

## Summary

**A.1** This annex sets out public expenditure plans for 2004-05 to 2007-08, based on the overall envelope for public spending set out in Budget 2004.

**A.2** Table A.1 below shows how the levels of total public expenditure set in Spending Review 2004 are consistent with this envelope using the national accounts based aggregate Total Managed Expenditure (TME). TME comprises:

- public sector current expenditure (PSCE) and depreciation, which are the expenditure determinants of the surplus on the current budget (used to measure the golden rule); and
- public sector net investment (PSNI) which, through its impact on public sector net debt (PSND), is a determinant of performance against the sustainable investment rule.

**A.3** Within the overall envelope set at Budget 2004, some of the additional current expenditure in 2006-07 arising from the higher forecast rate of trend GDP growth has been reprofiled to 2007-08 to enable it to better meet key expenditure priorities. The Government has also decided to bring the Nuclear Decommissioning Authority (NDA) into the public spending framework in the 2004 Spending Review and this involves an adjustment between receipts and expenditure. Each of these changes have a neutral effect on the fiscal rules across the 2004 Spending Review period.

**A.4** Table A.1 also shows how TME is allocated between Annually Managed Expenditure (AME) and Departmental Expenditure Limits (DEL).

**A.5** Fixed three-year DELs are set for each department as part of the Spending Review. Spending which cannot be controlled within fixed three-year budgets due to its size or volatility, such as social security benefits and debt interest, is controlled in AME. This expenditure is subject to rigorous scrutiny, and updated forecasts are published in the Budget and Pre-Budget Report each year.

**A.6** Within the overall spending envelope, the forecast of AME expenditure determines how much is available for distribution to departments through DELs. Lower growth in AME means more is available for distribution in departmental DELs. Tables in this annex show how these limits translate into departmental budgets and how they reconcile back to national accounts.

### Annually Managed Expenditure

**A.7** Since Budget 2004, AME forecasts for 2004-05 and 2005-06 have been updated to take account of changes in the NAO audited assumption on unemployment, where lower recent claimant count levels and independent forecasts of unemployment, have reduced projected social security payments. AME forecasts have also been updated to reflect several TME-neutral transfers between DEL and AME.

**A.8** Table A.1 sets out the updated AME forecasts for 2004-05 and 2005-06 and the first full forecast for AME expenditure in 2006-07 and 2007-08. Within the TME, AME is growing at an average of 2.1 per cent per year in real terms between 2004-05 and 2007-08 therefore allowing DEL to grow at an average of 4.2 per cent. In the years prior to the Spending Review, forecast reductions in AME have been allocated to the AME margin. The AME margin has been set at £2 billion/£2 billion/£3 billion for the years 2005-06 to 2007-08.

**Table A.1: Total Managed Expenditure, 2004-05 to 2007-08**

	£ billion			
	2004-05	Plans <sup>1</sup>		2007-08
	2005-06	2006-07		
<b>Departmental Expenditure Limits</b>				
Resource Budget	263.9	284.5	302.0	317.4
Capital Budget	26.3	29.1	31.5	34.9
Less Depreciation	-11.0	-11.7	-12.1	-11.8
<b>Total Departmental Expenditure Limits</b>	<b>279.3</b>	<b>301.9</b>	<b>321.4</b>	<b>340.5</b>
<b>Annually Managed Expenditure</b>				
Social Security benefits	123.1	127.7	132.9	140.0
Tax credits	13.8	14.3	14.4	14.5
Common Agricultural Policy	2.5	2.5	2.5	2.6
Net public service pensions <sup>2</sup>	0.4	-0.4	-0.4	-0.7
National Lottery	2.0	1.6	1.4	1.3
Non-cash items in AME	28.1	29.7	31.3	33.0
Other departmental expenditure	2.7	2.8	2.6	2.7
Net payments to EC Institutions <sup>3</sup>	2.7	3.7	4.1	4.4
Locally financed expenditure	24.2	26.0	27.9	30.0
Central government gross debt interest	23.9	25.4	26.5	27.4
Public corporations own-financed capital expenditure	2.6	2.2	2.1	2.1
<b>Total AME before margin and accounting adjustments</b>	<b>226.1</b>	<b>235.5</b>	<b>245.5</b>	<b>257.2</b>
AME margin	1.2	2.0	2.0	3.0
Accounting adjustments	-19.0	-18.7	-19.7	-20.6
<b>Total Annually Managed Expenditure</b>	<b>208.3</b>	<b>218.9</b>	<b>227.8</b>	<b>239.5</b>
<b>Total Managed Expenditure<sup>4,5</sup></b>	<b>487.6</b>	<b>520.8</b>	<b>549.2</b>	<b>580.0</b>
<i>of which:</i>				
Public Sector Current Expenditure	449.7	479.3	504.0	531.4
Public Sector Net Investment	22.4	25.2	27.9	30.4
Public Sector depreciation	15.5	16.3	17.2	18.2

<sup>1</sup> All numbers are based on Budget 2004 projections.

<sup>2</sup> Net public sector pensions expenditure is reported under FRS17 accounting rules.

<sup>3</sup> 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 (in £ billion) are 3.3bn in 2004-05; 4.3bn in 2005-06; 4.7bn in 2006-07 and 5.1bn in 2007-08.

<sup>4</sup> See paragraph A.16.

<sup>5</sup> Numbers may not sum due to roundings.

**A.9** Table A.2 shows how the departmental budgets (DEL) determined by the level of TME and AME have been allocated in the Spending Review. Departments are allocated separate resource and capital DELs reflecting the scope for current and capital expenditure within the fiscal framework. Table A.3 shows baselines for 2004-05 and 2005-06, and planned Resource and Capital DELs for 2006-07 to 2007-08. All numbers in departmental DELs are presented on a full resource basis. Baselines differ from actual in-year plans as they focus on continuing expenditure. They therefore exclude one-off and time-limited expenditure.

**Table A.2: Resource and Capital Departmental Expenditure Limits (DELs) by department**

	£ billion			
	Baseline <sup>1</sup>		Plans	
	2004-05	2005-06	2006-07	2007-08
<b>Resource Budget</b>				
Education and Skills	23.9	26.7	28.1	29.7
Health	68.6	74.7	81.5	88.9
<i>of which: NHS</i>	66.5	72.7	79.4	86.8
Transport	7.1	8.1	10.8	9.9
Office of the Deputy Prime Minister	4.7	5.0	5.4	5.9
Local Government	43.3	45.8	48.3	50.8
Home Office	12.1	12.5	13.3	14.0
Constitutional Affairs	3.4	3.7	3.8	3.8
Law Officers' Departments	0.6	0.6	0.7	0.7
Defence	31.4	32.3	32.7	33.0
Foreign and Commonwealth Office	1.5	1.6	1.7	1.7
International Development	3.8	4.5	5.0	5.3
Trade and Industry	4.9	5.9	6.1	6.2
Environment, Food and Rural Affairs	3.0	3.1	3.3	3.4
Culture, Media and Sport	1.5	1.5	1.6	1.6
Work and Pensions	7.8	8.2	8.2	8.2
Scotland	19.7	21.2	22.5	23.7
Wales	10.3	11.0	11.9	12.6
Northern Ireland Executive	6.7	7.1	7.6	7.9
Northern Ireland Office	1.2	1.2	1.1	1.1
Chancellor's Departments	4.8	5.1	5.1	5.2
Cabinet Office	1.9	1.9	2.0	2.1
Invest to Save Budget	0.0	0.0	0.0	0.0
Reserve	0.8	1.5	1.2	1.6
<b>Total Resource Budget DEL<sup>2</sup></b>	<b>262.7</b>	<b>283.4</b>	<b>302.0</b>	<b>317.4</b>
<b>Capital Budget</b>				
Education and Skills	3.8	4.4	4.8	5.5
Health	3.5	4.4	5.3	6.3
<i>of which: NHS</i>	3.4	4.4	5.2	6.1
Transport	3.7	3.4	4.1	4.2
Office of the Deputy Prime Minister	2.3	2.4	2.5	2.5
Local Government	0.3	0.3	0.2	0.2
Home Office	0.9	1.0	1.2	1.3
Constitutional Affairs	0.1	0.1	0.1	0.1
Law Officers' Departments	0.0	0.0	0.0	0.0
Defence	6.3	6.9	7.0	7.6
Foreign and Commonwealth Office	0.1	0.1	0.1	0.1
International Development	0.0	0.0	0.0	0.0
Trade and Industry	0.2	0.3	0.5	0.5
Environment, Food and Rural Affairs	0.3	0.3	0.3	0.3
Culture, Media and Sport	0.1	0.1	0.1	0.1
Work and Pensions	0.4	0.2	0.2	0.1
Scotland	1.9	1.8	2.0	2.2
Wales	0.9	1.0	1.1	1.2
Northern Ireland Executive	0.4	0.4	0.5	0.5
Northern Ireland Office	0.1	0.1	0.1	0.1
Chancellor's Departments	0.3	0.3	0.4	0.5
Cabinet Office	0.2	0.2	0.2	0.3
Reserve	1.0	1.1	0.7	1.2
<b>Total Capital Budget DEL<sup>2</sup></b>	<b>26.9</b>	<b>29.0</b>	<b>31.5</b>	<b>34.9</b>

<sup>1</sup> Excludes one-off and time-limited expenditure.

<sup>2</sup> Numbers may not sum due to roundings.

**Table A.3: Resource and Capital Departmental Expenditure Limits: additional SR2004 allocations by Department**

	£ billion				
	Baseline <sup>1</sup> 2004-05	Baseline 2005-06	SR2004 Additions		
			2005-06	2006-07	2007-08
<b>Resource Budget</b>					
Education and Skills	23.9	26.7	0.0	1.4	3.0
Health	68.6	74.7	0.0	6.7	14.2
<i>of which: NHS</i>	66.5	72.7	0.0	6.7	14.1
Transport	7.1	8.1	0.5	2.7	1.8
Office of the Deputy Prime Minister	4.7	5.0	0.0	0.3	0.8
Local Government	43.3	45.8	0.0	2.5	4.9
Home Office	12.1	12.5	0.1	0.8	1.4
Constitutional Affairs	3.4	3.70	0.0	0.1	0.2
Law Officers' Departments	0.6	0.6	0.0	0.0	0.1
Defence	31.4	32.3	0.0	0.4	0.7
Foreign and Commonwealth Office	1.5	1.6	0.0	0.1	0.1
International Development	3.8	4.5	0.0	0.5	0.8
Trade and Industry	4.9	5.9	0.0	0.3	0.4
Environment, Food and Rural Affairs	3.0	3.1	0.0	0.2	0.3
Culture, Media and Sport	1.5	1.5	0.0	0.1	0.1
Work and Pensions	7.8	8.2	0.0	0.0	0.0
Scotland	19.7	21.2	0.0	1.3	2.5
Wales	10.3	11.0	0.0	0.9	1.6
Northern Ireland Executive	6.7	7.1	0.0	0.5	0.8
Northern Ireland Office	1.2	1.2	0.0	-0.1	-0.1
Chancellor's Departments	4.8	5.1	0.0	0.0	0.1
Cabinet Office	1.9	1.9	0.0	0.1	0.2
Invest to Save Budget	0.0	0.0	0.0	0.0	0.0
Reserve	0.8	1.5	-0.6	-0.3	0.0
<b>Total Resource Budget DEL<sup>2</sup></b>	<b>262.7</b>	<b>283.4</b>	<b>0.0</b>	<b>18.5</b>	<b>33.9</b>
<b>Capital Budget</b>					
Education and Skills	3.8	4.4	0.0	0.4	1.1
Health	3.5	4.4	0.0	0.8	1.8
<i>of which: NHS</i>	3.4	4.4	0.0	0.8	1.8
Transport	3.7	3.4	0.0	0.7	0.8
Office of the Deputy Prime Minister	2.3	2.4	0.0	0.0	0.1
Local Government	0.3	0.3	0.0	-0.1	-0.1
Home Office	0.9	1.0	0.1	0.2	0.3
Constitutional Affairs	0.1	0.1	0.0	0.0	0.0
Law Officers' Departments	0.0	0.0	0.0	0.0	0.0
Defence	6.3	6.9	0.0	0.1	0.7
Foreign and Commonwealth Office	0.1	0.1	0.0	0.0	0.0
International Development	0.0	0.0	0.0	0.0	0.0
Trade and Industry	0.2	0.3	0.0	0.2	0.1
Environment, Food and Rural Affairs	0.3	0.3	0.0	0.0	0.0
Culture, Media and Sport	0.1	0.1	0.0	0.0	0.0
Work and Pensions	0.4	0.2	0.2	0.0	-0.1
Scotland	1.9	1.8	0.0	0.2	0.4
Wales	0.9	1.0	0.0	0.1	0.2
Northern Ireland Executive	0.4	0.4	0.0	0.1	0.1
Northern Ireland Office	0.1	0.1	0.0	0.0	0.0
Chancellor's Departments	0.3	0.3	0.0	0.1	0.2
Cabinet Office	0.2	0.2	0.0	0.0	0.0
Reserve	1.0	1.1	-0.3	-0.4	0.1
<b>Total Capital Budget DEL<sup>2</sup></b>	<b>26.9</b>	<b>29.0</b>	<b>0.0</b>	<b>2.5</b>	<b>5.9</b>

<sup>1</sup> Excludes one-off and time-limited expenditure.

<sup>2</sup> Numbers may not sum due to roundings.

**A.I0** Table A.3 shows how the extra money allocated to DEL has been divided between departments. The first column shows the baseline plans for each department in 2004-05 and therefore excludes one-off and time-limited expenditure. The remaining columns show the additions which have been made relative to this baseline. Total DEL spending for 2005-06 remains unchanged from Budget 2004, adjusted for DEL to AME switches and establishment of the Nuclear Decommissioning Authority as set out in above. Within that fixed total the Reserve has been reset in line with practice in previous Spending Reviews, and allocations have been made to the Home Office and Transport as set out in the relevant departmental chapters.

**A.II** For presentational purposes it is often simpler to refer to a single number for departmental DEL spending, Total DEL. When budgets are presented on a full resource basis, Total DEL is calculated by adding Resource and Capital DELs together and then removing depreciation. This deduction is to avoid “double counting” of depreciation once when the new capital is spent from the capital DEL and again as the asset is depreciated. Total DEL is not a control total. Departments’ expenditure is controlled separately in resource DEL and capital DEL and there is no general freedom to vire from capital to resource DEL.

**Table A.4: Total Departmental Expenditure Limits by Department**

	£ billion				
	Baseline <sup>2</sup>		Plans		Average annual growth rate <sup>1</sup>
	2004-05	2005-06	2006-07	2007-08	
<b>Resource and Net Capital Budget</b>					
Education and Skills	27.6	31.1	32.9	35.2	5.7%
Health	71.5	78.5	86.0	94.4	6.9%
of which: NHS	69.4	76.4	83.8	92.1	7.1%
Transport	10.4	11.0	13.6	12.9	4.5%
Office of the Deputy Prime Minister	7.0	7.5	7.8	8.4	3.3%
Local Government	43.7	46.2	48.6	51.0	2.6%
Home Office <sup>4</sup>	12.7	13.2	14.2	14.9	2.7%
Department for Constitutional Affairs	3.4	3.7	3.8	3.9	1.5%
Law Officers’ Departments	0.6	0.6	0.7	0.7	2.9%
Defence	29.7	30.8	32.1	33.4	1.4%
Foreign and Commonwealth Office	1.5	1.5	1.6	1.6	1.4%
International Development	3.8	4.5	5.0	5.3	9.2%
Trade and Industry <sup>3</sup>	5.0	6.1	6.5	6.6	3.0%
Environment, Food and Rural Affairs	3.2	3.3	3.4	3.5	1.2%
Culture, Media and Sport	1.4	1.5	1.6	1.7	2.3%
Work and Pensions	8.2	8.3	8.2	8.1	-2.8%
Scotland	21.3	22.8	24.2	25.5	3.5%
Wales	11.0	11.8	12.8	13.6	4.5%
Northern Ireland Executive	7.0	7.4	7.9	8.3	3.1%
Northern Ireland Office <sup>5</sup>	1.2	1.2	1.2	1.2	-2.7%
Chancellor’s Departments	4.9	5.2	5.3	5.5	1.1%
Cabinet Office	1.9	1.9	2.0	2.1	1.2%
Reserve	1.9	2.7	2.0	2.8	-
<b>Total DEL<sup>6</sup></b>	<b>278.7</b>	<b>300.8</b>	<b>321.4</b>	<b>340.5</b>	<b>4.2%</b>

<sup>1</sup> Average annual growth rates are calculated off a 2004-05 baseline.

<sup>2</sup> Excludes one-off and time-limited expenditure.

<sup>3</sup> This growth rate for the whole DTI group over the Spending Review period excludes the Nuclear Decommissioning Authority which is established from 1 April 2005. The growth rate including the NDA is 7 per cent.

<sup>4</sup> The Home Office growth rate excluding asylum is 4%.

<sup>5</sup> 2004-05 includes spending on the Bloody Sunday Inquiry and other programmes on a declining profile such as compensation.

<sup>6</sup> Numbers may not sum due to roundings.

**Table A.5: Resource and Capital DEL by Department – real terms, 2004-05 prices<sup>1</sup>**

	£ billion			
	Baseline <sup>2</sup>		Plans	
	2004-05	2005-06	2006-07	2007-08
<b>Resource Budget DEL</b>				
Education and Skills	23.9	26.1	26.7	27.5
Health	68.6	72.9	77.4	82.3
<i>of which: NHS</i>	66.5	70.9	75.4	80.3
Transport	7.1	7.9	10.2	9.1
Office of the Deputy Prime Minister	4.7	4.9	5.1	5.5
Local Government	43.3	48.7	46.1	47.2
Home Office	12.1	12.2	12.7	12.8
Constitutional Affairs	3.4	3.6	3.6	3.6
Law Officers' Departments	0.6	0.6	0.6	0.7
Defence	31.4	31.5	31.1	30.5
Foreign and Commonwealth Office	1.5	1.5	1.6	1.6
International Development	3.8	4.4	4.8	4.9
Trade and Industry	4.9	5.7	5.8	5.8
Environment, Food and Rural Affairs	3.0	3.1	3.1	3.1
Culture, Media and Sport	1.5	1.5	1.5	1.5
Work and Pensions	7.8	8.0	7.8	7.6
Scotland	19.7	20.7	21.4	21.9
Wales	10.3	10.8	11.3	11.7
Northern Ireland Executive	6.7	6.9	7.2	7.3
Northern Ireland Office	1.2	1.2	1.1	1.0
Chancellor's Departments	4.8	5.0	4.9	4.8
Cabinet Office	1.9	1.8	1.9	1.9
Invest to Save Budget	0.0	0.0	0.0	0.0
Reserve	0.8	1.5	0.0	0.0
<b>Total Resource Budget DEL<sup>3</sup></b>	<b>262.7</b>	<b>276.4</b>	<b>285.9</b>	<b>292.2</b>
<b>Capital Budget</b>				
Education and Skills	3.8	4.3	4.6	5.1
Health	3.5	4.3	5.0	5.8
<i>of which: NHS</i>	3.4	4.3	4.9	5.7
Transport	3.7	3.3	3.9	3.8
Office of the Deputy Prime Minister	2.3	2.4	2.3	2.3
Local Government	0.3	0.3	0.2	0.2
Home Office	0.9	1.0	1.2	1.2
Constitutional Affairs	0.1	0.1	0.1	0.1
Law Officers' Departments	0.0	0.0	0.0	0.0
Defence	6.3	6.7	6.6	7.0
Foreign and Commonwealth Office	0.1	0.1	0.1	0.1
International Development	0.0	0.0	0.0	0.0
Trade and Industry	0.2	0.3	0.5	0.4
Environment, Food and Rural Affairs	0.3	0.3	0.3	0.3
Culture, Media and Sport	0.1	0.1	0.1	0.1
Work and Pensions	0.4	0.2	0.1	0.0
Scotland	1.9	1.7	1.9	2.0
Wales	0.9	1.0	1.0	1.1
Northern Ireland Executive	0.4	0.4	0.5	0.5
Northern Ireland Office	0.1	0.1	0.1	0.1
Chancellor's Departments	0.3	0.3	0.4	0.5
Cabinet Office	0.2	0.2	0.2	0.2
Reserve	1.0	1.1	0.7	1.1
<b>Total Capital Budget DEL<sup>3</sup></b>	<b>26.9</b>	<b>28.3</b>	<b>29.9</b>	<b>32.3</b>

<sup>1</sup> Deflated to 2004-05 prices using GDP deflator.

<sup>2</sup> Excludes one-off and time-limited expenditure.

<sup>3</sup> Numbers may not sum due to roundings.

**A.12** As explained in paragraph A.9, actual plans may differ in 2005-06 for some departments from those shown for comparative purposes in this document. Table A.6 shows the actual budget in 2005-06 including time limited expenditure, which in line with normal practice, had been removed for Spending Review purposes.

**Table A.6: Resource and Capital, DEL plans by Department 2004-05 and 2005-06**

	£ billion			
	2004-05		2005-06	
	Resource	Capital	Resource	Capital
<b>Budget DEL</b>				
Education and Skills	23.9	3.8	26.7	4.4
Health	68.7	3.0	74.8	4.3
<i>of which: NHS</i>	66.5	2.9	72.6	4.2
Transport	7.5	3.7	8.9	3.3
Office of the Deputy Prime Minister	4.7	2.3	5.0	2.4
Local Government	43.4	0.3	45.8	0.3
Home Office	12.2	1.0	13.1	1.2
Constitutional Affairs	3.3	0.1	3.5	0.1
Law Officers' Departments	0.5	0.0	0.6	0.0
Defence	31.6	6.3	32.6	6.9
Foreign and Commonwealth Office	1.5	0.1	1.6	0.1
International Development	3.8	0.0	4.5	0.0
Trade and Industry	5.0	0.2	5.9	0.3
Environment, Food and Rural Affairs	3.1	0.3	3.2	0.3
Culture, Media and Sport	1.5	0.1	1.5	0.1
Work and Pensions	8.1	0.2	8.3	0.3
Scotland	19.6	2.0	20.9	2.1
Wales	10.4	0.9	11.1	1.0
Northern Ireland Executive	6.8	0.4	7.2	0.4
Northern Ireland Office	1.1	0.1	1.2	0.1
Chancellor's Departments	4.8	0.3	5.1	0.3
Cabinet Office	1.9	0.2	1.9	0.2
Invest to Save Budget	0.0	0.0	0.0	0.0
Reserve	0.8	1.0	0.8	0.9
<b>Total DEL<sup>2</sup></b>	<b>263.9</b>	<b>26.3</b>	<b>284.5</b>	<b>29.1</b>

<sup>1</sup> Includes one-off and time-limited expenditure.

<sup>2</sup> Numbers may not sum due to roundings.

**A.13** Resource DEL can be reconciled back to the national accounts measure PSCE. Table A.7 shows how resource DEL and AME over the Spending Review period reconcile back to the level of PSCE shown in Table A.1. Similarly Table A.8 demonstrates how capital DEL and AME spending reconcile back to the levels of PSNI determined in the 2004 Budget and shown in Table A.1.

**Table A.7: Resource Budget and Public Sector Current Expenditure**

	£ billion			
	2004-05	Plans		2007-08
		2005-06	2006-07	
<b>Resource Budget:</b>				
<b>in Departmental Expenditure Limits:</b>	<b>263.9</b>	<b>284.5</b>	<b>302.0</b>	<b>317.4</b>
<i>of which:</i>				
Departmental DEL	263.1	283.6	300.7	315.8
Non-departmental DEL <sup>1</sup>	0.8	0.9	1.2	1.6
<b>in Departmental AME</b>				
<i>of which:</i>				
Departmental AME (excluding non-cash items)	142.7	147.1	152.4	159.1
Non-cash items in AME	28.1	29.7	31.3	33.0
<b>Total Resource Budget<sup>3</sup></b>	<b>434.7</b>	<b>461.3</b>	<b>485.7</b>	<b>509.5</b>
<b>in other AME</b>				
Net payments to EC institutions	2.7	3.7	4.1	4.4
Locally financed current expenditure	22.2	23.8	25.7	27.8
CG debt interest	23.9	25.4	26.5	27.4
AME margin (current)	1.1	1.8	1.8	2.5
Less resource budget classified as				
capital in national accounts	-3.4	-4.2	-5.6	-5.0
Accounting and other adjustments	-31.5	-32.6	-34.3	-35.1
<b>Public sector current expenditure</b>	<b>449.7</b>	<b>479.3</b>	<b>504.0</b>	<b>531.4</b>

<sup>1</sup> Central funds, including the Invest to Save Budget and the Reserve.  
<sup>2</sup> Adjusts for differences between resource budgeting and national accounts.  
<sup>3</sup> Numbers may not sum due to roundings.

**Table A.8: Capital Budget and Public Sector Net Investment**

	£ billion			
	2004-05	Plans		2007-08
		2005-06	2006-07	
<b>Capital Budget:</b>				
<b>in Departmental Expenditure Limits:</b>	<b>26.3</b>	<b>29.1</b>	<b>31.5</b>	<b>34.9</b>
<i>of which:</i>				
Departmental DEL	25.3	28.3	30.8	33.7
Non-departmental DEL <sup>1</sup>	1.0	0.8	0.7	1.2
in Departmental AME	1.9	1.4	1.1	1.1
<b>Total Capital Budget<sup>3</sup></b>	<b>28.2</b>	<b>30.6</b>	<b>32.6</b>	<b>36.0</b>
<b>In other AME</b>				
Public corporations own-financed				
capital expenditure	2.6	2.2	2.1	2.1
Locally financed capital expenditure	2.0	2.1	2.2	2.2
AME margin (capital)	0.1	0.2	0.2	0.5
Add resource budget classified as capital				
in national accounts	3.4	4.2	5.6	5.0
Accounting and other adjustments	1.6	2.2	2.5	2.7
<b>Public sector gross investment (net of sales)</b>	<b>37.9</b>	<b>41.5</b>	<b>45.1</b>	<b>48.6</b>
less Depreciation (national accounts)	15.5	16.3	17.2	18.2
<b>Public sector net investment</b>	<b>22.4</b>	<b>25.2</b>	<b>27.9</b>	<b>30.4</b>

<sup>1</sup> Central funds, including the Invest to Save Budget and the Reserve.  
<sup>2</sup> Includes capital grants to the private sector.  
<sup>3</sup> Numbers may not sum due to roundings.

**A.14** Table A.9 shows the investment made by departments on a national accounts basis. These figures differ from the capital DELs set in Table A.3 mainly because in national accounts all capital grants score as investment. Such grants are an important part of expenditure on public services in areas such as housing, education and transport. But under full resource budgeting, spending is only treated as capital when it results in an asset on the Government's balance sheet. Therefore capital grants to the private sector score in the resource budget. In addition, acquisition of single purpose military equipment of a capital nature is treated as capital expenditure in DEL and as current in national accounts.

**Table A.9: Total public sector investment in DEL (including capital grants)<sup>1</sup>**

	£ billion			
	Baseline		Plans	
	2004-05	2005-06	2006-07	2007-08
Education and Skills	5.0	5.8	6.2	7.0
Health	3.5	4.5	5.3	6.3
<i>of which: NHS</i>	3.4	4.4	5.2	6.2
Transport	5.9	6.2	7.7	7.0
Office of the Deputy Prime Minister	4.5	4.7	5.0	5.4
Local Government	0.3	0.3	0.2	0.2
Home Office	0.9	1.0	1.4	1.4
Constitutional Affairs	0.1	0.1	0.1	0.1
Law Officers' departments	0.0	0.0	0.0	0.0
Defence	6.3	6.9	7.0	7.6
Foreign and Commonwealth Office	0.1	0.1	0.1	0.1
International Development	0.0	0.0	0.0	0.0
Trade and Industry	0.8	1.0	1.1	1.1
Environment, Food and Rural Affairs	0.6	0.6	0.6	0.7
Culture, Media and Sport	0.1	0.2	0.2	0.2
Work and Pensions	0.4	0.2	0.2	0.1
Scotland	2.4	2.6	3.1	3.1
Wales	1.2	1.3	1.7	1.7
Northern Ireland Executive	0.8	0.8	1.1	1.0
Northern Ireland Office	0.1	0.1	0.1	0.1
Chancellor's Departments	0.3	0.3	0.4	0.5
Cabinet Office	0.2	0.2	0.2	0.3
Central Funds	0.8	1.1	0.7	1.2
<b>Total investment in DEL<sup>2</sup></b>	<b>34.6</b>	<b>38.1</b>	<b>42.5</b>	<b>45.1</b>

<sup>1</sup> Includes capital grants to the private sector, which are classified as investment in national accounts.

<sup>2</sup> Numbers may not sum due to roundings.

**A.15** Table A.10 shows the accounting adjustments that have been made to reconcile DEL and AME back to National Accounts in Table A.1.

**Table A.10: Accounting adjustments**

	£ billion			
	2004-05	Plans		
	2005-06	2006-07	2007-08	
Tax credits for individuals	0.0	0.0	0.0	0.0
Pensions	-21.8	-23.6	-24.8	-26.4
European community contributions	-4.0	-3.9	-3.8	-3.7
Other central government programmes	2.4	2.4	2.5	2.6
VAT refunds	11.1	12.2	13.3	14.3
Central government capital consumption	4.9	5.2	5.5	5.9
Non-cash items not in TME	-12.7	-13.3	-14.3	-15.4
Expenditure financed by revenue receipts	0.3	0.3	0.3	0.3
Local authorities	5.0	5.3	5.6	5.9
General government consolidation	-4.8	-4.9	-5.7	-6.0
Public corporations	1.0	1.1	1.2	1.3
Financial transactions	0.1	0.8	0.8	0.8
Data adjustment	-0.3	-0.3	-0.3	-0.3
<b>Total accounting adjustments</b>	<b>-19.0</b>	<b>-18.7</b>	<b>-19.7</b>	<b>-20.6</b>
Depreciation in DEL	-11.0	-11.7	-12.1	-11.8
<b>Total<sup>1</sup></b>	<b>-29.9</b>	<b>-30.4</b>	<b>-31.8</b>	<b>-32.4</b>

<sup>1</sup> Numbers may not sum due to roundings.

**A.16** Table A.11 provides a historical series for each of the key expenditure aggregates. The Office for National Statistics (ONS) announced on 2 July 2003 that NHS trusts would be reclassified as part of central government rather than as public corporations. This change, which affects all years from 1991 onwards, has no overall effect on the public sector finances, but reduces national accounts public sector receipts and expenditure by equal amounts. These changes were introduced by ONS during the 2004 Blue Book exercise and the new figures were released on 30 June 2004. However, forecasts on the new basis will not be available before the 2004 Pre-Budget Report and in order to give a consistent series the spending numbers in the table are on the old basis. They are based on outturn information published by ONS on 26 March 2004 and on Budget 2004 forecasts. Outturn information on the new basis will be reflected in the National Statistics public expenditure update to be published on 20 July 2004.

Table A.11: Public Expenditure Aggregates, 1970-71 to 2007-08

	Public sector current expenditure			Public sector net investment			Total Managed Expenditure		
	Cash (£bn)	Real <sup>1</sup> Terms (£bn)	per cent of GDP	Cash (£bn)	Real Terms (£bn)	per cent of GDP	Cash (£bn)	Real Terms (£bn)	per cent of GDP
1970-71	17.3	165.9	32.6	3.2	31.1	6.1	22.6	216.8	42.7
1971-72	19.7	174.0	33.3	3.1	27.5	5.3	25.1	221.9	42.5
1972-73	22.2	181.4	33.1	3.2	26.4	4.8	28.1	229.1	41.9
1973-74	26.2	199.7	35.1	3.9	29.7	5.2	33.2	253.4	44.5
1974-75	34.6	221.0	38.8	4.9	31.5	5.5	43.6	278.2	48.9
1975-76	44.3	225.7	39.9	6.1	30.9	5.5	55.5	282.5	49.9
1976-77	51.8	232.2	39.9	5.6	25.2	4.3	63.3	284.2	48.8
1977-78	58.0	229.0	38.4	4.3	17.1	2.9	69.1	273.0	45.8
1978-79	66.3	247.0	38.4	4.2	15.6	2.4	78.2	278.3	45.3
1979-80	79.4	253.3	38.2	4.5	14.5	2.2	93.1	296.9	44.8
1980-81	96.6	260.8	40.8	4.3	11.6	1.8	111.8	302.0	47.3
1981-82	110.6	272.5	42.6	2.4	5.9	0.9	124.9	307.8	48.1
1982-83	120.9	278.4	42.7	4.2	9.8	1.5	137.5	316.6	48.5
1983-84	130.4	287.1	42.3	5.5	12.1	1.8	148.7	327.4	48.2
1984-85	141.0	295.0	42.6	5.1	10.6	1.5	158.9	332.5	48.0
1985-86	148.7	295.1	41.0	4.5	9.0	1.2	165.3	328.0	45.6
1986-87	155.8	299.7	40.1	2.8	5.3	0.7	171.2	329.3	44.1
1987-88	166.4	303.1	38.6	2.8	5.2	0.7	181.5	330.7	42.1
1988-89	173.7	295.8	36.2	1.7	2.9	0.4	189.0	321.8	39.4
1989-90	187.4	298.2	35.7	6.3	10.0	1.2	208.4	331.5	39.7
1990-91	203.3	299.8	36.1	8.2	12.0	1.4	225.3	332.1	40.0
1991-92	228.6	317.9	38.4	11.0	15.3	1.8	251.9	350.4	42.4
1992-93	247.8	333.7	40.3	12.4	16.6	2.0	272.1	366.4	44.2
1993-94	262.3	344.1	40.2	10.4	13.6	1.6	284.6	373.4	43.6
1994-95	275.2	355.8	39.9	10.4	13.4	1.5	298.1	385.4	43.2
1995-96	287.3	361.0	39.4	10.4	13.1	1.4	310.5	390.2	42.6
1996-97	297.8	362.1	38.5	5.9	7.1	0.8	315.6	383.8	40.8
1997-98	305.2	361.8	37.1	5.6	6.6	0.7	322.7	382.5	39.2
1998-99	313.9	361.7	36.1	6.4	7.4	0.7	332.7	383.3	38.3
1999-00	326.6	368.3	35.5	4.1	4.7	0.5	343.6	387.5	37.4
2000-01	348.9	388.8	36.3	5.0	5.6	0.5	367.1	409.1	38.2
2001-02	367.4	399.4	36.6	9.5	10.4	0.9	390.7	424.7	38.9
2002-03	394.0	414.4	37.3	10.6	11.2	1.0	419.1	440.7	39.6
2003-04	428.0	437.8	38.3	16.2	16.6	1.5	459.0	469.6	41.1
2004-05	449.7	449.7	38.2	22.4	22.4	1.9	487.6	487.6	41.5
2005-06	479.3	467.5	38.6	25.2	24.6	2.0	520.8	508.0	41.9
2006-07	504.0	478.8	38.5	27.9	26.5	2.1	549.2	521.7	42.0
2007-08	531.4	491.5	38.7	30.4	28.2	2.2	580.0	536.5	42.3

<sup>1</sup> Based on GDP deflators.

