

2

DIFFERENCES FROM PREVIOUS PLANS

2.1 This chapter compares the latest plans for DEL and AME with the plans set out in PESA last year (Cm 6201), which were consistent with Budget 2004. The comparisons are all on a Stage 2 resource budgeting basis. The tables in this chapter do not fall within the scope of National Statistics.

Types of changes

2.2 The comparisons distinguish between:

- Transfers of financing responsibility between departments and spending sectors; and classification changes, i.e. changes in the way public expenditure is measured or the re-allocation of functions between departments (i.e. Machinery of Government (MOG) changes); and
- other changes, which are due to policy decisions or changes in forecasts of expenditure outside DEL.

The tables

2.3 Data in the tables taken from last year's PESA are adjusted for the effects of machinery of government changes.

2.4 Tables 2.1, 2.2 and 2.3 are for 2003-04, and compare the latest outturns with the estimated outturns in last year's PESA, and with the provisional outturns published in July in the Public Expenditure Outturn White Paper (PEOWP). The DEL tables also show final provision as at the end of the year (PEOWP).

2.5 Tables 2.4, 2.5 and 2.6 are for 2004-05, and compare the current "estimated outturns" (forecasts) with the plans in last year's PESA. The DEL tables also show final provision following updates provided by departments as part of the Spring Supplementary Estimates.

2.6 Tables 2.7, 2.8 and 2.9 are for 2005-06 and compare the current plans (consistent with the Budget and as presented elsewhere in PESA) with the plans in last year's PESA.

Main classification and transfer changes affecting plans

2.7 PBR 2004 announced that the Supporting People component in AME Social Security had been reclassified to DEL. This change impacts on the Office of the Deputy Prime Minister, Scottish Executive, National Assembly of Wales Government and the Northern Irish Executive. Similarly, Arms Length Management Organisations were reclassified from AME to DEL, impacting on the Office of the Deputy Prime Minister for 2004-05 and 2005-06. These changes are shown under the Transfers and Classification changes column in tables.

2.8 The discount rate used for Student Loans has been adjusted downwards, with the resultant changes reported under the Transfers and Classification changes column in tables.

Policy and estimating changes

2.9 Tables 2.4, 2.5 and 2.6 show changes to plans for 2004-05 financed by allocations from the Reserve, draw down of End Year Flexibility (EYF) and changes to forecasts.

2.10 The Department for Education and Skills' resource DEL increased by £0.9bn in 2004-05, this was financed from draw down of EYF from previous year's underspends and the take-up of PBR 2003 funding in respect of Employer Training pilots. The Department of Health's Resource DEL provision in 2004-05 increased by £0.7bn. Of this, £0.5bn was funded by the department's draw down of EYF.

2.11 The Department for Transport increased resource DEL by £0.9bn. Of this £0.5bn represented a claim on the Reserve for various transport related pressures. The remainder of the increase was £0.2bn from EYF, and a £0.2bn switch from capital DEL into resource DEL.

2.12 Defence resource DEL was increased by £1.1bn in 2004-05. This was an agreed claim on the Reserve for activities in Iraq and other operations. The Government has made provision for the costs of military operations in Iraq and its other international obligations in the Special Reserve, which has been allocated to departments.

2.13 Claims on the Reserve, other agreed changes and the draw down of EYF account for other increases in total Departmental Expenditure Limits. Use of EYF has enabled departments to smooth their expenditure for 2004-05, the year with the lowest overall planned spending growth of the 2002 Spending Review period. Estimated outturns suggest that both Resource and Capital DEL expenditure will be lower than final provision.

2.14 Changes to expenditure items in Annually Managed Expenditure are due to changes in forecasts and other changes announced in the Pre Budget Report 2004 (CM6408) and the Budget 2005 (HC372).

2.15 Increases to tax credits are due to higher spending through the Child Tax Credits (CTC) and the Working Tax Credit (WTC). Changes to forecasts of social security expenditure are due to a combination of factors, including benefit uprating.

2.16 Net public service pensions figures are reported under FRS17, and are UK GAAP compliant. The net public service pensions line measures changes in the accruing liabilities of the various pension schemes that appear in the Operating Cost Statement (except those costs that arise from the unwinding of the discount rate, which are reported separately in the non cash in AME line). Appendix D gives more information on the scoring. The changes to the cost of pensions schemes measured on this basis do not impact on TME or on the fiscal framework. Appendix B, which includes a new reconciliation table, gives more information on the relationship of the GAAP numbers in Departmental AME to the national accounts based TME.

2.17 The increase in the outturn figure for net public service pensions on an FRS 17 basis in 2003-04 compared to the figure published in the PEOWP is largely attributable to more accurate data becoming available from the audited Resource Accounts 2003-04 for the major public service pension schemes. Changes in 2004-05 reflect better data from the NHS pension scheme in particular.

2.18 Significant planned workforce and pay-bill restructuring impacts on the value of accruing pension liabilities. Specifically, workforce expansion and pay reform under the Agenda for Change in the NHS create upward pressure, whereas planned efficiencies in the civil service workforce have the opposite impact.

- 2.19** In addition to changes in the public sector workforce and pay-bill structure and better audited data being available the rate used for discounting long-term future liabilities has been lowered. This change in the discount rate, from 3.5% real to 2.8% real, effective from 1st April 2005 has led to increased forecasts of net public service pensions liabilities in 2005-06 and onwards because of its effect in increasing the balance sheet value of liabilities overnight and in increasing current service costs on an ongoing basis (as the accruing liability is discounted by a lower amount).
- 2.20** The unwinding of the discount rate as measured in the non-cash in AME line increases as a function of the changes to pensions described above.
- 2.21** Policy and estimating changes for 2005-06 are shown in **Tables 2.7, 2.8 and 2.9**; the main changes are as follows:
- SR04 adjustments to DEL, including Efficiency Challenge Funds, for the Department for Transport, Department for Work and Pensions, Home Office, Department for Constitutional Affairs, and Department of Trade and Industry.
 - Transfers from the Department of Health, Department for Transport and other departments to the Office of the Deputy Prime Minister in respect of local government announced in PBR 2004.
 - The net increase in Social Security and decrease in Tax Credits are off setting, as the expected migration of IS/JSA child premia from Social Security to Tax Credits will now take longer to be completed.
 - The discount rate for pensions and other long-term provisions changed in April 2005 from 3.5% to 2.8% and 2.2% respectively.
 - The £0.4bn increase in the special reserve for funding the costs of the military conflict in Iraq and the UK's other international obligations that was announced in the Budget is only partially reflected in the £0.3bn unallocated special reserve figure for 2005-06. This is because £0.1bn has already been allocated to departments.

Table 2.1 Resource DEL 2003–04; changes since PESA April 2004 and PEOWP July 2004

£ million

	Final provision adjusted for MOG	Estimated outturn in PESA 2004 adjusted for MOG	Provisional outturn in PEOWP 2004 adjusted for MOG	Transfers and classification changes since PEOWP 2004	Other changes since PEOWP 2004	Outturn
Education and Skills	23,346	22,917	23,044	-163	255	23,136
Health	63,160	63,148	62,718	—	-39	62,679
Transport	8,124	7,972	7,923	—	-93	7,830
Office of the Deputy Prime Minister	4,872	4,673	4,729	1,331	-60	6,000
Local Government	41,028	40,949	40,915	—	—	40,915
Home Office	11,969	11,878	11,720	—	—	11,721
Constitutional Affairs	3,272	3,285	3,181	—	19	3,200
Law Officers' Departments	599	599	576	—	-1	576
Defence	32,315	32,304	31,488	—	-172	31,316
Foreign and Commonwealth Office	1,698	1,695	1,615	-4	-25	1,585
International Development	3,936	3,853	3,825	-36	4	3,793
Trade and Industry	5,097	4,966	4,365	—	13	4,379
Environment Food and Rural Affairs	2,857	2,816	2,634	—	57	2,691
Culture Media and Sport	1,429	1,392	1,279	—	-1	1,279
Work and Pensions	8,596	8,434	8,292	—	-5	8,287
Scotland	18,709	18,896	18,479	396	-49	18,826
Wales	9,970	9,970	9,757	118	-42	9,834
Northern Ireland Executive	6,719	6,718	6,378	35	8	6,421
Northern Ireland Office	1,136	1,085	1,052	—	-9	1,043
Chancellor's Departments	4,759	4,718	4,566	—	-50	4,516
Cabinet Office	1,900	1,774	1,813	76	-35	1,854
Unallocated Special Reserve		—	—	—	—	—
Allowance for Shortfall		-2,184	—	—	—	—
Total	255,491	251,859	250,353	1,751	-223	251,881

Table 2.2 Capital DEL 2003–04; changes since PESA April 2004 and PEOWP July 2004

£ million

	Final provision adjusted for MOG	Estimated outturn in PESA 2004 adjusted for MOG	Provisional outturn in PEOWP 2004 adjusted for MOG	Transfers and classification changes since PEOWP 2004	Other changes since PEOWP 2004	Outturn
Education and Skills	3,443	3,357	3,297	—	-56	3,242
Health	2,824	2,724	2,553	—	-14	2,539
Transport	3,316	3,317	3,013	—	21	3,034
Office of the Deputy Prime Minister	2,307	2,243	2,307	249	-4	2,552
Local Government	334	233	216	—	-2	214
Home Office	1,085	967	929	—	—	929
Constitutional Affairs	179	177	105	—	25	130
Law Officers' Departments	16	15	11	—	—	11
Defence	6,422	6,415	5,929	—	144	6,073
Foreign and Commonwealth Office	71	71	65	-6	-9	50
International Development	39	39	39	—	-11	27
Trade and Industry	641	602	583	—	-5	578
Environment Food and Rural Affairs	366	330	336	—	19	355
Culture Media and Sport	229	194	159	—	-12	147
Work and Pensions	176	174	207	—	-21	186
Scotland	2,085	1,253	1,429	—	-28	1,401
Wales	836	737	785	—	22	807
Northern Ireland Executive	474	474	355	—	6	360
Northern Ireland Office	73	69	55	—	-1	54
Chancellor's Departments	315	276	253	—	—	253
Cabinet Office	638	605	597	—	-75	522
Unallocated Special Reserve		—	—	—	—	—
Allowance for Shortfall		-379	—	—	—	—
Total	25,869	23,893	23,221	244	-2	23,464

Table 2.3 Total Managed Expenditure 2003–04; changes since PESA April 2004 and PEOWP July 2004

	£ million				
	Estimated outturn in PESA 2004	Provisional outturn in PEOWP 2004	Transfers and classification changes since PEOWP 2004	Other changes since PEOWP 2004	Outturn
Departmental Expenditure Limits					
Resource DEL	251,859	250,353	1,751	-223	251,881
Capital DEL	23,893	23,221	244	-2	23,464
Less depreciation	10,497	9,154	1	-137	9,018
Total DEL	265,255	264,420	1,994	-88	266,327
Annually Managed Expenditure					
<i>Departmental AME</i>					
Social Security Benefits	120,738	120,232	-2,129	12	118,115
Tax credits	9,798	9,798	—	-19	9,779
Common Agricultural Policy	2,506	2,941	—	-36	2,905
Net Public Service Pensions	1,589	1,412	-30	667	2,049
National Lottery	2,000	2,000	—	-90	1,910
Non-cash items	28,218	27,528	222	-184	27,565
Other programme expenditure	2,269	1,544	-5	-4	1,535
Total Departmental AME	167,118	165,455	-1,942	346	163,859
<i>Other AME</i>					
Net Payments to EC Institutions	2,427	2,395	—	-1	2,394
Locally Financed Expenditure	22,558	20,842	—	1,024	21,867
Central Government Debt Interest	22,204	22,208	—	108	22,316
Public Corporations' own financed capital expenditure	2,471	2,471	—	640	3,111
Total Other AME	49,661	47,916	—	1,771	49,688
Total AME before Accounting Adjustments	216,779	213,371	-1,942	2,117	213,546
Accounting Adjustments	-23,036	-24,396	-52	-192	-24,640
Total Annually Managed Expenditure	193,742	188,975	-1,994	1,925	188,906
Total Managed Expenditure	458,997	453,395	—	1,838	455,233

Table 2.4 Resource DEL 2004–05; changes since PESA 2004

	£ million				
	Plans in PESA 2004 adjusted for MOG	Other transfers and classification changes	Reserve allocation and other policy changes	Final provision	Estimated outturn
Education and Skills	23,888	-173	1,056	24,771	24,613
Health	68,656	-54	734	69,335	69,118
Transport	7,451	-7	910	8,354	8,277
Office of the Deputy Prime Minister	4,632	1,590	248	6,470	6,241
Local Government	43,359	-1	59	43,416	43,351
Home Office	12,181	-165	397	12,413	12,293
Constitutional Affairs	3,275	73	154	3,502	3,416
Law Officers' Departments	542	92	33	667	652
Defence	31,590	109	1,131	32,831	32,591
Foreign and Commonwealth Office	1,545	-93	365	1,817	1,787
International Development	3,765	-43	180	3,901	3,868
Trade and Industry	5,044	-25	556	5,574	5,263
Environment, Food and Rural Affairs	3,082	—	312	3,394	3,172
Culture, Media and Sport	1,455	5	82	1,542	1,542
Work and Pensions	8,104	44	303	8,451	8,391
Scotland	19,616	419	287	20,322	19,961
Wales	10,396	126	266	10,788	10,689
Northern Ireland Executive	6,761	42	298	7,101	6,977
Northern Ireland Office	1,149	-3	56	1,202	1,207
Chancellor's Departments	4,749	9	351	5,109	5,040
Cabinet Office	1,883	67	92	2,042	1,994
Invest to Save budget	13	—	-13	—	—
DEL Reserve	490	—	-490	—	—
Unallocated Special Reserve	300	—	-300	—	—
Allowance for Shortfall	—	—	-1,759	-1,759	-1,759
Total	263,925	2,012	5,307	271,245	268,687

Table 2.5 Capital DEL 2004–05; changes since PESA 2004

	£ million				
	Plans in PESA 2004 adjusted for MOG	Other transfers and classification changes	Reserve allocation and other policy changes	Final provision	Estimated outturn
Education and Skills	3,801	-14	56	3,843	3,730
Health	3,026	—	105	3,131	3,131
Transport	3,653	3	-256	3,399	3,322
Office of the Deputy Prime Minister	2,325	224	459	3,009	2,870
Local Government	325	—	45	370	295
Home Office	1,004	-19	212	1,198	1,068
Constitutional Affairs	103	7	119	228	198
Law Officers' Departments	15	-1	8	22	18
Defence	6,327	-6	341	6,663	6,593
Foreign and Commonwealth Office	71	-8	39	103	78
International Development	18	2	21	41	41
Trade and Industry	161	—	124	286	242
Environment, Food and Rural Affairs	334	—	-2	332	332
Culture, Media and Sport	82	—	116	198	198
Work and Pensions	240	—	54	295	299
Scotland	1,960	10	128	2,099	1,960
Wales	923	—	-4	919	865
Northern Ireland Executive	374	—	43	417	421
Northern Ireland Office	57	—	25	83	78
Chancellor's Departments	342	—	155	497	416
Cabinet Office	240	—	64	304	252
Invest to Save budget	5	—	-5	—	—
DEL Reserve	953	—	-953	—	—
Unallocated Special Reserve	—	—	—	—	—
Allowance for Shortfall	—	—	-2,581	-2,581	-2,581
Total	26,337	199	-1,681	24,856	23,824

Table 2.6 Total Managed Expenditure 2004–05; changes since PESA 2004

	Plans in PESA 2004	Transfers and classification changes	Other changes	£ million Estimated outturn
Departmental Expenditure Limits				
Resource DEL	263,925	2,012	2,750	268,687
Capital DEL	26,337	199	-2,711	23,824
Less depreciation	10,978	31	318	11,326
Total DEL	279,284	2,180	-278	281,186
Annually Managed Expenditure				
<i>Departmental AME</i>				
Social Security Benefits	126,029	-2,153	1,300	125,176
Tax Credits	11,183	—	545	11,728
Common Agricultural Policy	2,535	—	671	3,206
Net Public Service Pensions	977	-61	1,299	2,214
National Lottery	2,000	—	-200	1,800
Non-cash items	26,427	417	956	27,801
Other programme expenditure	3,408	-383	1,035	4,060
Total Departmental AME	172,557	-2,180	5,606	175,984
<i>Other AME</i>				
Net Payments to EC Institutions	2,703	—	1,004	3,707
Locally Financed Expenditure	24,334	—	211	24,545
Central Government gross debt interest	23,928	—	-89	23,839
Public Corporations' own financed capital expenditure	2,645	—	-893	1,752
Total Other AME	53,610	—	233	53,844
Total AME before Accounting Adjustments	226,167	-2,180	5,839	229,827
AME margin	1,000	—	-1,000	—
Accounting adjustments	-18,860	—	-8,048	-26,908
Total Annually Managed Expenditure	208,307	-2,180	-3,209	202,919
Total Managed Expenditure	487,590	—	-3,486	484,105

Table 2.7 Resource DEL 2005–06; changes since PESA 2004

				£ million
	Plans in PESA 2004 adjusted for MOG	Other transfers and classification changes	Reserve allocation and other policy changes	New Plans
Education and Skills	26,702	-295	-85	26,321
Health	74,842	-169	418	75,090
Transport	8,370	-56	506	8,820
Office of the Deputy Prime Minister	4,992	1,444	-175	6,261
Local Government	45,826	238	209	46,273
Home Office	12,980	-8	-184	12,788
Constitutional Affairs	3,526	-1	163	3,688
Law Officers' Departments	575	1	76	651
Defence	32,539	62	-96	32,506
Foreign and Commonwealth Office	1,594	-30	249	1,813
International Development	4,536	-52	-11	4,473
Trade and Industry	5,540	41	345	5,926
Environment, Food and Rural Affairs	3,203	-15	-88	3,100
Culture, Media and Sport	1,542	-9	7	1,539
Work and Pensions	8,341	-4	49	8,387
Scotland	20,888	374	142	21,405
Wales	11,156	91	60	11,307
Northern Ireland Executive	7,167	79	43	7,289
Northern Ireland Office	1,191	8	—	1,199
Chancellor's Departments	5,092	7	105	5,204
Cabinet Office	1,889	52	69	2,010
Invest to Save budget	9	—	15	24
DEL Reserve	1,500	—	-900	600
Unallocated Special Reserve	—	—	300	300
Allowance for Shortfall	—	—	—	—
Total	284,000	1,758	1,200	286,900

Table 2.8 Capital DEL 2005–06; changes since PESA 2004

	£ million			
	Plans in PESA 2004 adjusted for MOG	Other transfers and classification changes	Reserve allocation and other policy changes	New Plans
Education and Skills	4,445	—	—	4,445
Health	4,319	—	-500	3,819
Transport	3,301	—	-1	3,300
Office of the Deputy Prime Minister	2,424	176	375	2,976
Local Government	349	—	—	349
Home Office	1,071	—	92	1,163
Constitutional Affairs	119	—	19	138
Law Officers' Departments	15	—	—	15
Defence	6,880	—	—	6,880
Foreign and Commonwealth Office	84	-8	47	123
International Development	14	—	16	30
Trade and Industry	73	—	232	304
Environment, Food and Rural Affairs	344	—	-5	339
Culture, Media and Sport	97	—	—	97
Work and Pensions	95	—	251	346
Scotland	2,099	—	-198	1,901
Wales	1,002	—	-66	935
Northern Ireland Executive	404	—	6	410
Northern Ireland Office	72	-6	—	66
Chancellor's Departments	309	—	—	309
Cabinet Office	248	6	-3	250
Invest to Save budget	7	—	—	6
DEL Reserve	1,100	—	-600	500
Unallocated Special Reserve	—	—	—	—
Allowance for Shortfall	—	—	—	—
Total	28,900	168	-300	28,800

Table 2.9 Total Managed Expenditure 2005–06; changes since PESA 2004

	Plans in PESA 2004	Transfers and classification changes	Other changes	£ million New plans
Departmental Expenditure Limits				
Resource DEL	284,000	1,758	1,200	286,900
Capital DEL	28,900	168	–300	28,800
Less depreciation	11,700	18	—	11,800
Total DEL	301,100	1,908	800	303,900
Annually Managed Expenditure				
<i>Departmental AME</i>				
Social Security Benefits	127,809	–1,919	4,181	130,071
Tax Credits	14,258	—	–2,475	11,783
Common Agricultural Policy	2,523	—	765	3,288
Net Public Service Pensions	234	–104	3,767	3,897
National Lottery	1,600	—	100	1,700
Non-cash items	26,485	–128	1,641	27,998
Other programme expenditure	3,292	224	1,818	5,334
Total Departmental AME	176,200	–1,927	9,797	184,070
<i>Other AME</i>				
Net Payments to EC Institutions	3,687	—	–541	3,145
Locally Financed Expenditure	26,128	—	–500	25,628
Central Government gross debt interest	25,442	—	121	25,563
Public Corporations' own financed capital expenditure	2,474	—	452	2,926
Total Other AME	57,731	—	–468	57,262
Total AME before Accounting Adjustments	233,931	–1,927	9,329	241,333
AME margin	2,000	—	–1,000	1,000
Accounting adjustments	–16,684	19	–10,990	–27,655
Total Annually Managed Expenditure	219,200	–1,908	–2,700	214,700
Total Managed Expenditure	520,400	—	–1,800	518,600