



HM TREASURY



Public Expenditure Statistical Analyses 2007

April 2007

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

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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 individual departmental reports, which will be published in the weeks after PESA.

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 its component parts Public Sector Current Expenditure, Public Sector Net Investment and Public Sector Depreciation, 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 aggregate.
- 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, 2, and 3 and the early tables in chapters 6, 7, and 8 deal mainly with the budgeting aggregates, and their reconciliation to national accounts;
- Tables in Chapters 4, 5, 9, and 10, and the later tables in chapters 6, 7, 8 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 one year so analyses generally cover the seven years 2001-02 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 2007 is consistent with

- the National Statistics public expenditure outturns published on Budget Day (21 March 2007),
- fiscal projections and public spending plans set out in Chapter C of the 2007 Financial Statement and Budget Report (FSBR; HC342; 21 March 2007) and
- the consistent series of outturns and plans presented on a PESA basis and published on the Treasury's website on the day of 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.

Information in PESA is fully consistent with the 2007-08 Supply Estimates, both Main Estimates and Supplementary Budgetary Information.

Data Quality in PESA 2007

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 2007 when we publish spending updates.

There is more information on data quality in Appendix A.

National Statistics in PESA

All outturn data (up to 2005-06) 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 2006-07 and spending plans for 2007-08 are outside the scope of National Statistics.

Public expenditure National Statistics updates

Outturn data to 2005-06 for certain key series in PESA were released on Budget day, 21 March 2007. The key series were:

- Total Managed Expenditure, by budgetary category (PESA 2007 Table 1.1);
- Departmental Expenditure Limits, resource, near-cash and capital, by departmental group (PESA 2007, DEL parts of Tables 1.5, 1.7 and 1.10); and
- Total Expenditure on Services by function (PESA 2007, Table 4.2).

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 2006-07 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).

On the day of the Budget and the PBR we publish on the Treasury's website tables showing these 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 (chapters 9 and 10) and the database underlying the Country and Regional Analysis will be published several weeks after PESA.

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

WHAT'S NEW

PESA 2007 contains significant developments and improvements in line with the response to the user consultation published last year on the Treasury's website¹. We are also pre-announcing below further changes and improvements that will be made in PESA 2008 and beyond. This includes the launch of a consultation of the publication of outturn data in PESA as a separate National Statistics First Release from PESA 2008.

Extension of scope of National Statistics in PESA 2007

As pre-announced in PESA 2006 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 are included within the scope of National Statistics. The National Statistics parts of tables are indicated in column headers.

PESA 2007 – detailed COFOG level 2 analysis

As pre-announced in PESA 2006 the analysis of UK spending in PESA 2007 by the UN Classification of Functions of Government (COFOG) that is used to analyse Total Expenditure on Services (TES) has been moved into conformity with the UN COFOG definitions at level 2. The Treasury has published a document detailing these changes in full on its website². Previous PESA presentations since PESA 2004 have been consistent with the level 1 breakdown of UN COFOG, and this further breakdown brings the sub-functional PESA analyses into line. Specifically:

- **TES by function analyses** (PESA 2007 Tables 4.2, 4.3, 4.4, 5.1, 5.4, 5.5, 7.6, 7.7, 7.8, 7.9 and 7.10). As previous PESA presentations since PESA 2004 have been consistent with UN COFOG at level 1 the functional definitions in these tables have not changed. However, we have in a few cases changed the labelling and presentation of the functions to be fully consistent with the presentation of COFOG. Further details are given in the Chapter 4 text.
- **TES by sub-function analyses** (PESA 2007 Tables 5.2 and 6.5). These analyses are now on a detailed COFOG level 2 basis, with the exception of the health spending function – see Chapter 5 for more detail. Where the previous PESA presentation contained more detail than COFOG level 2 we have usually retained those categories so there is no loss of information. Further details are given in Chapters 4 and 5.

The TES analysis of public expenditure by country and region remains on the PESA 2006 sub-functional basis due to the earlier data collection of this exercise. These analyses will move onto a COFOG level 2 basis in PESA 2008. Further details are given in Chapter 9.

¹ http://www.hm-treasury.gov.uk/economic_data_and_tools/finance_spending_statistics/pes_publications/pespub_consult.cfm

² http://www.hm-treasury.gov.uk/economic_data_and_tools/finance_spending_statistics/pes_function/function/function.cfm

PESA 2007 – new tables

As proposed in the response to the user consultation PESA 2007 contains several new tables. Further details are given in the relevant chapter text:

- **budgets by economic category of spending** (PESA 2007 Table 2.1). This table shows the composition of aggregate departmental budgets by economic category (ie pay, procurement) to supplement the explanations in the text to Chapter 1 and Appendix C;
- **current procurement expenditure in budgets** (PESA 2007 Table 2.2). This table shows current procurement expenditure in budgets on a GAAP basis by departmental group;
- **central government own gross capital expenditure on tangible and intangible fixed assets in budgets before the deduction of sales** (PESA 2007 Table 2.3). This table shows spending on capital asset procurement on a GAAP basis within capital budgets by departmental group;
- **current procurement spending by COFOG** (PESA 2007 Table 5.6). This table shows current procurement spending on a National Accounts basis by COFOG function;
- **England and SWANI numbers at a detailed functional level** (PESA 2007 Table 10.1). This table shows detailed functional expenditure numbers at the country level; and
- **transactions with the institutions of the EC** (PESA 2007 Table C.1). This table shows UK flows of expenditure to, and receipts from, the institutions of the European Community.

PESA 2007 – development of the country and regional analysis (CRA) methodology

As pre-announced in PESA 2006 we have broadened the coverage of identifiable spending, particularly in England and Wales. Almost all spending by Whitehall departments is now treated as identifiable where there is equivalent spending by a devolved administration. This change, and further improvements made to the CRA methodology, are outlined in Chapter 9. Additionally this year in order to continually improve the quality of the CRA we have introduced a requirement for departments to formally sign off their CRA as being produced in accordance with the CRA guidance to National Statistics standards. Further details on this and comments on data quality in the CRA are given in Chapter 9 and Appendix A.

PESA 2007 – increasing usability

A key finding of the response to the user consultation³ was a need to improve the usability of PESA. With this in mind we have:

- given PESA a clearer structure by splitting two of the chapters (PESA 2006 Chapter 1 and PESA 2006 Chapter 3) into two. The purpose of splitting PESA 2006 Chapter 1 is to distinguish between tables that show control totals and those containing more detailed analyses of budgets (now PESA 2007 Chapters 1 and 2 respectively). The purpose of splitting PESA 2006 Chapter 3 (now PESA

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

2007 Chapters 4 and 5) is to distinguish between long term trend analyses of public expenditure and other National Accounts analyses. We have also re-ordered the appendices to a more logical sequence; and

- included a simple user's guide for new readers to explain how to use PESA to find the answer to some frequently asked questions on public expenditure;

PESA 2008 – pre-announcement of the separate publication of the First Release of outturns and consultation on modality of release

The Chief Secretary to the Treasury has agreed in principle that from 2008 National Statistics outturn data in PESA should be published separately as a First Release ahead of the main PESA document. The intention is that this First Release will be an internet-based publication on the Treasury website. The content of PESA itself will be unaffected with the National Statistics data reproduced alongside plans data. The First Release will be published a day or two before PESA itself. This change is to align the treatment of PESA outturn data with other First Release National Statistics, which are generally published separately from other material.

In accordance with National Statistics Protocols we are consulting users on this change. If you have any comments on the change or on the modality of publication of the First Release data please send them to the Editor at the address below by 1 August 2007.

Future development of PESA

The Treasury published a response to the user consultation on its website last year⁴. This outlines our proposals for the future development of PESA.

As stated in the response to the user consultation document (paragraph 3.47) PESA 2008 will set out changes to plans since the Comprehensive Spending Review (CSR).

In addition our intention for PESA 2008 and beyond is to:

- revive and update the work in PESA 2002 that produced an investment series on consistent sectoral boundaries;
- explore the practicality of extending the range and scope of the functional historical series in Chapter 4; and
- provide further tables analysing the data for the PESA years.

All development plans are subject to resources and to the resolution of practical implementation issues, including data quality.

We would be interested in readers' views on how we propose to develop PESA and any general comments on how PESA could be made more useful to users. Please write to:

⁴ http://www.hm-treasury.gov.uk/economic_data_and_tools/finance_spending_statistics/pes_publications/pespub_consult.cfm

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HOW TO USE PESA

The purpose of this new chapter is to help new users of PESA find their way around the large numbers of tables in PESA. This chapter also contains the answers to some frequently asked questions.

Finding your way around PESA tables

Chapters 1 to 8 show different presentations of the same dataset. Chapters 9 and 10, which contain statistics on public expenditure by country and region, show an analysis of essentially the same data structure but the extraction of the data occurs earlier than for the rest of the book (see Chapter 9 for details). So the tables in PESA allow you to see public spending information from different angles. It also means that the tables have intricate inter-connections.

PESA presents two type of analyses:

- Tables that deal mainly with the budgeting aggregates and their reconciliation to national accounts.
- Tables that present analyses of Total Expenditure on Services (TES). TES is an expenditure concept used in PESA for statistical analysis as it is more stable than the budgeting aggregates and closer to TME.

FREQUENTLY ASKED QUESTIONS

How much did the government spend on x?

The answer varies depending on which levels of government you are interested in, and what sorts of function. The below list of tables takes transport as an example. The text to each chapter gives a more precise definition of the contents of each table:

- table 4.2 shows the total capital and current spending of the UK public sector on transport for a long run of years. Tables 4.3 and 4.4 show spending in real terms and as a percentage of GDP;
- table 5.2 shows the total capital and current spending of the UK public sector broken down into more detailed categories such as national and local roads;
- tables 5.4 and 5.5 show the total UK public sector spending split out into capital and current spending, and then for each of those categories according to whether it is central government, local government or public corporations doing the spending;

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- table 1.12 shows the total resource and net capital spending in budgets (excluding depreciation) of the Department for Transport departmental group. Tables 1.5, 1.7, 1.8 and 1.10 show the resource, near-cash, non-cash and capital spending respectively of the Transport group. The budget tables show how much the government spent through its planned spending system which includes grants to local authorities. The tables do not show total spending on transport because they do not include spending by local authorities, the devolved administrations or by Whitehall departments outside the departmental group. This spending is included in the functional tables outlined above;
 - tables 9.5 to 9.10 present spending on transport by country and region. Chapter 10 tables present country spending on the more detailed categories such as national and local roads.

Are long run series available?

Chapter 4 contains long run TES series (1987-88 to 2006-07) of public sector spending by function. The methodology used to produce these series is detailed in chapter 4. As outlined in the response to the reader consultation one of our proposals for PESA development is to explore the practicality of extending the range and scope of these series in future PESA publications.

Historic long run series of the budgeting aggregates are not available. PESA is produced from the Treasury's public expenditure database, the Combined On line Information System (COINS). Departments and the devolved administrations maintain five years worth of live outturn data. Earlier years data exist on archived databases only and are therefore not adjusted for machinery of government and classification changes. Users are advised against simply splicing data together from different editions of PESA as data may not be directly consistent due to these changes in data coverage and classification.

What are departmental groups?

For almost all departmental groups the spending of the main department dominates the spending figures of the group. Appendix B gives the list of the departments contained within a group. To see the exact figures for the spending of the individual departments within a group see the departmental reports of the departments concerned.

How do I get real terms numbers/proportion of GDP?

A number of the tables in this publication give figures in real terms. Real terms figures are the current price outturns or plans adjusted to a constant price level by excluding the effect of general inflation as measured by the GDP deflator at market prices. The real terms figures in this publication are given in 2005-06 prices. The GDP deflators and GDP actuals used in this publication are those given in Appendix F. The most up to date deflators and GDP numbers are available on the HMT website.¹

¹ http://www.hm-treasury.gov.uk/economic_data_and_tools/gdp_deflators/data_gdp_fig.cfm