

**2.1** This chapter provides additional analyses of the budgeting aggregates presented in **Chapter 1**. It shows analyses of budgets by economic category and information on voted and non-voted components of total public sector spending. The outturn data in this chapter fall within the scope of National Statistics.

### What's new

**2.2** **Tables 2.1, 2.2 and 2.3** are new to PESA 2007. Data on voted and non-voted expenditure shown in **Table 2.4** were included in PESA 2006 **Chapter 1** as **Table 1.16**.

### Analyses of budgets by economic category of spending

**2.3** **Table 2.1** shows analyses of budgets by economic category of spending, consistent with the budgeting aggregates reported in **Chapter 1**. The breakdowns of near-cash in resource DEL and resource departmental AME are consistent with **Table 1.7**; non-cash in resource DEL and resource departmental AME with **Table 1.8**; administration budgets in resource DEL with **Table 1.9**; and capital budgets with **Table 1.10**. Unallocated funds in resource and capital DEL are not included within the breakdown as they are not allocated to an economic category at this planning stage.

**2.4** The presentation of economic categories in **Table 2.1** is broadly consistent with the economic categories used by the Office for National Statistics in compiling the National Accounts. Brief descriptions of the main economic categories are given below.

**2.5** **Pay** includes wages and salaries, employers' social contributions, payments of accruing superannuation liability charges for UK staff and locally engaged staff overseas, and amounts that finance employee contributions to pension schemes. It also includes income from the recovery of secondee costs, but does not include payments for contract and agency staff that are treated as procurement expenditure.

**2.6** **Procurement** shows current expenditure and receipts on goods and services, including hire and rentals under PFI and non-PFI operating leases, payments for contract and agency staff, and payments for consultancy and audit services. It also includes payments from the Department of Health to NHS Trusts in respect of services provided by Trusts.

**2.7** **Current grants** are unrequited transfer payments to persons and non-profit bodies that are not used to fund capital formation. Current grants to local authorities are intra-general government payments that consolidate out of TME, which is the government's preferred measure of public spending of the whole public sector. Further information on local authority finance is given in **Chapter 7**. Current grants to persons and non-profit bodies largely comprise social benefits included in resource departmental AME.

**2.8** **Current subsidies** are unrequited current transfer payments to trading businesses that are given with the objective of influencing their levels of production, their prices, or the remuneration of the factors of production. These include subsidies to both private sector companies and to public corporations, and form part of public sector current expenditure within TME.

**2.9 Depreciation**, also termed capital consumption, represents the amount of capital used up each year in respect of fixed assets measured on the basis of Generally Accepted Accounting Practice (GAAP). The depreciation lines in **Table 2.1** also include releases from the donated assets and government grant reserves, as well as impairments and downward revaluations of fixed assets where these lead to a cost in the operating statement.

**2.10 Cost of capital charges** are annual non-cash charges applied to each department's budget to represent the opportunity cost of tying up capital in assets. The rate reflects the social time preference rate and is 3.5 per cent of the net assets of the department.

**2.11 The grant equivalent element of student lending** is the subsidy implied in student loans being issued at the inflation rate rather than the market interest rate. It does not form part of TME in National Accounts (which measures in the current balance the difference between interest received from students and the amount of interest paid by the government on the debt incurred to make the loans), but is included as part of TES in the functional analyses in other chapters.

**2.12 Take-up of provisions** are non-cash costs in resource budgets recognised in respect of liabilities incurred that will more likely than not lead to a transfer of future economic benefits where the amount and timing of those future transfers are uncertain. Upon settling the liability the transfer of economic benefits scores to the resource budget according to the economic category of the transaction, whilst an equal and opposite (negative) **release of provisions** scores as a benefit to the resource budget within non-cash. These lines do not include pension scheme provisions (see below).

**2.13 Net public service pensions** shows the costs of pensions on a National Accounts basis; that is, payments to pensioners less receipts of contributions by employers and employees. It also includes payments and receipts associated with bulk and individual transfers into and out of the scheme. **Change in pension scheme liabilities** shows increases to the liability as measures on a UKGAAP basis that are accrued in-year due to current service costs, any bulk and individual transfers in, and purchases of added years. **Release of provisions funding payments of pension benefits** records a non-cash reduction equal and opposite to pension benefits paid where these are charged to the provision. The **unwinding of the discount rate on pension scheme liabilities** shows the increase in the liability as future payments move one year closer to being paid and the effects of discounting reduce, and scores in the non-cash items line in departmental AME. More information on pensions is included in **Appendix D**, and a reconciliation of GAAP pensions in departmental AME to the National Accounts given in **Table D1**.

**2.14 Capital support for local authorities** shows central government support for local authority capital expenditure, comprising capital grants and Supported Capital Expenditure. More information on capital support for local authorities is given in **Chapter 7**.

**2.15 Capital grants** are unrequited transfer payments of wealth that lead to a material change in the value of the balance sheet of either party. Usually they are made on the condition that the recipient uses the funds for capital formation or acquisition of a long-term financial asset. Capital grants in **Table 2.1** are analysed by the nature of the recipient; persons and non-profit bodies; private sector companies; and public corporations. The latter are included in the capital support for public corporations line, and are consolidated out of TME, where public corporations' own capital expenditure forms part of public sector gross investment.

**2.16 Capital support for public corporations** comprises capital grants, net lending to public corporations (see paragraph 2.18) and public corporations' market and overseas borrowing where this scores in the parent department's budget.

**2.17** **Capital expenditure on fixed assets net of sales** includes the acquisition of fixed assets (such as land, buildings and machinery) recorded net of the sales value of any assets disposed of, and net increases in stock (where included in budgets). It is measured gross of depreciation, and includes expenditure on single use military equipment that is defined as current in National Accounts but which adds to the departmental balance sheet under UKGAAP. It also includes the pay of civil servants engaged in in-house capital formation that is recorded as capital expenditure, rather than as pay.

**2.18** **Net lending to private sector** means lending by government net of any repayments of previous lending. It includes transactions in shares – so for example privatisation receipts count as negative net lending.

**2.19** **Other** includes items that are too small to warrant an individual line. These include certain receipts that are usually treated as part of revenue in the national accounts, public corporations' profit or loss where in budgets (including profit or loss of NHS Trusts), write-offs of stock, loans written-off (other than those written-off by mutual consent, which form part of the capital grants line), and financial transactions. In plans years it also includes departmental unallocated provision that has not been allocated to an economic category at this planning stage.

**2.20** **Table 2.2** shows current procurement expenditure in Budgets by departmental group. Unlike **Table 2.1**, procurement expenditure here is before the deduction of receipts from sales of goods and services. The net procurement expenditure line, which includes income from goods and services, reconciles the table to the presentation of procurement in **Table 2.1**.

**2.21** **Table 2.3** shows central government own gross (of depreciation) capital expenditure on tangible and intangible fixed assets in budgets before deduction of sales by departmental group. It therefore includes central government departments and their NDPBs, but not the capital expenditure of public corporations where this scores within budgets. The presentation of capital expenditure in this table is gross of capital consumption, and consistent with the budgeting and control framework definition of capital under GAAP rules. It therefore includes single use military equipment that are treated as current expenditure in National Accounts. Income from sales of fixed assets is at sales value. Similarly, public corporations' capital expenditure is shown gross of capital consumption and after the deduction of receipts from sales, and is consistent with the presentation in **Table 8.3**. Total gross capital expenditure on fixed assets in budgets net of sales is consistent with the presentation of economic categories in **Table 2.1**.

## Supply Expenditure

**2.22** **Table 2.4** shows the split of DEL and AME between expenditure that is voted in Estimates, which accounts for about two-thirds of the total, and expenditure financed by other means. The relationship between the budgetary aggregates (DEL and AME) and Supply Expenditure is explained in more detail in the introductory sections of the Supply Estimates 2007-08: Supplementary Budgeting Information (Cm 7079).

Table 2.1 Budgets by economic category of spending, 2001–02 to 2007–08

	National Statistics						
	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08
	outturn	outturn	outturn	outturn	outturn	estimated outturn	plans
<i>£ million</i>							
<b>Near-cash in resource DEL</b>							
Pay <sup>(1)</sup>	29,450	31,739	35,871	40,411	45,748	45,597	46,103
Procurement <sup>(2)</sup>	79,540	88,056	96,211	102,031	106,311	116,206	122,475
Current grants to local authorities <sup>(3)</sup>	55,067	60,098	68,231	72,576	77,210	81,325	85,696
Current grants to persons and non-profit bodies	20,262	21,447	23,322	24,918	26,850	27,287	29,475
Current grants abroad	293	–24	–203	–101	–152	413	165
Subsidies to private sector companies <sup>(4)</sup>	4,917	5,063	5,268	5,741	5,235	5,337	5,323
Subsidies to public corporations	701	754	1,617	748	769	823	1,377
Other <sup>(5)</sup>	–2,287	–2,545	–1,650	–2,029	–2,242	–2,319	–2,146
<b>Total near-cash resource DEL</b>	<b>187,942</b>	<b>204,588</b>	<b>228,667</b>	<b>244,296</b>	<b>259,728</b>	<b>274,669</b>	<b>288,468</b>
<b>Non-cash in resource DEL</b>							
Depreciation <sup>(6)</sup>	9,250	15,529	8,633	7,827	9,540	10,561	10,820
Cost of capital charges	7,092	5,594	5,173	5,409	5,623	5,666	5,967
Grant equivalent element of student lending	889	422	296	514	736	1,338	1,614
Take-up of provisions	7,040	5,526	5,129	3,259	4,926	5,547	4,711
Release of provisions	–2,373	–2,701	–3,785	–4,047	–3,851	–3,908	–2,575
Other <sup>(5)</sup>	851	801	744	1,260	1,308	270	564
<b>Total non-cash resource DEL</b>	<b>22,748</b>	<b>25,170</b>	<b>16,190</b>	<b>14,221</b>	<b>18,280</b>	<b>19,474</b>	<b>21,101</b>
Plus unallocated funds in Resource DEL	—	—	—	—	—	–700	1,000
<b>Total resource DEL</b>	<b>210,691</b>	<b>229,758</b>	<b>244,856</b>	<b>258,517</b>	<b>278,008</b>	<b>293,443</b>	<b>310,600</b>
<i>Of which: Administration budgets in resource DEL</i>							
Pay	7,268	7,973	8,616	8,882	9,445	9,160	8,761
Procurement	5,199	5,637	6,141	6,326	5,780	6,720	6,504
Depreciation	456	633	504	663	571	702	692
Cost of capital charges	63	118	60	168	110	140	222
Take-up of provisions	98	110	43	120	153	178	137
Release of provisions	–45	–61	–77	–62	–80	–110	–73
Other <sup>(4)</sup>	–207	–173	–265	–291	–234	–403	–168
<b>Total administration budgets in resource DEL</b>	<b>12,833</b>	<b>14,236</b>	<b>15,023</b>	<b>15,806</b>	<b>15,744</b>	<b>16,387</b>	<b>16,077</b>
<b>Near-cash in resource departmental AME</b>							
Pay	828	868	904	906	902	913	951
Procurement	2,423	2,402	2,332	2,200	1,678	2,670	1,999
Current grants to local authorities <sup>(3)</sup>	13,851	14,400	14,223	16,788	17,785	19,762	20,503
Current grants to persons and non-profit bodies	100,157	106,500	115,408	119,801	126,563	129,604	136,082
Current grants abroad	1,505	53	58	1,850	1,998	1,730	2,167
Subsidies to private sector companies	1,247	393	249	165	211	175	227
Net public service pensions <sup>(7)</sup>	4,912	3,907	1,801	1,256	270	1,176	2,151
Other <sup>(5)</sup>	–85	–265	–318	–619	–562	–683	–731
<b>Total near-cash in resource departmental AME</b>	<b>124,839</b>	<b>128,259</b>	<b>134,657</b>	<b>142,349</b>	<b>148,844</b>	<b>155,345</b>	<b>163,349</b>
<b>Non-cash in resource departmental AME</b>							
Depreciation	378	590	548	922	941	4,735	1,119
Cost of capital charges	3,572	3,136	3,000	3,246	4,223	4,425	4,161
Take-up of provisions	1,497	5,913	2,300	729	406	1,760	568
Release of provisions	–1,658	–1,312	–1,244	–1,401	–1,454	–962	–1,007
Change in pension scheme liabilities	13,205	14,871	15,357	15,304	20,971	21,503	28,933
Unwinding of the discount rate on pension scheme liabilities	18,575	19,458	22,303	24,080	27,463	29,578	32,464
Release of provisions covering payments of pension benefits <sup>(8)</sup>	–14,204	–14,628	–15,361	–16,216	–17,534	–19,097	–21,295
Other <sup>(5)</sup>	97	88	85	97	46	380	127
<b>Total non-cash in resource departmental AME</b>	<b>21,461</b>	<b>28,118</b>	<b>26,988</b>	<b>26,759</b>	<b>35,061</b>	<b>42,323</b>	<b>45,070</b>
<b>Total resource departmental AME</b>	<b>146,300</b>	<b>156,377</b>	<b>161,645</b>	<b>169,108</b>	<b>183,905</b>	<b>197,668</b>	<b>208,419</b>

**Table 2.1 Budgets by economic category of spending, 2001–02 to 2007–08 (continued)**

	£ million						
	National Statistics						
	2001–02 outturn	2002–03 outturn	2003–04 outturn	2004–05 outturn	2005–06 outturn	2006–07 estimated outturn	2007–08 plans
<b>Capital budgets</b>							
Capital support for local authorities	6,146	7,564	9,100	10,370	11,345	10,995	13,304
Capital grants to persons and non-profit bodies	3,466	4,522	5,336	5,388	6,461	6,888	7,005
Capital grants to private sector companies	1,348	1,655	3,129	3,132	3,336	4,948	4,502
Capital grants abroad	–191	–63	–264	–282	–204	–181	–179
Capital support for public corporations	791	962	211	630	115	573	471
Capital expenditure on fixed assets net of sales	12,484	13,228	13,780	15,351	14,805	17,055	18,297
Net lending to the private sector and abroad	2,835	2,702	1,786	1,708	2,172	2,958	4,318
Other <sup>(5)</sup>	24	–126	480	276	126	–208	420
Plus unallocated funds in Capital DEL	—	—	—	—	—	–444	1,500
<b>Total capital budgets</b>	<b>26,903</b>	<b>30,443</b>	<b>33,557</b>	<b>36,573</b>	<b>38,157</b>	<b>42,584</b>	<b>49,700</b>
<i>of which:</i>							
Capital DEL	23,191	27,029	30,443	32,813	34,547	38,657	44,300
Capital departmental AME	3,711	3,414	3,113	3,760	3,610	3,928	5,324

(1) Excludes the pay of NHS Trust staff. Payments by the Department of Health to NHS Trusts in respect of Trust Staff pay are shown as procurement in this table.

(2) Procurement includes payments by the Department of Health to NHS Trusts in respect of Trust services, including payments to cover staff pay costs and depreciation.

(3) Not including non-cash elements of local authority finance that score as non-cash in resource budgets. Table 7.2 includes these items in total local authority finance.

(4) Not including subsidies to central government and local authority units with market based activities that form part of the subsidies line in table 6.4.

(5) Other includes items too small to warrant an individual line and in 2007-08 departmental unallocated provision.

(6) Excludes NHS Trust depreciation. Payments by Department of Health to NHS Trusts in respect of Trust depreciation are shown as procurement in this table.

(7) Figures here are based on payments and receipts which score in TME, and incorporate the net effect of bulk and individual transfers. A full reconciliation with the GAAP based measure of net public service pension expenditure is provided in table D.1.

(8) Payments which release provision include bulk and individual transfers, including transfers of liabilities within government.

**Table 2.2 Current procurement expenditure in budgets, 2001–02 to 2007–08**

	£ million						
	National Statistics					2006–07 estimated outturn	2007–08 plans
	2001–02 outturn	2002–03 outturn	2003–04 outturn	2004–05 outturn	2005–06 outturn		
<b>Current procurement expenditure in budgets</b>							
Education and Skills	775	799	854	699	741	872	968
Health	48,227	50,745	56,853	63,869	67,514	71,611	79,490
Transport	1,745	1,803	1,775	1,687	1,803	2,058	2,033
CLG Communities	270	398	423	462	462	425	499
CLG Local Government	237	240	256	298	301	254	281
Home Office	3,291	3,424	4,145	3,559	3,896	4,109	3,465
Constitutional Affairs	2,300	2,731	2,883	3,596	3,621	3,259	3,510
Law Officers' Departments	272	332	349	383	411	419	396
Defence	10,111	11,195	11,917	12,117	12,799	13,546	12,345
Foreign and Commonwealth Office	659	677	716	779	887	974	1,028
International Development	72	56	118	137	610	466	633
Trade and Industry	1,393	1,528	1,639	1,897	3,580	4,989	3,392
Environment, Food and Rural Affairs	2,052	1,462	1,236	1,434	1,588	2,083	1,670
Culture, Media and Sport	2,241	2,632	2,652	2,706	2,859	2,949	2,972
Work and Pensions	2,880	3,291	3,678	3,730	3,551	4,950	3,514
Scotland	4,401	7,691	7,132	5,842	5,625	6,186	6,593
Wales	3,522	4,025	4,500	4,796	5,128	5,947	6,300
Northern Ireland Executive	1,720	2,056	2,179	2,150	2,551	2,709	2,430
Northern Ireland Office	268	262	296	231	265	319	344
Chancellor's Departments	2,305	2,264	2,413	2,488	2,674	2,500	2,407
Cabinet Office	846	875	909	1,261	1,178	1,389	1,375
<b>Total current procurement expenditure in budgets</b>	<b>89,587</b>	<b>98,487</b>	<b>106,925</b>	<b>114,121</b>	<b>122,044</b>	<b>132,014</b>	<b>135,644</b>
<i>Plus income from goods and services</i>	–7,624	–8,029	–8,383	–9,890	–14,055	–13,139	–11,170
<b>Total net current procurement in budgets</b>	<b>81,963</b>	<b>90,458</b>	<b>98,543</b>	<b>104,231</b>	<b>107,988</b>	<b>118,875</b>	<b>124,474</b>
<i>of which:</i>							
Resource DEL	79,540	88,056	96,211	102,031	106,311	116,206	122,475
Resource departmental AME	2,423	2,402	2,332	2,200	1,678	2,670	1,999

**Table 2.3 Central government own gross expenditure on tangible and intangible fixed assets in budgets before deduction of sales, 2001–02 to 2007–08**

	£ million						
	National Statistics						2007–08 plans
	2001–02 outturn	2002–03 outturn	2003–04 outturn	2004–05 outturn	2005–06 outturn	2006–07 estimated outturn	
<b>Central government own gross expenditure on fixed assets in budgets before deduction of sales</b>							
Education and Skills	94	52	40	41	28	27	23
Health	1,900	2,126	2,605	2,958	2,889	3,719	4,270
Transport	695	816	588	705	827	1,212	1,145
CLG Communities	48	57	112	305	602	233	289
CLG Local Government	0	—	1	0	1	1	1
Home Office	455	445	599	578	562	746	1,008
Constitutional Affairs	53	45	101	167	138	167	181
Law Officers' Departments	23	8	11	11	10	12	15
Defence	6,298	6,506	6,331	7,104	7,119	7,629	7,953
Foreign and Commonwealth Office	96	113	77	85	113	155	118
International Development	52	23	47	31	30	24	41
Trade and Industry	247	273	379	412	654	798	682
Environment, Food and Rural Affairs	225	217	210	204	236	221	183
Culture, Media and Sport	222	175	55	154	160	182	184
Work and Pensions	166	261	325	298	401	205	67
Scotland	770	772	748	830	595	781	997
Wales	103	227	347	358	347	414	548
Northern Ireland Executive	453	618	566	736	713	949	752
Northern Ireland Office	42	54	50	72	59	82	72
Chancellor's Departments	257	358	247	510	410	354	304
Cabinet Office	215	182	592	242	242	320	321
<b>Total central government own gross expenditure on fixed assets in budgets before deduction of sales</b>	<b>12,413</b>	<b>13,327</b>	<b>14,031</b>	<b>15,803</b>	<b>16,134</b>	<b>18,234</b>	<b>19,154</b>
<i>Plus central government income from sales of fixed assets in budgets<sup>(1)</sup></i>	–934	–1,077	–1,152	–1,128	–1,936	–1,685	–1,133
<b>Total central government own gross expenditure on fixed assets in budgets net of sales</b>	<b>11,479</b>	<b>12,249</b>	<b>12,880</b>	<b>14,676</b>	<b>14,198</b>	<b>16,549</b>	<b>18,021</b>
<i>Plus public corporations' gross capital expenditure on fixed assets in budgets net of sales</i>	1,006	979	900	676	607	506	276
<b>Total gross capital expenditure on fixed assets in budgets net of sales</b>	<b>12,484</b>	<b>13,228</b>	<b>13,780</b>	<b>15,351</b>	<b>14,805</b>	<b>17,055</b>	<b>18,297</b>
<i>of which:</i>							
Capital DEL	12,173	13,099	13,771	15,029	14,418	16,957	18,213
Capital departmental AME	311	129	9	322	388	98	85

(1) The figure in 2007–08 differs from the figure of £1.6bn shown in table C16 of the Financial Statement and Budget Report 2007 as the latter includes planned asset disposals that are not yet included in departmental budgets.

**Table 2.4 Voted and non-voted expenditure in Total Managed Expenditure, 2001–02 to 2007–08**

	National Statistics						£ million
	2001–02 outturn	2002–03 outturn	2003–04 outturn	2004–05 outturn	2005–06 outturn	2006–07 estimated outturn	2007–08 plans
<b>Voted expenditure in TME</b>							
<i>DEL</i>							
Central government own spending, excluding depreciation	119,604	122,074	131,874	140,117	149,254	160,250	169,115
Support for local authorities	49,116	52,660	60,465	64,792	68,958	73,372	78,766
Support for public corporations	607	893	183	17	–25	86	20
Depreciation	8,516	14,723	7,796	6,783	8,429	9,162	9,263
<i>Departmental AME</i>							
Central government own spending	66,404	75,180	71,589	71,684	79,961	84,525	94,192
Support for local authorities	13,802	14,370	13,979	16,740	17,721	19,682	20,450
Support for public corporations	149	120	216	676	29	602	222
<b>Total voted expenditure in TME</b>	<b>258,198</b>	<b>280,020</b>	<b>286,102</b>	<b>300,807</b>	<b>324,326</b>	<b>347,680</b>	<b>372,028</b>
<b>Non-voted expenditure in TME</b>							
<i>DEL</i>							
Central government own spending, excluding depreciation	41,879	49,495	56,282	59,412	64,196	69,100	72,821
Support for local authorities	12,001	14,830	16,636	18,059	19,507	19,117	20,041
Support for public corporations	1,426	1,307	1,228	1,108	1,125	758	800
Depreciation	734	806	836	1,044	1,112	1,399	1,557
DEL not allocated by spending sector	–	–	–	–	–	–1,144	2,500
<i>AME</i>							
Central government own spending	69,554	69,953	78,531	83,662	89,698	96,711	98,797
Support for local authorities	144	203	475	145	154	158	122
Support for public corporations	–42	–34	–31	–38	–47	–83	–40
<i>Other AME and AME margin</i>							
locally financed expenditure, net expenditure transfers to the EC, and accounting and other adjustments	5,432	4,182	15,773	27,002	23,316	18,507	18,012
<b>Total non-voted expenditure in TME</b>	<b>131,127</b>	<b>140,740</b>	<b>169,729</b>	<b>190,393</b>	<b>199,060</b>	<b>204,522</b>	<b>214,600</b>
<b>Total Managed Expenditure</b>	<b>389,325</b>	<b>420,760</b>	<b>455,831</b>	<b>491,200</b>	<b>523,386</b>	<b>552,202</b>	<b>586,600</b>
<b>Memorandum</b>							
<i>Voted expenditure not in TME (included within "Non-Budget" in Estimates):</i>							
Grants to NDPBs to finance their expenditure	22,790	27,084	32,874	33,956	37,886	38,816	38,891
Grants to devolved administrations to finance their expenditure	31,369	35,089	35,079	38,050	40,717	46,006	46,994
Other non-public expenditure	–4,408	–2,232	–3,279	–9,727	1,039	–11,208	–11,601
<b>Total voted expenditure not in TME</b>	<b>49,752</b>	<b>59,941</b>	<b>64,674</b>	<b>62,279</b>	<b>79,642</b>	<b>73,614</b>	<b>74,284</b>
<b>Total voted expenditure</b>	<b>307,950</b>	<b>339,961</b>	<b>350,776</b>	<b>363,086</b>	<b>403,968</b>	<b>421,293</b>	<b>446,312</b>