

Public Expenditure Statistical Analyses 2006

May 2006

PESA

2006

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This document is part of a series of Departmental Reports which, along with the *Central Government Supply Estimates 2006–07: Main Supply Estimates* and *Central Government Supply Estimates 2006–07: Supplementary Budgetary Information*, present the Government's expenditure plans for 2006–08.

The complete series of Departmental Reports and *Public Expenditure Statistical Analyses 2006* are also available as a set at a discounted price.



HM TREASURY



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May 2006

Presented to Parliament by
the Chancellor of the Exchequer
by Command of Her Majesty

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HM Treasury contacts

The organisation and content of this publication are reviewed annually. Any comments on the coverage or presentation should be sent to:

PESA Branch, SAR team
Floor 1/E2
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

E-mail: pesa@hm-treasury.gov.uk

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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 as a Command paper, 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 the individual departmental reports, which were published in May 2006.

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 certain other national accounts measures broadly 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 aggregates.
- 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 country and region.

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

- Tables in Chapters 1 and 2 and the early tables in chapters 4, 5 and 6 deal mainly with the budgeting aggregates, and their reconciliation to national accounts;
- Tables in Chapters 3 and 7, and the later tables in chapters 4, 5 and 6 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. In this year's PESA, plans are available for two years so analyses generally cover the eight years 2000-01 to 2007-08. In certain areas, eg. local authority expenditure, detailed plans for future years are not available, and 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 2006 is consistent with

- the National Statistics public expenditure outturns published on Budget Day (22 March 2006),
- fiscal projections and public spending plans set out in Chapter C of the 2006 Financial Statement and Budget Report (FSBR; HC968; 22 March 2006) and
- the consistent series of outturns and plans presented on a PESA basis and published on the Treasury's website on the day after the Budget,

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.

The system used by central government departments and devolved administrations to report expenditure data is being replaced by a new system, the Combined Online Information System (COINS). Though departments have completed the process of migrating their data from the old public expenditure database (PES) to COINS we are currently in a transitional period where both databases are being maintained.

PESA has been produced using data from the PES database. The Main Estimates, Supplementary Budgetary Information publication and the common core tables used in the departmental reports have been produced using the COINS database. Although the databases are being kept in close alignment there remain a number of possible factors (e.g. slight timing differences in entering data; small definitional differences in the reports; rounding conventions) that could lead to minor differences in numbers reported in PES compared with publications using COINS data.

If any unexpected differences between the publications do arise then it is the Main Estimates that hold the definitive data for Supply purposes and PESA that holds definitive budgetary data (DEL/AME and their constituent parts).

Data Quality in PESA 2006

During the transition period to the new COINS system, the quality of some data may be affected, which may lead to larger than usual revisions of the data published in PESA 2006 when we publish spending updates and PESA 2007.

There is more information on data quality in Appendix A.

National Statistics in PESA

Most of the outturn data (up to 2004-05) are National Statistics. National Statistics are those figures which 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 2005-06 and spending plans for future years are outside the scope of National Statistics. Data relating to the departmental administration budgets control regime are also outside the scope of National Statistics.

Public expenditure National Statistics updates

Outturn data to 2004-05 for certain key series in PESA were released on Budget day, 22 March 2006. The key series were:

- Total Managed Expenditure, by budgetary category (PESA 2006 Table 1.1);
- Departmental Expenditure Limits, resource and capital, by departmental group (PESA 2006, DEL parts of Tables 1.5 and 1.10); and
- Total Expenditure on Services by function (PESA 2006, Table 3.2).

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 2005-06 outturns. It will be available on the web¹ 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).

We are here pre-announcing the release of a new series for National Statistics updates. From the day of PEOWP 2006 we will publish updates of outturns for Near-cash in Resource Budget DEL by departmental group (PESA 2006, part of Table 1.7).

On the day after the Budget and the PBR we publish on the Treasury's website tables showing the National Statistics outturns and also certain plans information consistent with the dataset used for the FSBR/PBR and using the PESA presentation.

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

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 website² on the day of publication and in the following week. Some additional tables relating to the Country and Regional Analysis (chapter 7) will be published several weeks after PESA.

Changes from last year's PESA

PESA 2006 contains a few minor changes from last year:

- We no longer have a separate chapter on Administration Budgets (Chapter 5 in PESA 2005). The table of spending in administration budgets is now within the main budgeting information in Chapter 1 – see Table 1.9.
- We have added information on sources and methods and a note on data quality to Appendix A, and also to certain individual chapters. Appendix A also explains that the forecast data in table 3.1 uses the cautious view of GDP in order to be consistent with other publications.

The allocation of spending to departments in PESA 2006 does not reflect machinery of government changes announced on 5 May 2006.

¹ http://www.hm-treasury.gov.uk/newsroom_and_speeches/press/press_index.cfm

² http://www.hm-treasury.gov.uk/economic_data_and_tools/finance_spending_statistics/pes_publications/pespub_index.cfm

Future development of PESA

We consulted users during 2005 in order to find out their wishes for the future development of PESA. We are grateful to those who took part. The Treasury published a response to the user consultation on its website³.

In summary, our proposals for the development of PESA over the next few years starting with PESA 2007 include:

- The main request made by readers was for more historical information. This, however, is difficult to provide to an adequate standard. We propose:
 - To revive and update the work in PESA 2002 that produced an investment series on consistent sectoral boundaries;
 - To improve the way we record data once it ceases to be live for PESA so that in the future it will be possible to produce more detailed historical data for years that are currently live and subsequent years;
 - To explore the practicality of extending the range and scope of the functional historical series in Chapter 3;
- We propose to move the analysis of spending by the classification of functions of government (COFOG) that is used to analyse TES into full conformity with the UN COFOG definitions at Level 2; and
- We intend to provide further tables analysing the data for the PESA years, for example showing procurement by department, net capital spending by department and expenditure financed by the European Community by function.

In addition, the Chief Secretary to the Treasury has extended the scope of National Statistics in PESA so that with effect from PESA 2007 all outturn data will be included in the scope of National Statistics.

All development intentions are subject to resources, the resolution of practical implementation issues including the maintenance of data quality, and competing priorities.

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:

The Editor, PESA
Strategy, Analysis and Reform Team
Floor 1/E2
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ
e-mail: pesa@hm-treasury.gov.uk

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