions it goes on.

**3.36** We therefore propose to include a table showing current procurement in TES by function.

### Spending financed by the European Community

**3.37** Most spending financed by grants by the EC is treated in the national accounts as a direct payment from the EC to enterprises or individuals even though it passes through the Government's books.

**3.38** From 2006-07, income from the EC has been netted off departments' budgets. So in effect EC-financed spending will not show up in budgets.

**3.39** In the TES analyses spending financed by the EC scores like UK-financed spending. Given that the UK is a net contributor that seems the most sensible presentation. However, in order that people can see the impact of EC-financed spending – and remove it if they wish - we will include a new table that shows income from the EC by function.

**3.40** We will also clarify the presentation of the net payments to the EC that is found in Tables 3.6 and 4.5

## MORE ANALYSES OF DEPARTMENTAL BUDGETING INFORMATION

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### Income

**3.41** Departmental budgets are set net of allowable income. Therefore, the level of spending in budgets does not reflect the gross spending power of the department. That difference may be significant as the Government steps up moves to dispose of unneeded assets. In order to provide additional information we intend to show income taken into account in Resource and Capital budgets. Readers would then be able to work out the gross spending of departments in budgets.

**3.42** We would also show income from the European Community by departmental group.

### **Procurement**

**3.43** We would also show procurement expenditure in budgets by departmental group.

### **Budget by Economic Categories**

**3.44** Readers sought help in understanding the differences between different types of budget (Resource Budget, Capital Budget &c). So we will publish a table showing the main economic categories in different budgets.

### **Investment Expenditure**

**3.45** Capital expenditure in budgets contains a number of transactions that do not lead to the creation of tangible fixed assets (land and buildings, equipment) on departments' books, such as capital grants and net lending. In addition, resource budgets include numbers relevant to understanding transactions involving real assets such as depreciation, impairments and the profit/ loss on disposal of assets. At the same time, departments support capital expenditure in other sectors, some of which may be used in support of departmental objectives.

**3.46** In order to provide a focused analysis of departmental expenditure on real assets we would provide new analyses showing for example expenditure on fixed assets net of sales and net of depreciation by departmental group.

### **Changes since the SR**

**3.47** Chapter 2 of PESA shows changes since the previous PESA. In the case of the first PESA following a SR we will set out changes since the SR.

### **CAPITAL EMPLOYED**

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**3.48** We will investigate whether to produce a new table giving capital employed by departmental group for a run of years.

### **COUNTRY AND REGIONAL ANALYSES (CRA)**

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#### **Identifying More Expenditure**

**3.49** The PESA CRA sets out expenditure by country and region on the basis of who benefits from that expenditure. The CRA is a statistical exercise. It has no direct bearing on spending allocations. For the CRA, expenditure is divided into two categories:

- Expenditure that can be identified as benefiting a particular country or region – for example social security payments benefit the region where the recipient lives; and
- Expenditure that cannot be so identified, e.g. defence.

**3.50** All of the expenditure within the scope of the devolved administrations (DAs) is currently treated as for the benefit of their country<sup>2</sup>. That leads to two differences in treatment compared with expenditure on the same sort of activity when undertaken by Whitehall departments:

- Some of the spending by Whitehall departments is treated as non-identifiable. For example, the Home Office’s prisons spending in England and Wales is treated as non-identifiable, whereas spending on prisons in Scotland and Northern Ireland is treated as identifiable. And
- Some of the expenditure by Whitehall departments is treated as fully identifiable. So for example DCMS’ expenditure on national museums is allocated according to the region of residence of visitors, whereas spending on museums by the DAs is treated as all for the benefit of their countries.

**3.51** These two effects tend to overstate expenditure for the benefit of Scotland, Northern Ireland and – to a lesser extent – Wales compared with England and the English regions. These effects are however relatively small. The tables below show per head numbers for each country published in PESA 2005 (table 8.2) and the approximate values by which these would change were we to adjust the figures in the PESA 2005 CRA, by removing from the figures spending in the DAs of a type that is treated as non-identifiable in England<sup>3</sup>. That is not the methodology we intend to use for PESA 2007 (see below), but is an approximate illustration of the effects that we have been able to produce relatively simply.

**PESA 2005 – Table 8.2 – Identifiable expenditure by country** **£ per head**

	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
England	4,391	4,649	5,080	5,428	5,940	6,391
Scotland	5,377	5,692	6,308	6,667	7,346	7,786
Wales	5,184	5,513	5,900	6,396	6,901	7,312
Northern Ireland	6,004	6,418	6,991	7,484	7,945	8,566
<b>UK ID spending</b>	<b>4,562</b>	<b>4,832</b>	<b>5,280</b>	<b>5,640</b>	<b>6,164</b>	<b>6,617</b>

**Approximate change to table 8.2 of PESA 2005** **£ per head**

	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
England	0	0	0	0	0	0
Scotland	-67	-66	-75	-79	-91	-105
Wales	-16	-20	-21	-22	-28	-34
Northern Ireland	-110	-162	-96	-104	-123	-122
<b>UK ID spending</b>	<b>-10</b>	<b>-11</b>	<b>-10</b>	<b>-11</b>	<b>-13</b>	<b>-14</b>

<sup>2</sup> with the exception of Scottish expenditure on the Lockerbie trial

<sup>3</sup> The level of detail recorded by DAs means certain expenditure classified as non-identifiable in England cannot readily be identified in their data, and hence cannot easily be directly removed from the DA spending. Where this is the case, it has been assumed that such spending exists in the DA and the level of spending is equivalent to the DAs’ population share of this spending, which has then been removed.

**3.52** Looking at a more detailed functional split of spending, again few functions would be materially affected if the basis of data collection was changed. The one area where there would be likely to be a change is Public Order and Safety. Here the relative positions of Northern Ireland and, to a lesser extent, Scotland would change somewhat compared with England. The two tables below show the figures published in PESA 2005 and approximate values by which these would change if we were to adjust the figures using the same methodology as above.

**PESA 2005 – Table 8.11 – Identifiable expenditure by country and function for 2003-04**

£ per head

	General public services	International services	Defence	Public order and safety	Enterprise and economic development	Science and technology	Employment policies	Agriculture, fisheries and forestry	Transport	Environment protection	Housing and community amenities	Health	Recreation culture, and religion	Education and training	Social protection	Total
England	70	0	0	356	85	25	65	74	271	88	90	1225	100	1013	2476	<b>5940</b>
Scotland	166	0	0	360	109	32	181	145	341	220	179	1456	182	1102	2874	<b>7346</b>
Wales	158	0	0	367	269	14	73	106	220	119	91	1345	171	1047	2921	<b>6901</b>
Northern Ireland	196	0	1	692	222	10	21	258	210	274	204	1367	66	1322	3103	<b>7945</b>
<b>UK identifiable expenditure</b>	<b>86</b>	<b>0</b>	<b>0</b>	<b>366</b>	<b>100</b>	<b>25</b>	<b>74</b>	<b>87</b>	<b>273</b>	<b>106</b>	<b>101</b>	<b>1255</b>	<b>109</b>	<b>1031</b>	<b>2550</b>	<b>6164</b>

**Approximate change to 2003-04 part of table 8.11 of PESA 2005**

£ per head

	General public services	International services	Defence	Public order and safety	Enterprise and economic development	Science and technology	Employment policies	Agriculture, fisheries and forestry	Transport	Environment protection	Housing and community amenities	Health	Recreation culture, and religion	Education and training	Social protection	Total
England	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	<b>0</b>
Scotland	-9	0	0	-62	-4	-4	0	-4	0	-7	0	0	0	0	0	<b>-91</b>
Wales	-10	0	0	0	-1	-4	0	-5	0	-6	0	0	0	0	0	<b>-28</b>
Northern Ireland	-14	0	-1	-89	-5	-4	0	-5	0	-6	0	0	0	0	0	<b>-123</b>
<b>UK identifiable expenditure</b>	<b>-2</b>	<b>0</b>	<b>0</b>	<b>-8</b>	<b>-1</b>	<b>-1</b>	<b>0</b>	<b>-1</b>	<b>0</b>	<b>-1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-13</b>

**3.53** We face a number of options in the face of these findings:

- **Do nothing.** All statistical exercises are approximations that show a broad picture. As the tables above show, the PESA CRA figures are not greatly

affected. CRA figures include a number of simplifying assumptions, such as that local authority spending benefits the region where the local authority is situated. They also reflect two considerations: first, that it is difficult to identify the beneficiary of certain expenditure; second, the view of the DAs that all their spending is for the benefit of their countries. And leaving the CRA as it is would mean not adding to compliance costs.

- **Treat Certain DA Spending as Non-Identifiable.** We could remove from the analysis DAs' spending where equivalent spending in England was treated as non-identifiable. (That is the basis on which the tables above have been prepared.) However, it would be regrettable to reduce the amount of spending that was analysed in the CRA, and officials of the devolved administrations also have told us that they would not favour this option.
- **Create a Category of England Non-identifiable Spending.** Spending that could not be identified as benefiting a particular region could be shown as for the benefit of England, allowing for more accurate comparisons between the countries of the UK. However, where spending is for England and Wales there would need to be a rough apportionment between those two countries. Also, we would wish to be able to compare Scotland, Wales and Northern Ireland with the English regions.
- **Identify more Whitehall Spending.** We could ask the Whitehall departments who have non-identifiable spending that is devolved to one or more DAs to try to analyse it by region.

**3.54** We have made no change for PESA 2006. However, we intend to try to treat more Whitehall spending as identifiable where there is comparable spending in one or more of the DAs, provided that robust and cost-effective methods can be found.

**3.55** We will also consider with the DAs whether to identify the beneficiaries of their spending using methods applied already by the Whitehall departments, where it is cost-effective to do so.

**3.56** We will discuss changes during 2006 with departments and DAs with a view to making changes for PESA 2007. Insofar as emerging findings could inform the publication *Government Expenditure and Revenue in Scotland* in December 2006 we will make them available within the constraints of the National Statistics protocols.

## More History

**3.57** It would be attractive to take the CRA series back in time. In practice, it would be difficult to do so before 1998-99, the first year to benefit from the major improvements in methodology that were introduced in PESA 2004 in response to the McLean report. It would also be too hard in practice to take back detailed functional numbers beyond the five years that departments are asked to maintain.

**3.58** We therefore propose to show a long run series only for figures for total spending by region per capita and indexed going back to 1998-99. Even for the production of that total figure, we would need to exercise judgement in carrying back adjustments to data, and inevitably the data quality of older figures would be lower than that of more recent data.

## A new England Series

**3.59** Devolution has increased the interest in England series. We therefore propose to publish a table showing Total England expenditure by COFOG Level 2 subfunction over a run of live years.

**3.60** We would also consider producing similar tables for Scotland, Wales and Northern Ireland if there was a demand.

## Devolved Spending Comparisons

**3.61** Some readers suggested that PESA should produce figures for spending in England or the English regions which corresponds with spending which is devolved in Scotland, Wales and Northern Ireland. The table would allow readers to compare differences in the patterns of allocation of spending in the devolved administrations with the patterns in Whitehall departments. The existing CRA presentations do not allow that comparison as they include spending in Scotland, Wales and Northern Ireland by Whitehall departments, and do not divide spending by Whitehall departments according to whether spending has or has not been devolved to one or more countries.

**3.62** It would be difficult to produce such a table. The extent of devolution varies in the three countries. Data structures have not been designed to allow such comparisons so estimates might be needed, and it might not be easy to get these right enough to be of publishable quality.

**3.63** Moreover, any results would need to be interpreted with care. Policies are increasingly diverging under devolution, so there may not be a direct read across e.g. the water industry is in the public sector in Scotland and Northern Ireland and not in England and Wales. Local government spending comparisons may be awkward e.g. because of the narrower scope of Northern Ireland local government.

**3.64** Nonetheless, we may consider further whether to produce such a table of comparative information.

## PRESENTATION

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**3.65** We will aim to improve the presentation of PESA, focusing on:

- Easier navigation, including a section for new readers on how to use PESA
- More supporting material published on the web alongside PESA, such as how the UN COFOG Level 2 definitions have been applied in the UK.

## NATIONAL STATISTICS UPDATES

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**3.66** Following the Treasury's decision to clarify the rôle of Near-Cash in Resource DEL as a control total from 2005-06, we will publish updates of the outturn years in the Near-Cash table once 2005-06 outturns are covered by National Statistics. The first such update would be at the time of the Public Expenditure Outturn White Paper in July 2006, with other updates on the days of the Pre-Budget Report (PBR) and the Budget.

## OTHER MEANS OF MEETING READERS' WISHES

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**3.67** A number of readers' wishes for information can be met outside PESA, including:

- Information on **efficiency** in Departments' Efficiency Technical Notes (available on departmental websites<sup>4</sup>), Departmental Reports and Autumn Performance Reports. In addition, further information on the efficiency programme is in the Budget and PBR.
- Information on **PFI** is published routinely in the Financial Statement and Budget Report<sup>5</sup> and PBR, and in occasional publications such as *PFI: strengthening long term partnerships*<sup>6</sup>.
- Information on **end-year flexibility** in the Public Expenditure Outturn White Paper (PEOWP)<sup>7</sup> and
- **reconciliations** between different spending aggregates at the departmental level in Supplementary Budgetary Information<sup>8</sup>, Main Supply Estimates<sup>9</sup>, and Departmental Resource Accounts.

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<sup>4</sup> Links at

[http://www.hm-treasury.gov.uk/documents/public\\_spending\\_and\\_services/publicservice\\_performance/pss\\_perf\\_table.cfm](http://www.hm-treasury.gov.uk/documents/public_spending_and_services/publicservice_performance/pss_perf_table.cfm)

<sup>5</sup> e.g. Financial Statement and Budget Report March 2006 HC968 Tables C17-19

<sup>6</sup> HM Treasury March 2006 [http://www.hm-treasury.gov.uk/budget/budget\\_06/other\\_documents/bud\\_bud06\\_odpfi.cfm](http://www.hm-treasury.gov.uk/budget/budget_06/other_documents/bud_bud06_odpfi.cfm)

<sup>7</sup> PEOWP 2005 Cm 6639

[http://www.hm-treasury.gov.uk/economic\\_data\\_and\\_tools/finance\\_spending\\_statistics/pes\\_publications/pespub\\_pesa05.cfm](http://www.hm-treasury.gov.uk/economic_data_and_tools/finance_spending_statistics/pes_publications/pespub_pesa05.cfm)

<sup>8</sup> [http://www.hm-treasury.gov.uk/documents/public\\_spending\\_and\\_services/parliamentary\\_supply\\_estimates/pss\\_pse\\_mainest0607.cfm](http://www.hm-treasury.gov.uk/documents/public_spending_and_services/parliamentary_supply_estimates/pss_pse_mainest0607.cfm)

<sup>9</sup> [http://www.hm-treasury.gov.uk/documents/public\\_spending\\_and\\_services/parliamentary\\_supply\\_estimates/pss\\_pse\\_sbi0607.cfm](http://www.hm-treasury.gov.uk/documents/public_spending_and_services/parliamentary_supply_estimates/pss_pse_sbi0607.cfm)



# 4

## COVERAGE OF NATIONAL STATISTICS

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- 4.1** Most outturn material in PESA is National Statistics. Readers varied in the significance they attached to tables being National Statistics or not.
- 4.2** The outturn data in most of the new tables envisaged in this response document will be National Statistics as they fall within the existing scope of National Statistics in PESA.
- 4.3** On 22 March 2006, the Government published *Independence for Statistics: a consultation document*<sup>1</sup>. The document seeks views on how the Government's intention to introduce legislation providing for independence in statistics should be fulfilled.
- 4.4** Without prejudice to the outcome of the Government's consultation, the Chief Secretary to the Treasury has decided to take this opportunity before the start of the new system to determine that all outturn statistics in PESA should fall within the scope of National Statistics and that they should be produced in line with the National Statistics Code of Practice.
- 4.5** Under the Government's proposals, in future, an independent board will have responsibility for developing and maintaining the code against which National Statistics will be assessed.

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<sup>1</sup> [http://www.hm-treasury.gov.uk/budget/budget\\_06/other\\_documents/bud\\_bud06\\_odstatistics.cfm](http://www.hm-treasury.gov.uk/budget/budget_06/other_documents/bud_bud06_odstatistics.cfm)



# 5

## IMPLEMENTATION

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**5.1** Implementation of these proposals assumes the present level of resources and is subject to competing priorities for staff time, and the resolution of practical difficulties. In some areas, for example the inclusion of NTCC in TES, it is effectively dependent on the decisions and work of others. More generally, the proposals represent a work programme that will stretch over a number of years.

**5.2** In 2006 we will be working to adapt PESA production processes to run PESA 2007 off the Treasury's new public expenditure database, COINS.

**5.3** In the remaining development time during 2006-07 we intend to prioritise the following workstreams in response to this reader consultation:

- Moving the functional analysis to UN COFOG Level 2;
- Exploring the methodological issues around projecting local authority spending for the plan years;
- Providing additional tables analysing the live database; and
- Identifying more expenditure in the CRA.



# A

## LIST OF RESPONDENTS

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Association of University Teachers

Department of Trade & Industry

Institute for Fiscal Studies \*

Northern Ireland Office

Office for National Statistics

Scottish Enterprise

Officials of the House of Commons Scrutiny Unit and Treasury Select Committee \*;

Professor David Heald, Sheffield University, advisor to certain the House of Commons Select Committees \*

Mr & Mrs Cuthbert, writing in the Fraser of Allander Institute Quarterly Economic Commentary

\* Meetings held



# B




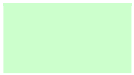

## RELATIONSHIP OF PESA AND UN COFOG LEVEL 2 FUNCTIONS

### How do these differ from UN COFOG?

UN COFOG was adapted to create the HMT functional analyses. There are only 10 UN COFOG divisions, but 18 HMT functions. The HMT functions can be grouped together to form the 10 UN COFOG divisions to allow international comparisons to be made at the functional level. HMT subdivides the UN COFOG divisions of 'General public services' and 'Economic affairs' into separate functions to give a more detailed presentation of public spending that is relevant to the UK. There is an additional function of 'Unallocated provision', which includes Departmental Unallocated Provision and the central Departmental Expenditure Limit Reserve and Allowance for Shortfall.

The following table shows how HMT functional analyses are derived from the UN COFOG structure, whilst keeping them comparable.

### Key for comparison

	Heavy red boxes identify the UN COFOG divisions, which are in turn split into 2-digit and 3-digit groups and classes, as indicated by the numbers
	Heavy blue boxes identify the 18 HMT COFOG functions, which have been adapted
	Shows the HMT COFOG sub-functions, within each function and how they map across to the UN COFOG groups and classes, COINS Tags, and Collective or Individual services tags
	Highlight specific functions and sub-functions that are unique to HMT, or that HMT wanted to keep in existence. The majority of these can be loosely assigned to a UN COFOG group or class, except for the sub-functions Regional policy and Lottery and the function of Unallocated provision.
	Indicates UN COFOG groups that have been split between HMT COFOG subfunctions

HMT COFOG

UN COFOG (includes 2-digit and 3-digit)

<b>GENERAL PUBLIC SERVICES</b>	<b>1. GENERAL PUBLIC SERVICES</b> 1.1.1 Executive and legislative organs 1.1.2 Financial and fiscal affairs 1.3.1 General personnel services 1.3.2 Over-all planning and statistical services 1.3.3 Other general services 1.4.0 Basic research 1.5.0 General public services 1.6.0 General public services n.e.c.
<b>EU TRANSACTIONS</b>	HMT own
EC receipts	Receipts from the EU budget to fund EU programmes in the UK
GNI contribution, net of abatement and aid	UK's contribution to the EC on the same basis as TME
<b>INTERNATIONAL SERVICES</b>	
Other international services	1.1.3 External affairs
International development assistance	1.2.1 Economic aid to developing countries and countries in transition 1.2.2 Economic aid routed through international organisations
<b>DEBT INTEREST</b>	
Central government debt interest	1.7.0 Public sector debt interest
Local authority debt interest	1.7.0 Public sector debt interest
Public corporations debt interest	1.7.0 Public sector debt interest

<b>DEFENCE</b>	<b>2. DEFENCE</b>
National defence	2.1.0 Military defence 2.3.0 Foreign military aid 2.4.0 R&D Defence 2.5.0 Defence n.e.c.
Civil defence	2.2.0 Civil defence

<b>PUBLIC ORDER AND SAFETY</b>	<b>3. PUBLIC ORDER AND SAFETY</b>
Police	3.1.0 Police services
Fire	3.2.0 Fire-protection services
Administration of justice	3.3.0 Law courts
Prisons and offender programmes	3.4.0 Prisons
Immigration and citizenship	3.1.0 Police services
Other Public order and safety	3.5.0 R&D Public order and safety 3.6.0 Public order and safety n.e.c.

<b>ENTERPRISE AND ECONOMIC DEVELOPMENT</b>	<b>4. ECONOMIC AFFAIRS</b>
Economic development and trade	4.1.1 General economic and commercial affairs

Support for business	4.9.0 Economic affairs n.e.c 4.3.1 Coal and other solid mineral fuels 4.3.2 Petroleum and natural gas 4.3.3 Nuclear fuel 4.3.4 Other fuels 4.3.5 Electricity 4.3.6 Non-electric energy 4.4.1 Mining of mineral resources other than mineral fuels 4.4.2 Manufacturing 4.4.3 Construction 4.6.0 Communication 4.7.1 Distributive trades, storage and warehousing 4.7.2 Hotels and restaurants 4.7.4 Multi-purpose development projects 4.7.3 Tourism
Regional policy	HMT own
<b>SCIENCE AND TECHNOLOGY</b>	4.8.1 R&D General economic, commercial and labour affairs 4.8.1 R&D General economic, commercial and labour affairs 4.8.2 R&D Agriculture, forestry, fishing and hunting 4.8.3 R&D Fuel and energy 4.8.4 R&D Mining, manufacturing and construction 4.8.5 R&D Transport 4.8.6 R&D Communication 4.8.7 R&D Other industries
<b>EMPLOYMENT POLICIES</b>	4.1.2 General labour affairs
<b>AGRICULTURE, FISHERIES AND FORESTRY</b>	
Market support under CAP	4.2.1 Agriculture
Other agriculture food fisheries policy	4.2.1 Agriculture
	4.2.3 Fishing and hunting
Forestry	4.2.2 Forestry
<b>TRANSPORT</b>	
National roads	4.5.1 Road transport
Local roads	4.5.1 Road transport
Local public transport	4.5.1 Road transport
Railways	4.5.3 Railway transport
	4.5.1 Road transport
Other transport	4.5.2 Water transport
	4.5.4 Air transport
	4.5.5 Pipeline and other transport
<b>ENVIRONMENT PROTECTION</b>	<b>5. ENVIRONMENT PROTECTION</b>
Environment protection	5.1.0 Waste management

Environmental research	5.2.0 Waste water management 5.3.0 Pollution abatement 5.4.0 Protection of biodiversity and landscape 5.6.0 Environment protection n.e.c 5.5.0 R&D Environment protection
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<b>HOUSING AND COMMUNITY AMENITIES</b>	<b>6. HOUSING AND COMMUNITY AMENITIES</b>
Local authority housing	6.1.0 Housing development
Other social housing	6.1.0 Housing development
Other housing and community services	6.2.0 Community development 6.3.0 Water supply 6.4.0 Street lighting 6.5.0 R&D Housing and community amenities 6.6.0 Housing and community amenities n.e.c

<b>HEALTH</b>	<b>7. HEALTH</b>
Medical services	7.1.1 Pharmaceutical products 7.1.2 Other medical products 7.1.3 Therapeutic appliances and equipment 7.2.1 General medical services* 7.2.2 Specialised medical services 7.2.3 Dental services 7.2.4 Paramedical services 7.3.1 General hospital services 7.3.2 Specialised hospital services 7.3.3 Medical and maternity centre services
Health research	7.5.0 R&D Health
Central and other health services	7.4.0 Public health services 7.6.0 Health n.e.c

<b>RECREATION, CULTURE AND RELIGION</b>	<b>8. RECREATION, CULTURE AND RELIGION</b>
Heritage, arts, libraries and films	8.4.0 Religious and other community services
Sport and recreation	8.2.0 Cultural services
Broadcasting	8.1.0 Recreational and sporting services
Lottery	8.3.0 Broadcasting and publishing services
Other recreation, culture and religion	HMT own
	8.5.0 R&D Recreation, culture and religion
	8.6.0 Recreation, culture and religion n.e.c

<b>EDUCATION AND TRAINING</b>	<b>9. EDUCATION</b>
Under fives	9.1.1 Pre-primary education
Primary schools	9.1.2 Primary education
Secondary schools	9.2.1 Lower-secondary education

Further education	9.2.2 Upper-secondary education
Higher education	9.3.0 Post-secondary non-tertiary education
	9.4.1 First stage of tertiary education
	9.4.2 Second stage of tertiary education
Student support	9.6.0 Subsidiary services to education
Training	9.5.0 Education not definable by level
	9.6.0 Subsidiary services to education
Other education and training	9.7.0 R&D Education
	9.8.0 Education n.e.c

<b>SOCIAL PROTECTION</b>	<b>10. SOCIAL PROTECTION</b>
Incapacity, disability and injury benefits	10.1.1 Sickness - cash benefits part
	10.1.2 Disability - cash benefits part
State pensions	10.2.0 Old age - cash benefits part
Public sector occupational pensions	10.2.0 Old age
Widows' benefits	10.3.0 Survivors - cash benefits part
Family benefits, income support and tax credits	10.4.0 Family and children
	10.7.0 Social exclusion n.e.c - cash benefits part
Unemployment benefits	10.5.0 Unemployment -cash benefits part
Housing benefits	10.6.0 Housing
	10.7.0 Social exclusion n.e.c - benefits in kind part
	10.1.1 Sickness - benefits in kind part
	10.1.2 Disability - benefits in kind part
Personal and social services	10.2.0 Old age - benefits in kind part
	10.3.0 Survivors - benefits in kind part
	10.4.0 Family and children
	10.5.0 Unemployment - benefits in kind part
Administration and miscellaneous services	10.8.0 R&D Social protection
	10.9.0 Social protection n.e.c.

<b>UNALLOCATED PROVISION</b>	
DUP HMT own	HMT own
Allowance for shortfall	
DEL Reserve	





## LIST OF ABBREVIATIONS

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<b>COFOG</b>	– Classification of the Functions of Government
<b>COINS</b>	– Combined On-Line Information System
<b>CRA</b>	– Country and Regional Analysis
<b>DA</b>	– Devolved Administration
<b>DCMS</b>	– Department for Culture, Media and Sport
<b>DEL</b>	– Departmental Expenditure Limit
<b>DUP</b>	– Departmental Unallocated Provision
<b>EUROSTAT</b>	– Statistical Office of the European Communities
<b>EU</b>	– European Union
<b>EYF</b>	– End-Year Flexibility
<b>GAAP</b>	– Generally Accepted Accounting Practice
<b>GDP</b>	– Gross Domestic Product
<b>GGO</b>	– General Government Outlays
<b>HMT</b>	– Her Majesty’s Treasury
<b>LA</b>	– Local Authority
<b>NTCC</b>	– Non-Trading Capital Consumption
<b>ODPM</b>	– Office of the Deputy Prime Minister
<b>ONS</b>	– Office for National Statistics
<b>PBR</b>	– Pre-Budget Report
<b>PESA</b>	– Public Expenditure Statistical Analysis
<b>PEOWP</b>	– Public Expenditure Provisional Outturn White Paper
<b>PFI</b>	– Private Finance Initiative
<b>PIM</b>	– Perpetual Inventory Model
<b>R&amp;D</b>	– Research & Development
<b>RAB</b>	– Resource Accounting and Budgeting
<b>SR</b>	– Spending Review
<b>SR04</b>	– Spending Review 2004
<b>TES</b>	– Total Expenditure on Services
<b>TME</b>	– Total Managed Expenditure
<b>UN</b>	– United Nations