

Section 2.

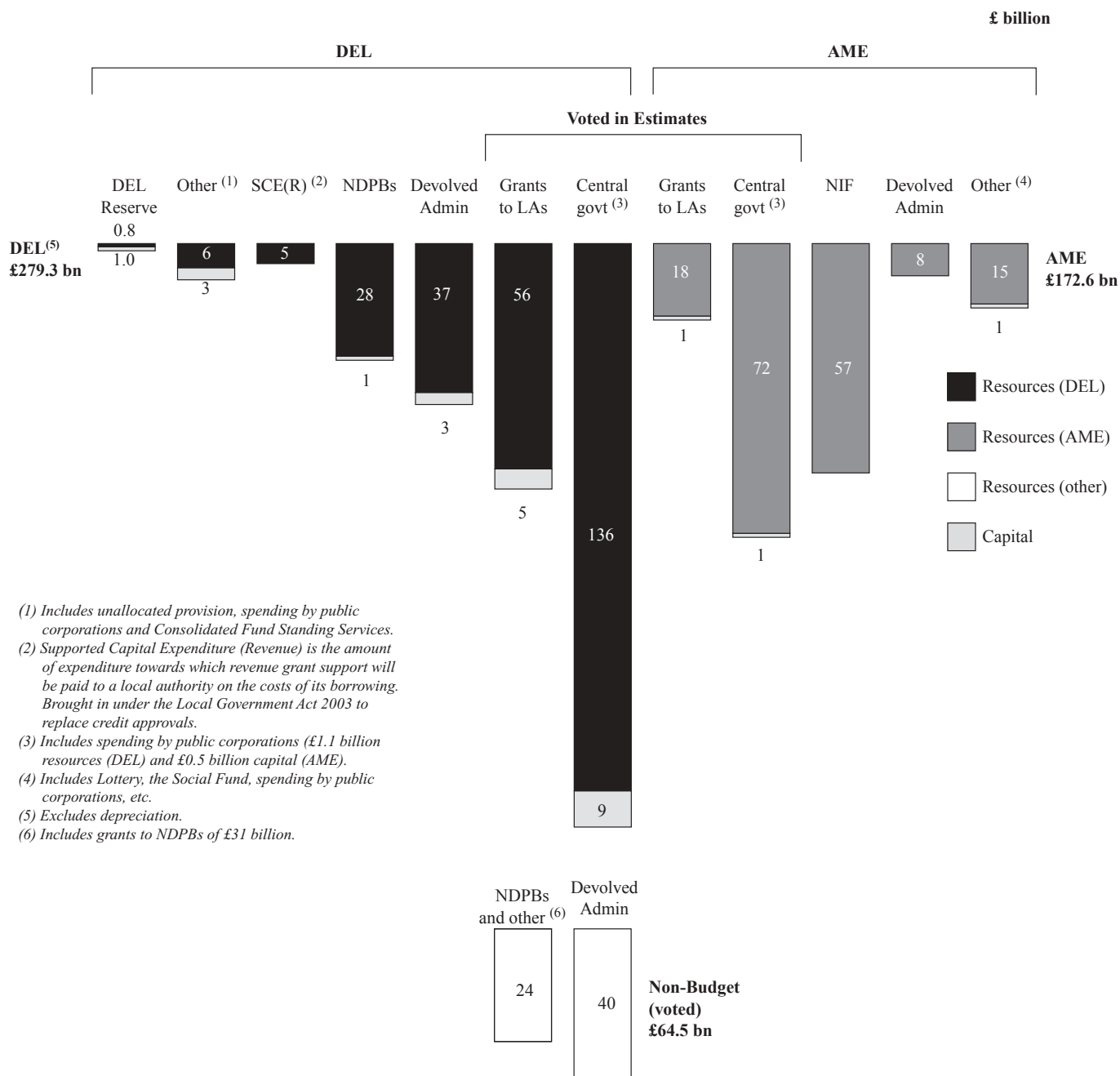
Supply Estimates and the control of public spending

The main spending aggregates

1. The present basis for planning and controlling public expenditure was announced in the Government's Economic and Fiscal Strategy Report 1998, *Stability and Investment in the Long Term (Cm 3978)* and the Comprehensive Spending Review, *Modern Public Services for Britain: Investing in Reform (Cm 4011)* and took effect from 1999–2000.
2. The main aggregate for public spending, Total Managed Expenditure (TME) includes resource and capital Departmental Expenditure Limits (DEL) – for which firm plans have been set in resource terms for 2004–05 in the 2002 Spending Review, *Opportunity and Security for All: Investing in a fairer, more enterprising Britain (Cm 5570)* – and Annually Managed Expenditure (AME), also on a resource basis, which is subject to annual review as part of the Budget process. These definitions are discussed in more detail in Chapter 1 of *Public Expenditure: Statistical Analyses 2004 (Cm 6201)* and this chapter explains in more detail the relationship between these aggregates and the 2004–05 Supply Estimates.
3. The main elements of DEL and AME which are not funded through Supply Estimates are central government expenditure funded directly from other sources (such as the National Insurance Fund). The resource consumption of devolved administrations and of non-departmental public bodies (NDPBs) scores as non-voted in DEL and AME but is largely funded through Supply Estimates as a grant payment (where that figure is scored as 'Non Budget').
4. The relationship between Supply Estimates, DEL and spending in AME is set out in Table 2.1 and Chart 1, which also illustrate the significant components of DEL and AME. Taking each of these in turn:
 - (a) **central government spending (voted):** the Supply Estimates include most of the direct spending (£208 billion resources and £9 billion capital) by central government departments on, for example, the National Health Service, defence and departmental administration. The single most significant element of AME provision is social security. All cash Supply is drawn from the Consolidated Fund;
 - (b) **central government support for local authorities:** within total support of £85 billion in both DEL and AME, £80 billion is made up of of voted grants and £5 billion from supported capital expenditure (revenue);
 - (c) **other non voted spending:** £134 billion, primarily spending by devolved administrations in Scotland, Wales and Northern Ireland, spending by NDPBs and payments out of the National Insurance Fund;
 - (d) **other spending (excluding Reserves):** £25 billion not directly provided for in Supply Estimates is financed from other central government non-voted funds such as the Social Fund and the Lottery or directly from the Consolidated Fund as a standing service (eg. judges' salaries, etc).
5. Within the main expenditure components there is a clear separation of spending into capital and resource budgets to ensure that short-term pressures do not squeeze essential capital investment. Table 2.1 and Chart 1 reflect this separation.

6. Detailed splits of each department’s DEL and AME between voted and non-voted spending are shown separately for resource and capital spending in Tables 3.3 and 3.4.

Chart 1 Relationship between supply expenditure and spending in DEL and spending in AME, 2004–05



Department	Spending in DEL		Spending in AME		Non Budget
	Net resources (1)	Net capital (2)(3)	Net resources (1)	Net capital (2)(3)	
Department for Education and Skills	8,431,055	2,323,736	275,000	—	17,766,549
Teachers' Pension Scheme	—	—	6,778,574	—	—
Office of HM Chief Inspector of Schools in England	194,860	600	—	—	—
Department of Health	68,550,267	148,539	4,510	128,856	-12,527,204
National Health Service Pension Scheme	—	—	6,191,453	—	—
Food Standards Agency	139,028	647	—	—	—
Department for Transport	3,998,261	2,057,380	2,364,162	—	3,416,781
Office of the Deputy Prime Minister	46,030,392	1,226,817	2,691,369	839,500	1,997,182
Office of the Rail Regulator	1	500	—	—	—
Home Office	10,457,554	716,780	831	—	1,658,223
Assets Recovery Agency	15,495	—	—	—	—
Charity Commission	28,535	1,399	—	—	—
Department for Constitutional Affairs	1,070,858	81,866	—	—	32,767,180
Department for Constitutional Affairs: Judicial Pensions Scheme	—	—	24,168	—	—
Northern Ireland Court Service	53,953	6,000	—	—	41,168
The National Archives: Public Record Office and Historical Manuscripts Commission	36,731	3,315	—	—	—
The Crown Prosecution Service	456,614	7,833	—	—	—
Serious Fraud Office	30,390	3,500	—	—	—
HM Procurator General and Treasury Solicitor	13,543	3,400	—	—	—
Ministry of Defence	31,028,999	6,325,780	1,348,316	-28,000	31,327
Armed Forces Retired Pay, Pensions, etc	—	—	3,484,782	—	—
Foreign and Commonwealth Office	1,329,490	62,556	—	—	187,622
Department for International Development	3,150,690	18,000	—	—	—
Department for International Development: Overseas Superannuation	—	—	74,891	—	—
Department of Trade and Industry	910,618	-133,057	338,504	500,000	3,376,863
UK Trade & Investment	97,287	248	10	—	—
Department of Trade and Industry: UKAEA Superannuation Schemes	60	—	245,000	—	—
Export Credits Guarantee Department	673	545	50,125	—	178,453
Office of Fair Trading	55,884	1,398	—	—	12
Office of Gas and Electricity Markets	701	950	—	—	—
Postal Services Commission	1	150	—	—	—
Department for Environment, Food and Rural Affairs	2,251,631	204,192	1,742,209	—	-1,256,558
Forestry Commission	76,718	790	5,500	—	-5,500
Office of Water Services	1	130	—	—	—
Department for Culture, Media and Sport	188,515	37,657	—	—	3,631,600
Department for Work and Pensions	6,783,299	216,182	48,621,770	—	3,044,618
Northern Ireland Office	307,825	20,552	38,000	—	10,142,653
HM Treasury	197,597	9,075	109,714	—	—
HM Customs and Excise	1,240,066	75,806	—	—	1
Inland Revenue	2,577,512	230,330	10,365,487	—	3,662
National Savings and Investments	171,526	500	—	—	—
Office for National Statistics	132,756	9,570	—	—	-1,000
Government Actuary's Department	1,071	238	—	—	—
Crown Estate Office	—	—	2,032	—	—
Cabinet Office	269,164	31,000	—	—	—
Security and Intelligence Agencies	1,096,300	178,001	—	—	—
Cabinet Office: Civil superannuation	—	—	5,351,374	—	—
Central Office of Information	716	—	—	—	—
Privy Council Office	4,158	69	—	—	—
Office of the Parliamentary Commissioner for Administration and Health Service Commissioner for England	18,130	2,000	—	—	—
House of Lords	91,924	9,935	2,467	—	—
House of Commons: Members	144,520	350	—	—	—
House of Commons: Administration	184,659	11,050	6,781	—	—
National Audit Office	60,197	1,455	—	—	—
Electoral Commission	38,356	666	—	—	—
Total	191,918,581	13,898,430	90,117,029	1,440,356	64,453,632

(1) Total voted resources net of operating appropriations in aid.

(2) Total voted capital net of non operating appropriations in aid.

(3) Net capital spending in DEL and AME includes items treated as capital in Budgets but resource in Estimates (within "Non Budget").

(4) Includes EC receipts taken through the Estimate in net subheads (where the department acts as an agent).

In-year controls – DEL

7. Departments are expected to manage their resource and capital budgets within the DEL. A failure to live within announced plans would be treated as a breach requiring an investigation into its cause, an examination of the financial procedures of the department concerned and, where appropriate, a reduction in the corresponding DEL in the year following the breach.

8. Any decision to change a DEL is announced as soon as possible after it is taken, usually in a written statement to Parliament. Such an announcement is not the means of seeking Parliament's approval for an increase in Supply provision, which can only be given through a Supplementary Estimate.

9. Table 2.2 shows (to the nearest £000) the control limits for all expenditure within total DEL for 2004–05 on a budgeting basis split between capital and resource budgets and between voted and non-voted elements. The total DEL figures for each department exclude depreciation and impairments, which form part of resource DEL. The reason for this is that since capital DEL already includes capital spending, to include the depreciation of those assets would be misleading (as it would include capital twice). This means that the 'Total DEL' in this column does not sum to the totals for resource and capital DEL as given in other columns.

Table 2.2 Departmental Expenditure Limits, 2004–05

£'000

Department/Group	Departmental Expenditure Limit (1)			of which: Resource budget			of which: Capital budget (2)		
	Voted	Non Voted	Total	Voted	Non Voted	Total	Voted	Non Voted	Total
Department for Education and Skills (3)	10,938,480	16,709,073	27,647,553	8,625,915	15,267,809	23,893,724	2,324,336	1,476,961	3,801,297
Department of Health (4)	68,326,051	2,798,438	71,124,489	68,689,295	–33,656	68,655,639	149,186	2,876,571	3,025,757
Department for Transport	5,725,729	5,026,056	10,751,785	3,998,261	3,452,836	7,451,097	2,057,380	1,594,626	3,652,006
Office of the Deputy Prime Minister (main)	3,673,801	3,352,986	7,026,787	2,774,429	1,937,904	4,712,333	910,333	1,419,282	2,329,615
Office of the Deputy Prime Minister (local govt)	43,572,447	111,649	43,684,096	43,225,963	103,149	43,359,112	316,484	8,500	324,984
Office of the Rail Regulator	–99	–	–99	1	–	1	500	–	500
Home Office	10,987,281	1,920,228	12,907,509	10,457,554	1,679,487	12,137,041	716,780	285,785	1,002,565
Assets Recovery Agency	15,372	–	15,372	15,495	–	15,495	–	–	–
Charity Commission	29,294	–	29,294	28,535	–	28,535	1,399	–	1,399
Department for Constitutional Affairs (5)	1,172,114	2,084,205	3,256,319	1,161,542	2,074,878	3,236,420	91,181	11,000	102,181
Attorney General's Departments (6)	509,157	7,000	516,157	500,547	7,000	507,547	14,733	–	14,733
Ministry of Defence	29,475,521	392,654	29,868,175	31,028,999	561,434	31,590,433	6,325,780	1,220	6,327,000
Foreign and Commonwealth Office	1,285,828	197,675	1,483,503	1,329,490	215,675	1,545,165	62,556	8,800	71,356
Department for International Development	3,144,190	614,500	3,758,690	3,150,690	614,500	3,765,190	18,000	–	18,000
Department of Trade and Industry (7)	756,780	4,092,541	4,849,321	910,678	3,898,283	4,808,961	–133,057	290,417	157,360
UK Trade & Investment	97,348	–	97,348	97,287	–	97,287	248	–	248
Export Credits Guarantee Department	671	–	671	673	–	673	545	–	545
Office of Fair Trading	54,733	–	54,733	55,884	–	55,884	1,398	–	1,398
Office of Gas and Electricity Markets	401	–	401	701	–	701	950	–	950
Postal Services Commission	–249	–	–249	1	–	1	150	–	150
Department for Environment, Food and Rural Affairs	2,354,090	783,653	3,137,743	2,251,631	751,334	3,002,965	204,192	129,436	333,628
Forestry Commission	76,438	1,953	78,391	76,718	2,653	79,371	790	–700	90
Office of Water Services	–215	–	–215	1	–	1	130	–	130
Department for Culture, Media and Sport	221,305	1,222,725	1,444,030	188,515	1,266,366	1,454,881	37,657	44,105	81,762
Department for Work and Pensions	6,878,875	1,343,959	8,222,834	6,783,299	1,320,671	8,103,970	216,182	24,002	240,184
Scottish Executive	–	21,399,957	21,399,957	–	19,615,874	19,615,874	–	1,960,097	1,960,097
National Assembly for Wales	–	11,095,812	11,095,812	–	10,387,020	10,387,020	–	917,784	917,784
Northern Ireland Office	306,426	850,557	1,156,983	307,825	841,648	1,149,473	20,552	36,376	56,928
Northern Ireland Departments	–	7,068,296	7,068,296	–	6,761,063	6,761,063	–	373,963	373,963
HM Treasury	198,628	27,977	226,605	197,597	27,977	225,574	9,075	–	9,075
HM Customs and Excise	1,271,092	16,000	1,287,092	1,240,066	15,000	1,255,066	75,806	1,000	76,806
Inland Revenue	2,656,189	397,618	3,053,807	2,577,512	397,618	2,975,130	230,330	–	230,330
National Savings and Investments	169,166	500	169,666	171,526	500	172,026	500	–	500
Office for National Statistics	128,489	36,100	164,589	132,756	21,000	153,756	9,570	15,100	24,670
Government Actuary's Department	893	–	893	1,071	–	1,071	238	–	238
Cabinet Office (8)	250,733	–	250,733	269,880	–	269,880	31,000	–	31,000
Security and Intelligence Agencies	1,133,334	21,450	1,154,784	1,096,300	15,450	1,111,750	178,001	6,000	184,001
Privy Council Office	4,195	–	4,195	4,158	–	4,158	69	–	69
Office of the Parliamentary Commissioner for Administration	–	–	–	–	–	–	–	–	–
and Health Service Commissioner for England	19,292	150	19,442	18,130	150	18,280	2,000	–	2,000
House of Lords	95,359	–	95,359	91,924	–	91,924	9,935	–	9,935
House of Commons: Members	143,370	–	143,370	144,520	–	144,520	350	–	350
House of Commons: Administration	178,209	–	178,209	184,659	–	184,659	11,050	–	11,050
National Audit Office	60,152	167	60,319	60,197	167	60,364	1,455	–	1,455
Electoral Commission	38,388	–	38,388	38,356	–	38,356	666	–	666
Total	195,949,258	81,573,879	277,523,137	191,918,581	71,203,790	263,122,371	13,898,430	11,480,325	25,378,755

(1) Total DEL figures exclude depreciation and impairments which form part of resource DEL.

(2) Capital Budget DEL includes items treated as capital in Budgets but as resource in Estimates (within "Non Budget").

(3) Includes Sure Start and the Office of Her Majesty's Inspector of Schools in England.

(4) Includes Food Standards Agency.

(5) Includes Department for Constitutional Affairs, Northern Ireland Court Service, The National Archives: Public Record Office and Historical Manuscripts Commission, Land Registry, Scotland Office and Wales Office.

(6) Includes Crown Prosecution Service, Serious Fraud Office and Treasury Solicitors Department.

(7) Includes United Kingdom Atomic Energy Authority superannuation schemes.

(8) Includes the Central Office of Information.

**In-year controls –
administration costs**

10. Administration costs controls set separate control limits within DEL, covering the cost of most current expenditure on central government administration other than the costs of some direct frontline service activities, and support activities that are directly associated with these. Current expenditure on assessing and paying benefits, assessing and collecting taxes, running prisons and helping people return to work amounts to about 60 per cent of the total. The primary aim of administration costs control is to promote economical and efficient administration in central government. This is largely achieved by containing gross administrative costs.

11. Administration costs expenditure is controlled during the year through accruals based administration costs limits, which are notified to Parliament in the Supply Estimates. These limits cover administration costs expenditure and income within DEL. Administration costs limits also include non-cash expenditure incurred carrying out activities that fall within administration costs. All in-year changes to administration costs limits require the specific approval of Treasury and will be notified to Parliament. Exceeding the agreed administration costs limits would constitute a breach regardless of the position of the overall DEL and would be subject to investigation, report and possible penalty similar to the process described in paragraph 7 above.

12. Administration costs in DEL are normally controlled gross, although for areas where expenditure and income vary in line with demand and which have suitably robust monitoring and management systems, net administration costs control may be agreed as set out in *The Financing and Accountability of Next Steps Agencies (Cm 914)*. **Table 2.3** sets out administration costs limits for 2004–05 for those departments and agencies, which have gross controls. **Table 2.4** sets out the administration costs limits for 2004–05 for those bodies subject to net administration costs controls.

13. Where administration costs are controlled gross, departments are, with Treasury approval and subject to normal Government Accounting rules, allowed to offset negative DEL income relating to administration costs against their administration costs limits. This includes income from NDPBs and other UK public sector bodies outside the administration costs regime. This income is shown in the “Income” column of Table 2.4.

14. An eight-year span of outturn data and provision for administration costs by department is provided in *Public Expenditure Statistical Analyses 2004 (Cm 6201)*, which also includes outturns and projections for departmental staffing levels.

Table 2.3 Administration costs limits (gross controlled bodies), 2004–05

£'000

	Gross provision	Allowable income	Administration costs limit
Department for Education and Skills	245,823	-8,336	237,487
Office of HM Chief Inspector of Schools in England	30,095	-95	30,000
Department of Health	262,738	-11,962	250,776
Food Standards Agency	73,023	-22,688	50,335
Department for Transport	232,085	-3,758	228,327
Office of the Deputy Prime Minister	352,638	-24,722	327,916
Office of the Rail Regulator	14,798	-14,797	1
Home Office	3,941,780	-445,101	3,496,679
Asset Recovery Agency	3,900	—	3,900
Charity Commission	28,555	-20	28,535
Department for Constitutional Affairs	848,217	-8,738	839,479
Northern Ireland Court Service	21,005	-10,942	10,063
The National Archives: Public Record Office and Historical Manuscripts Commission	38,336	-1,605	36,731
The Crown Prosecution Service	355,177	-1,650	353,527
Serious Fraud Office	21,240	—	21,240
Foreign and Commonwealth Office	951,613	-163,272	788,341
Department for International Development	226,600	-4,600	222,000
Department of Trade and Industry	440,856	-12,009	428,847
Office of Fair Trading	53,632	-298	53,334
Office of Gas and Electricity Markets	38,001	-37,410	591
Postal Services Commission	10,160	-10,159	1
Department for Environment, Food and Rural Affairs	355,578	-16,084	339,494
Office of Water Services	14,035	-14,400	-365
Department for Culture, Media and Sport	48,072	-2,160	45,912
Department for Work and Pensions	5,788,113	-50,265	5,737,848
Health and Safety Executive	216,483	-51,024	165,459
Northern Ireland Office	179,042	-3,298	175,744
HM Treasury	157,003	-10,112	146,891
HM Customs and Excise	1,192,945	-8,930	1,184,015
Inland Revenue	3,046,219	-56,748	2,989,471
National Savings and Investments	176,781	-4,755	172,026
Office for National Statistics	168,087	-14,410	153,677
Cabinet Office	247,304	-28,174	219,130
Security and Intelligence Agencies	598,810	-14,080	584,730
Privy Council Office	4,198	-40	4,158
Total administration costs limits (gross controlled bodies)	20,382,942	-1,056,642	19,326,300

Table 2.4 Administration costs limits (net controlled bodies), 2004–05			£'000
	Gross provision	Income	Net administration costs limit
Department for Transport			
Vehicle Certification Agency	7,930	-7,971	-41
Home Office			
UK Passport Agency	120,000	-126,000	-6,000
HM Procurator General and Treasury Solicitor	46,105	-36,113	9,992
Department of Trade and Industry			
National Weights and Measures Laboratory	3,170	-2,948	222
Suppliers of Departmental Services	2,500	-2,500	—
Insolvency Service	1,900	-1,900	—
Department for Environment, Food and Rural Affairs			
Pesticides Safety Directorate	7,415	-5,432	1,983
Central Science Laboratory	44,862	-43,200	1,662
Veterinary Laboratories Agency	91,334	-91,334	—
Veterinary Medicines Directorate	9,639	-9,639	—
Centre for Environment, Fisheries and Aquaculture Science (CEFAS)	36,926	-36,926	—
Department for Work and Pensions			
Health and Safety Laboratory	26,806	-26,806	—
Northern Ireland Office			
Forensic Science (NI)	5,595	-5,041	554
Inland Revenue			
Valuation Office	152,927	-152,923	4
Office for National Statistics	22,421	-22,451	-30
Government Actuary	9,898	-8,827	1,071
Cabinet Office			
Centre for Management and Policy Studies	27,157	-24,180	2,977
Government Car and Dispatch Agency	16,001	-16,001	—
Security and Intelligence Agencies	27,686	-28,919	-1,233
Total administration costs limits (net controlled bodies)	660,272	-649,111	11,161