



HM TREASURY

Public Expenditure Statistical Analyses 2008

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INTRODUCTION AND OVERVIEW

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

The two objectives of PESA

PESA serves two purposes:

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

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

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

Period covered by PESA tables

All data series in PESA are annual and for financial years. Tables in PESA normally cover a span of up to nine years – five years' outturns, estimated outturn for the latest year and up to three years' spending plans, depending on the year of the latest Spending Review. For PESA 2008, plans are available for three years so analyses generally cover the nine years 2002-03 to 2010-11. In certain areas, e.g. Local Authority expenditure, detailed plans for future years are not available so there is no plans information for public sector level functional analyses. Some series are presented over a longer historical period.

Consistency with other publications

Information in PESA 2008 is consistent with

- the National Statistics public expenditure outturns update published on Budget Day (12 March 2008); and
- fiscal projections and public spending plans set out in Chapter C of the 2008 Financial Statement and Budget Report (FSBR; HC388; 12 March 2008)

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

Information in PESA is fully consistent with the new National Statistics First Release of public expenditure outturns published on the Treasury's website¹ on 21 April 2008. More information is given in the 'What's new' section of this publication. PESA is also fully consistent with the 2008-09 Supply Estimates, both Main Estimates and Supplementary Budgetary Information.

National Statistics in PESA

All outturn data (up to 2006-07) are National Statistics. National Statistics are those figures that Ministers have decided should come within the scope of the principles of the National Statistics Code of Practice. The Code seeks to ensure that National Statistics will be valued for their relevance, integrity, quality and accessibility. More information about National Statistics is available on the National Statistics web site at www.statistics.gov.uk.

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

Estimated outturns for 2007-08 and spending plans for 2008-09 to 2010-11 are outside the scope of National Statistics.

Public expenditure National Statistics updates

Outturn data to 2006-07 for certain key series in PESA were released on Budget day, 12 March 2008. The key series were:

- Total Managed Expenditure, by budgetary category (PESA 2008, Table 1.1);
- Departmental Expenditure Limits, resource, near-cash and capital, by departmental group (PESA 2008, DEL parts of Tables 1.5, 1.7 and 1.10); and
- Total Expenditure on Services by function (PESA 2008, Table 4.2).

These key series are updated three times a year as National Statistics updates. They will next be updated in a release in July, on the day of publication of the Public Expenditure Outturn White Paper (PEOWP). The July release will include the first provisional estimates of 2007-08 outturns. It will be available on the web² in the Public Spending Annual Outturns News Release. Subsequent updates will take place at the time of the Pre-Budget Report (PBR, typically in November) and the Budget (typically in March).

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

¹ http://www.hm-treasury.gov.uk/economic_data_and_tools/national_statistics/econ_natstats_index.cfm

² http://www.hm-treasury.gov.uk/newsroom_and_speeches/press/press_index.cfm

Additional material

Supplementary material, such as a pdf version of PESA, Excel versions of many of the tables and guidance notes will be published on the Treasury's website³ on the day of publication and in the following week.

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

WHAT'S NEW

PESA 2008 builds on the significant developments and delivers the pre-announced changes contained in PESA 2007.

Separate publication of the National Statistics First Release of outturns

As pre-announced in PESA 2007 the Chief Secretary to the Treasury agreed that National Statistics outturn data in PESA 2008 onwards should be published separately as a First Release ahead of the main PESA document. The content of PESA itself is unaffected with the National Statistics data reproduced alongside plans data. The First Release was published on the Treasury website on 21 April 2008. This change is to align the treatment of PESA outturn data with other First Release National Statistics, which are generally published separately from other material.

Changes to tables in PESA 2008

The following changes have been made in PESA 2008:

- the Total Managed Expenditure table (PESA 2008 Table 1.1) has been broadened in scope to show the derivation of public sector current expenditure from resource budgets, and public sector gross investment from capital budgets. Total Managed Expenditure is then given by the sum of public sector current expenditure and public sector gross investment. PESA 2007 previously showed the aggregated derivation of Total Managed Expenditure from budgets. This change more accurately reflects the way in which the aggregates used by the Government for expenditure planning and control reconcile with the National Accounts aggregates used for the fiscal framework. Total Managed Expenditure in real terms (PESA 2008 Table 1.2) and corresponding tables showing differences from previous plans (PESA 2008 Tables 3.3 and 3.6) have been similarly amended;
- a consequence of expanding Table 1.1 is that, rather than requiring a single series of accounting adjustments to reconcile budgets to TME, separate series are needed to reconcile resource and capital budgets to public sector current and gross capital expenditure respectively. The accounting adjustments table (PESA 2008 Table 1.14) therefore reflects this change, presenting the components of the two series separately;
- historically PESA showed latest plans compared with those published in the previous PESA. Chapter 3 of PESA 2008 sets out changes to plans first announced in the 2007 Comprehensive Spending Review (CSR), as well as changes to plans previously published in PESA 2007; and
- in PESA 2007 the Country and Regional Analysis (CRA) used the Treasury's own functional classification rather than the UN Classification Of the Functions Of Government (COFOG) used elsewhere in the publication. This was because the CRA exercise was performed earlier in the year, before the transition to COFOG was completed. PESA 2008 presents functional analysis on a consistent basis throughout. There is more information on the impact of this change in Chapters 9 and 10.

PESA 2009– future development of PESA

The Treasury published a response to the user consultation on its website in 2006¹. This outlined our proposals for the future development of PESA.

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

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

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

HOW TO USE PESA

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

Finding your way around PESA tables

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

PESA presents two types of analyses:

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

FREQUENTLY ASKED QUESTIONS

How much did the government spend on x?

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

- Table 4.2 shows the total UK public sector spending on transport for a long run of years. Tables 4.3 and 4.4 show spending in real terms and as a percentage of GDP;
- Table 5.2 shows the total UK public sector spending on more detailed categories such as national and local roads;
- Tables 5.4 and 5.5 show the UK public sector current and capital spending respectively, further split according to whether it is central government, local government or public corporations responsible for the spending;
- Table 1.12 shows the total resource and net capital (net of depreciation) spending in budgets of the Transport departmental group. Details of the departments included in this group are given in Appendix B. Tables 1.5, 1.7, 1.8 and 1.10 show the resource, near-cash, non-cash and capital spending respectively of the Transport group. The budget tables show how much the government spent through its planned spending system, which includes grants to Local Authorities. The tables do not show total spending on transport because they do not include spending by Local Authorities, the devolved administrations or by Whitehall departments outside the departmental group. This spending is included in the functional tables outlined above; and

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- Tables 9.5 to 9.10 present spending on transport by country and region. Chapter 10 tables present country spending on the more detailed categories such as national and local roads.

Are long run series available?

Chapter 4 contains long run TES series (1987-88 to 2007-08) of public sector spending by function. The methodology used to produce these series is detailed in Chapter 4. As outlined in the response to the reader consultation one of our proposals for PESA development is to explore the practicality of extending the range and scope of these series in future PESA publications.

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

What are departmental groups?

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

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

A number of the tables in this publication give figures in real terms. Real terms figures are the current price outturns or plans adjusted to a constant price level by excluding the effect of general inflation as measured by the GDP deflator at market prices. The real terms figures in this publication are given in 2006-07 prices. The GDP deflators and GDP actuals used in this publication are those given in Appendix F. The most up to date deflators and GDP numbers are available on the HMT website¹.

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

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