
HM Treasury

Public Expenditure System

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Secretariat: 020 7270 5985

PUBLIC EXPENDITURE 2006-07: PUBLICATION OF PROVISIONAL OUTTURN AND 2007-08 DEL END YEAR FLEXIBILITY (EYF) ENTITLEMENTS

Summary

1. This PES paper requests assistance from **all departments** to provide data for the compilation of tables for the 2006-07 Public Expenditure Outturn White Paper (PEOWP) and the calculation of the 2007-08 DEL EYF entitlements. There are some changes to the content, format and order of the PEOWP tables compared with last year; principally the inclusion of a new table 3 covering Near-Cash within the Resource DEL.

Action

2. Departments are asked to check and provide the information outlined in Sections A and B and forward the various tables and forms as indicated to the Treasury by **Friday, 22 June at the latest**. Departments are also being asked to record provisional outturn data for DEL, AME and non-budget spending on COINS as announced in [PES \(2007\) 05](#). **Departments must ensure that any data provided for the PEOWP is consistent with the data recorded on COINS: where necessary, by updating COINS data.**

SECTION A – PUBLIC EXPENDITURE OUTTURN IN 2006-07

3. Drafts of the PEOWP tables requiring input from departments are attached at [Annex A](#). Departments are asked to confirm or amend the original and final limits in each table and provide outturn figures for those tables as set out below. Please note that:
- a. all data (including the ‘original’ figures should be adjusted to reflect any classification changes, including Machinery of Government changes that were implemented during 2006-07. Where Machinery of Government changes were announced in 2006-07 but not implemented in that year, adjustments are not required.
 - b. the budget and outturn totals in tables 2, 3, 4, and 5 must be reported on the basis of the budgetary control regime that applied during 2006-07 and the figures should not be adjusted for classification changes that have been introduced from 2007-08. Specifically, profit or loss on asset disposals should be shown within the Resource DEL (and Administration Budget, if appropriate) rather than the Capital DEL, and all impairments should be reported in the Resource DEL. This will require some amendment to the totals as they appear in reports from COINS as these already reflect the effects of the 2007-08 classification changes.

Table 1 – Supply Estimates 2006-07

4. Table 1 covers all central government voted expenditure, including DEL, AME and Non-budget

spending, and the associated net cash requirements. The figures in the columns headed ‘Original provision....’ will generally be those in the department’s published Main Estimate, or, in the case of new departments, those in the New Estimate presented with the Winter Supplementary Estimates. However, where Machinery of Government changes have occurred and sums have been included in a Supplementary Estimate, the original provision has been adjusted for the effect of all such changes. The figures in the columns headed ‘ Final provision ... ‘ should reflect all changes to original provision up to and including Spring Supplementary Estimates. **Departments are asked to confirm or amend the information in the table and to provide provisional outturn figures.**

Tables 2 - Resource DEL, 3 – Near- Cash in Resource DEL, 4 – Administration Budget, and 5 Capital DEL for 2006-07

5. Tables 2, 3, 4 and 5 cover all spending by departments within the DEL (arranged in the usual DEL groupings) and Administration Budgets. The original and final Resource and Capital DEL figures and the Administration Budgets were obtained from Tables 2.2 and 2.3 of Supplementary Budgetary Information 2006-07 (*Cm 6489*) and Tables 1.4 and 1.5 of the 2006-07 Spring Supplementary Estimates booklet (*HC 293*) respectively. The Near-Cash in Resource DEL totals have been obtained from information held on the COINS database adjusted to remove the effect of the classification changes taking effect, for budgetary control purposes, from 2007-08. The figures in all of these tables need amending to reflect Machinery of Government or other classification changes coming into effect during 2006-07. **Departments are asked to confirm or amend the original or final limits and provide provisional outturn figures.** Any proposed amendments to the original or final limits must be explained and cleared with the Treasury (through the spending team to GEP). Our intention is to use figures in the PEOWP consistent with those on COINS. The outturn figures shown in these tables and recorded on COINS will form the basis of the calculation of 2007-08 EYF entitlements covered in [Section B](#) of this paper.

Breaches in DEL and Administration Budgets

6. Any breach of the budgetary limits needs to be reported to the Treasury at Ministerial level. Departments are reminded of the requirement to deduct any overspending on a DEL or Administration Budget in one year from the corresponding limit for the following year. Announcement of deductions in 2007-08 should be made as soon as possible; those departments concerned are asked to consult the appropriate Treasury spending team(s) who will consult GEP for guidance on the procedure to be followed, including submission of the breach reports to departmental Ministers and the Chief Secretary. Departments should note that the Near- Cash in Resource DEL control total was fully operational during 2006-07 and that an excess against the final limit should be handled in the same way as overspends against the other control totals.

Summary

7. Departments are requested to check all the information contained in Tables 1–5 and to provide outturn figures. Departments are asked to record this information on the tables and return them to [David Ash](#), Room 1S/2, HM Treasury, 1 Horse Guards Road (Tel 020 7270 5528) by **Friday, 22 June** at the latest. Departments should provide an explanation for proposed changes to opening or closing provision, and copy their replies to their usual spending team contacts.

SECTION B – TABLE 6 -END YEAR FLEXIBILITY (EYF)

8. This section of the paper explains how the DEL EYF scheme will operate for the carry forward of 2006-07 underspends into 2007-08. Key points are:

- a. the scheme allows for EYF on all DEL budgetary provision, subject to certain conditions. It therefore applies to carry forward of accrual underspends (both voted

and non-voted) on all expenditure, net of negative DEL income, classified within DEL. Departments should note in particular that it is an NDPB's spending which scores in DEL rather than the payment of the cash grant in aid to the NDPB (which is outside of budgets);

- b. any EYF entitlement accumulated from 2006-07 or previous years and not taken up can be rolled forward;
- c. departments must notify the Treasury of any changes arising from differences between 2005-06 provisional outturn (which was used to calculate 2006-07 EYF entitlements) and final outturn. These will then be taken into account in the calculation of 2007-08 EYF entitlements;
- d. agreed resource DEL Reserve claims (excluding take-up of EYF) will lead to an equivalent reduction in any resource EYF carry-over in the current or future years. Claims that were for near-cash resource DEL will result in an equivalent reduction in near-cash resource EYF;
- e. agreed capital DEL Reserve claims (excluding take-up of EYF) will lead to an equivalent reduction in any capital EYF carry-over and, where the Reserve claims are greater than the capital EYF given up, resource EYF carryover as well;
- f. where outturn on the non -cash elements within the Resource DEL exceeds the final provision, the excess will reduce the near-cash resource EYF carry-over;
- g. EYF carry-over will be adjusted for the effects of the 2007-08 classification changes;
- h. certain restrictions apply to the take- up of carry-forward on administration costs, near-cash, capital and on cross-cutting programmes (see the [Monitoring and Control](#) section of the Public Spending Guidance website);
- i. the EYF in this paper relates only to DEL and does not include the carry - forward of underspends of Self -Financing Public Corporations within Annually Managed Expenditure.

Action

9. Departments are asked to note the detailed arrangements for EYF and to complete the form at Annex B to establish the carry -forward into 2006-07. **Provisional outturn figures used in the calculation of EYF carry- over must be consistent with the underspends provided for Section A to this paper and those provided for COINS.** Departments should forward their applications for EYF carryover to their usual spending team contacts, copied to David Ash, by **Friday, 22 June.**

Coverage of the scheme

10. All expenditure and income in 2006-07, which was classified within DEL, is eligible for carry - forward into 2006-07 if it remains unspent. The EYF entitlements will be attributed to the same department or departmental group as defined in the DEL tables in PEOWP, with the figure broken down by the resource/capital split. A further breakdown will identify administration costs and the near-cash element of the resource total.

EYF carryover and the Reserve

11. Departments may find it helpful to have a summary of the key points on the interaction between EYF carry-over and the DEL Reserve:

a. where, exceptionally, departments submit in-year bids to increase their programmes above the level already agreed in Departmental plans, offsetting savings from existing provision should be identified, **including from any unused EYF**, to avoid or minimise new claims on the DEL Reserve;

b. to the extent that full offsets to DEL Reserve claims are not possible, the calculation of subsequent EYF entitlements (this can mean for more than one year's entitlements) normally takes account of any agreed Reserve claims on a department's programmes. Capital Reserve claims could lead to a reduction in both capital and resource EYF (where the claim is greater than any capital EYF generated) whilst resource claims will only lead to a loss of resource EYF. Departments should include details of all DEL Reserve claims (excluding EYF take up) in [Annex B](#) Worksheet 2.

Calculation of carry forward

12. As explained in paragraph 10 above, carry forward applies to all underspends classified within DEL, either voted or non-voted, including unused DUPs. When completing the table at Annex B, departments should ensure that they do not double count underspends by including them in more than one column. **Departments should note that the unadjusted 2006-07 underspends in [Annex B](#) worksheet 1 should be the same as the DEL and Administration budgets underspends shown in the PEOWP. Adjustments to the EYF carry forward to reflect the effect of 2007-08 classification changes should be shown in the separate lines in the worksheet.**

Completion of Tables in Annex B

13. The EYF forms consist of two spreadsheets, one for the EYF calculation itself, which includes guidance on its completion, and a second for a list of DEL Reserve claims (excluding EYF take-up). The list of Reserve claims should include details of **all** claims whether or not they reduce the EYF entitlement. Where a Reserve claim, or claims, leads to a reduction in DEL EYF entitlement it is for the department to determine where this will impact within the overall DEL. When completing the EYF calculation departments must ensure that near-cash figures are included.

Take-up of DEL EYF

14. Take-up of EYF carry over will normally be by means of a Supplementary Estimate for voted expenditure and Ministerial Written Statements for non-voted expenditure, all subject to normal Treasury scrutiny on the basis of need and realism. In the case of Administration Budget EYF, where a Supplementary Estimate would not otherwise be required (i.e., where there is underspending elsewhere on the same RfR), the Treasury may be prepared to allow virement from non-administration costs subheads, subject to confirmation when the resource accounts are drawn up. In these circumstances it will be necessary to announce the change in Administration Budget limits to Parliament concurrently with changes arising from Supplementary Estimates. Carry forward may be taken up in either the winter or spring Supplementary Estimate rounds. Where a department sees a need for additional DEL provision earlier than this, the Minister must write to the Chief Secretary requesting a DEL Reserve claim. If agreed, the eventual EYF carry forward will be reduced by a corresponding amount. Further information on take up of EYF can be found in the [Monitoring and Control](#) section of the Public Spending Guidance website.

Summary

15. Departments are asked to complete the Tables in Annex B and return them to their Treasury

spending team contact, copied to David Ash, by **Friday, 19 June.**

Queries

16. Any queries about the content of this paper should be addressed to your usual Treasury spending team contacts in the first instance. General queries may be referred to:

- [David Ash](#) 020 7270 5528

Estimates Branch

May 2007