

Summary A.1 This annex sets out public expenditure plans for 2002-03 to 2005-06, together with provisional outturn for 2001-02.

A.2 Consistent with the fiscal rules, Budget 2002 set a firm envelope for spending over the next three years as set out in detail in Chapter 1 of this document and in Annex C of Budget 2002. The table below shows how the levels of total public spending set in the Budget, as measured by the National Accounts-based aggregate total managed expenditure (TME), are consistent with meeting these fiscal rules. In every year, the current budget is projected to be in surplus and net debt is held well below 40 per cent of GDP.

A.3 TME is divided into two components in National Accounts: public sector current expenditure which, together with depreciation, determines performance against the golden rule, and public sector net investment which, through, the level of net debt, determines whether the sustainable investment rule is met. Budget 2002 set firm limits for each of these aggregates within TME and these are also shown in the table. Later tables in this annex reconcile the departmental budgets set in the Spending Review with these key National Accounts aggregates. Table A2 moves from National Accounts aggregates to define the public sector budgets used to control public expenditure. Tables A.7 and A.8 in this annex reconcile the resource and capital budgets set for departments back to the National Accounts aggregates of public sector current expenditure and public sector net investment.

Table A.1: Fiscal rules and Total Managed Expenditure, national accounts¹

	£ billion			
	2002-03	2003-04	2004-05	2005-06
Current receipts	407	442	468	494
Current expenditure	390	420	444	471
Depreciation	14	15	15	16
Surplus on current budget	3	7	9	7
Public sector net debt (per cent of GDP)	30.2	30.4	30.4	30.7
Current expenditure	390	420	444	471
Depreciation	14	15	15	16
Net investment	14	20	22	24
Total Managed Expenditure	418	455	481	511

¹ All numbers are Budget 2002 projections

A.4 Taking the fixed level of public spending set in the Budget, Table 2 allocates TME between Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME). In the Spending Review, departments are allocated fixed three-year DELs. Spending that cannot be controlled within fixed budgets, typically because it is large, potentially volatile and demand-led, is controlled in AME. Examples include social security benefit expenditure and public sector pension payments. AME is subject to rigorous annual scrutiny and forecasts are published twice a year in the Pre Budget Report and the Budget.

A.5 Lower levels of AME expenditure release extra spending for public services in DEL. Since Budget 2002, AME has been updated to take account of changes in NAO-audited assumptions:

- lower independent forecasts of unemployment compared with Budget 2002 have reduced projected social security payments in each year from 2002-03, including by £0.1 billion in 2003-04; and
- lower interest rate expectations have reduced the forecast for debt interest payments in each year from 2002-03, including by £0.2 billion in 2003-04.

A.6 As part of the Spending Review, Educational Maintenance Allowances have been transferred from DEL to AME to reflect the fact that, following national roll-out, these allowances will be demand-led. Coal health compensation payments have also been transferred from DEL to AME, to reflect the particularly uncertain and demand-led nature of the scheme. The Over Thirty Month Scheme (OTMS) has been transferred from AME to DEFRA DEL to improve the financial control of the programme. None of these transfers impact on TME.

A.7 Table A2 includes the first full forecasts of AME expenditure for 2004-05 and 2005-06. Within total TME, AME spending is growing at 3.0 per cent a year in real terms between 2002-03 and 2005-06, allowing DEL to grow at 5.2 per cent. The Budget added £4 billion to DEL plans for 2003-04, of which £2.4 billion was committed to spending on health. In addition to the £4 billion Budget allocation in DEL, a further £3.7 billion has been transferred from AME to DEL in 2003-04 within unchanged total spending, reflecting both savings in AME programmes and classification changes.

A.8 Forecast reductions for AME for the current year have been added to the AME margin, as is the normal practice between Budgets. In line with practice at previous Spending Reviews, the AME margin has been set at £1 billion, £2 billion and £3 billion for the years covered by the Review.

A.9 There is a further technical change to the presentation of spending numbers. Spending on tax credits, which was previously included in accounting adjustments, has now been split with the amounts treated as public expenditure in the resource budget included in departmental AME. Spending treated as negative tax under OECD guidelines, but as public expenditure in National Accounts, remains in the accounting adjustments.

Table A.2: Total Managed Expenditure

	£ billion				
	Provisional outturn	Plans			
	2001–02	2002–03	2003–04	2004–05	2005–06
Departmental Expenditure Limits					
Resource budget	213.2	228.5	249.3	263.7	283.1
Capital budget	18.3	21.3	25.2	27.6	30.1
less depreciation	-9.7	-10.1	-11.1	-11.5	-12.2
Total Departmental Expenditure Limits	221.8	239.7	263.5	279.8	301.0
Annually Managed Expenditure					
Departmental AME					
Social Security benefits ¹	101.8	105.3	110.6	116.3	121.1
Income Support/Jobseekers' Allowance child support and tax credits ²	8.3	9.4	13.4	14.1	14.7
Housing Revenue Account subsidies	4.5	4.5	4.4	4.2	4.0
Common Agricultural Policy	4.7 ³	2.4	2.4	2.4	2.5
Net public service pensions	4.5	5.1	5.4	5.7	6.1
National Lottery	1.7	2.3	2.3	1.8	1.5
Non-cash items in AME	4.6	4.8	5.1	5.4	5.5
Other departmental expenditure	0.6	0.5	0.3	0.7	1.0
Total departmental AME	130.8	134.3	143.8	150.6	156.5
Other AME					
Net payments to EC institutions ⁴	0.8	2.2	2.4	2.8	3.1
Locally financed expenditure	20.5	20.7	22.0	23.2	24.5
Central government gross debt interest	22.2	20.9	23.0	22.9	22.8
Public corporations own-financed capital expenditure	2.0	2.4	2.3	2.0	1.9
Total other AME	45.4	46.2	49.6	50.9	52.2
AME Margin	0.0	1.3	1.0	2.0	3.0
Accounting adjustments					
Accounting adjustments to remove non cash costs (excluding depreciation)	-11.2	-8.3	-9.3	-9.2	-9.8
Accounting adjustments to AME	3.4	5.2	6.1	7.3	8.5
Total Annually Managed Expenditure	168.4	178.7	191.2	201.7	210.4
Total Managed Expenditure	390.1	418.4	454.6	481.5	511.4

¹ Excluding income-related elements of support for children on Income and Jobseekers Allowance, which are included with tax credits.

² Includes R & D tax credits and other company tax credits, but excludes those elements of personal tax credits which are classified as negative taxation under OECD guidelines, as described in Box C2 on page 216 of Budget 2002.

³ Includes the costs arising from Foot and Mouth disease in AME.

⁴ Net payments to EC institutions exclude the UK's contribution to the cost of EC aid to non-Member states (which is attributed to the aid programme). Net payments therefore differ from the UK's net contribution to the EC budget, latest estimates of which (in £ billion) are £3.0 bn in 2002-03; £3.2 bn in 2003-04; £3.6 bn in 2004-05; 3.9 bn in 2005-06.

A.10 Table A3 sets out how departmental budgets (DEL), as determined by the level of TME and AME, are allocated in the Spending Review between departments. It shows total Departmental Expenditure Limits for 2003-4 to 2005-6, together with provisional outturn for 2001-02 and plans for 2002-03. Table A4 shows the same information in real terms. Provisional outturn for total DEL in 2001-02 is £221.8 billion. When shown on a consistent basis with the Budget, it is £212.4 billion, slightly below the £212.5 billion level shown in the Pre-Budget Report 2001.

A.11 For the first time, all numbers in this Spending Review are presented on a full resource basis (RAB). This has no impact on TME or the other key National Accounts aggregates used

to measure performance against the fiscal rules, but does affect what is included in DEL and AME. Annex B explains the impact of resource budgeting on the presentation of spending data and provides full reconciliations of the new data with the previous budgeting basis.

A.12 Under RAB, total DEL cannot be calculated simply by adding together resource and capital budgets. This would mean double-counting depreciation, which is included in both the resource and the gross capital budget. Depreciation would be counted once when new capital is spent from the capital DEL, and again as the asset depreciated from the resource DEL. Total DEL is therefore calculated by adding together the resource budget and the capital budgeting, minus depreciation and impairments.

Table A.3: Departmental Expenditure Limits – Total Budgets¹

	Provisional outturn 2001–02	2002–03	£ billion Plans		
			2003–04	2004–05	2005–06
Resource and Net Capital Budget					
Education and Skills	19.0	23.2	25.6	27.8	31.1
Health	52.2	58.0	63.9	70.3	77.3
of which: NHS	50.9	55.8	61.3	67.4	74.4
Transport	6.1	7.7	10.7	11.2	11.6
Office of the Deputy Prime Minister	5.4	6.0	6.7	7.2	7.6
Local Government	37.1	37.7	40.7	42.8	45.9
Home Office	10.8	10.7	12.3	12.7	13.5
Lord Chancellor's departments	3.1	2.9	3.1	3.3	3.4
Attorney General's departments	0.5	0.5	0.5	0.5	0.5
Defence	30.0	29.3	30.9	31.8	32.8
Foreign and Commonwealth Office	1.4	1.3	1.5	1.5	1.6
International Development	3.2	3.4	3.7	3.8	4.6
Trade and Industry	4.0	4.7	5.1	5.1	5.5
Environment, Food and Rural Affairs	2.9	2.5	2.9	2.9	2.9
Culture, Media and Sport	1.2	1.3	1.4	1.5	1.6
Work and Pensions	6.5	7.0	7.5	7.8	7.8
Scotland	16.9	18.2	19.7	20.9	22.3
Wales	8.7	9.4	10.3	10.9	11.8
Northern Ireland Executive	6.0	6.4	6.8	7.2	7.6
Northern Ireland Office	1.0	1.2	1.1	1.1	1.2
Chancellor's departments	4.1	4.3	4.4	4.6	4.8
Cabinet Office	1.7	1.6	1.8	1.9	1.9
Invest to Save Budget	0.0	0.0	0.1	0.0	0.0
Capital Modernisation Fund	0.0	0.9	1.2	0.9	1.0
Policy Innovation Fund	0.0	0.0	0.1	0.1	0.1
Reserve	0.0	1.4	1.5	2.0	2.5
Total DEL	221.8	239.7	263.4	279.8	301.0
¹ Full resource budgeting basis, net of depreciation.					
Education (England)		45.0	49.3	52.7	57.8
Education (UK)		53.7	58.6	62.9	68.4
NHS (UK)		68.1	74.8	82.2	90.5
Transport (UK)		12.0	15.3	15.8	16.4
Housing (England)		4.8	5.5	5.7	5.9
Criminal Justice (England and Wales)		14.7	16.4	17.2	18.3

Table A.4: Departmental Expenditure Limits – real terms, 2002–03 prices

	£ billion				
	Provisional outturn 2001–02	2002–03	2003–04	Plans 2004–05	2005–06
Resource and Net Capital Budget					
Education and Skills	19.5	23.2	25.0	26.4	28.9
Health	53.5	58.0	62.3	66.8	71.7
of which: NHS	52.1	55.8	59.8	64.1	69.0
Transport	6.3	7.7	10.4	10.7	10.8
Office of the Deputy Prime Minister	5.6	6.0	6.6	6.9	7.0
Local Government	37.9	37.7	39.7	40.7	42.6
Home Office	11.0	10.7	12.0	12.1	12.6
Lord Chancellor's departments	3.2	2.9	3.0	3.1	3.1
Attorney General's departments	0.5	0.5	0.5	0.5	0.5
Defence	30.7	29.3	30.2	30.2	30.4
Foreign and Commonwealth Office	1.4	1.3	1.4	1.4	1.5
International Development	3.2	3.4	3.6	3.7	4.3
Trade and Industry	4.1	4.7	5.0	4.9	5.1
Environment, Food and Rural Affairs	3.0	2.5	2.8	2.7	2.7
Culture, Media and Sport	1.2	1.3	1.4	1.4	1.5
Work and Pensions	6.6	7.0	7.3	7.4	7.3
Scotland	17.3	18.2	19.2	19.9	20.7
Wales	8.9	9.4	10.0	10.4	10.9
Northern Ireland Executive	6.1	6.4	6.6	6.8	7.1
Northern Ireland Office	1.1	1.2	1.1	1.1	1.1
Chancellor's Departments	4.2	4.3	4.3	4.4	4.4
Cabinet Office	1.7	1.6	1.8	1.8	1.8
Invest to Save Budget	0.0	0.0	0.0	0.0	0.0
Capital Modernisation Fund	0.0	0.9	1.1	0.8	0.9
Policy Innovation Fund	0.0	0.0	0.0	0.0	0.0
Reserve	0.0	1.4	1.4	1.9	2.4
Total	227.1	239.6	256.9	266.1	279.3
<i>¹ Full resource budgeting basis, net of depreciation.</i>					
Education (England)		45.0	48.1	50.0	53.2
Education (UK)		53.7	57.1	59.8	63.5
NHS (UK)		68.1	73.0	78.2	84.0
Transport (UK)		12.0	15.0	15.1	15.2
Housing (England)		4.8	5.3	5.5	5.5
Criminal Justice (England and Wales)		14.7	16.0	16.4	17.0

A.13 Table A.4 shows DEL expenditure in real terms. DEL will grow by an annual average of 5.2 per cent in real terms between 2002-03 and 2005-06, with an additional £61 billion being spent in DEL by 2005-06, compared to 2002-03. Table A.5 shows how this extra allocation has been divided between departments. The first column shows the baseline plans for each department in 2002-03. The second column shows the increase in 2003-04 over 2002-03, already allocated to departments at the time of Budget 2002. This includes the assigned allocations made in Spending Review 2000 and further additions including the Budget additions for health, but does not include any Spending Review additions. The third column shows the extra allocations made in the Spending Review for 2003-04, in comparison to the 2002-03 baseline. The next two columns show the extra allocations made in 2004-05 and 2005-06, again in comparison to the 2002-03 baseline. The final column shows the annual average growth rates for each department in real terms between 2002-03 and 2005-06.

A.14 Of the £61 billion addition to DEL in 2005-06, over £30 billion has been allocated to education, health and transport:

- England education will grow by 6 per cent a year in real terms between 2002-03 and 2005-06, with an additional £12.8 billion spent in 2005-06, compared to 2002-03;
- as announced in the Budget, NHS spending in the UK will grow by an average of 7.3 per cent a year in real terms, with over £20 billion extra spent by 2005-06, compared to 2003-04; and
- to meet the commitments set out in the Ten Year Plan for transport, spending within DEL will grow by over 12 per cent a year in real terms, with an extra £4 billion spent by 2005-06.

A.15 Housing spend in England will grow by 4.2 per cent a year, with an extra £1 billion being spent by 2005-06, compared to 2002-03. Over £3.5 billion extra will be spent on the criminal justice system. Spending by the Department for International Development will grow by over 8 per cent a year between 2002-03 and 2005-06, to ensure that the UK meets its commitment to spend 0.40 per cent of gross national income on official development aid by 2005-06.

Table A.5: Departmental Expenditure Limits new allocations by Department

	£ billion					Annual average growth per cent
	Baseline 2002-03	2003-04 Pre-SR addition	2003-04 as at SR2002	2004-05 allocation	2005-06 allocation	
Education and Skills	23.2	2.0	2.4	4.6	8.0	7.6
Health	58.0	5.9	5.9	12.3	19.3	7.3
of which: NHS	55.8	5.5	5.5	11.7	18.6	7.4
Transport	7.7	1.7	3.0	3.5	4.0	12.1
Office of the Deputy Prime Minister	6.0	0.6	0.7	1.2	1.5	5.2
Local Government	37.7	2.7	3.1	5.1	8.2	4.2
Home Office	10.7	0.1	1.6	2.1	2.9	5.6
Lord Chancellor's departments	2.9	0.0	0.2	0.4	0.5	3.1
Attorney General's departments	0.5	0.0	0.0	0.1	0.1	2.5
Defence	29.3	0.9	1.6	2.4	3.5	1.2
Foreign and Commonwealth Office	1.3	0.1	0.1	0.2	0.2	2.8
International Development	3.4	0.3	0.3	0.5	1.2	8.1
Trade and Industry	4.7	0.3	0.4	0.4	0.8	2.8
Environment, Food and Rural Affairs	2.5	0.1	0.4	0.4	0.4	2.7
Culture, Media and Sport	1.3	0.1	0.1	0.2	0.3	3.5
Work and Pensions	7.0	0.5	0.5	0.8	0.8	1.1
Scotland	18.2	1.0	1.5	2.7	4.1	4.4
Wales	9.4	0.6	0.9	2.3	2.3	5.1
Northern Ireland Executive	6.4	0.3	0.4	0.8	1.2	3.3
Northern Ireland Office	1.2	-0.1	-0.1	0.0	0.0	3.5
Chancellor's Departments	4.3	0.1	0.2	0.4	0.5	1.4
Cabinet Office	1.6	0.1	0.2	0.3	0.3	3.6
Invest to Save Budget	0.0	0.0	0.0	0.0	0.0	-
Capital Modernisation Fund	0.9	0.3	0.3	-0.1	0.1	-
Policy Innovation Fund	0.0	0.0	0.0	0.0	0.0	-
Reserve	1.4	0.9	0.0	0.5	1.1	-
Total DEL	239.7	18.5	23.8	40.9	61.3	5.2
<i>¹ Adjusted to take account of move to full Resource Budgeting and transfers between departments and programmes.</i>						
Education (England)	45.0	4.0	4.4	9.9	12.8	6.0
Education (UK)	53.7	4.4	4.9	11.7	14.7	5.7
NHS (UK)	68.1	6.8	6.8	14.1	22.4	7.3
Transport (UK)	12.0	1.6	3.4	3.9	4.4	8.4
Housing (England)	4.8	0.5	0.6	0.9	1.1	4.2
Criminal Justice (England and Wales)	14.7	0.8	1.7	2.5	3.6	5.0

Table A.6: Departmental Expenditure Limits – Resource and Capital Budgets¹

	£ billion				
	Provisional outturn	Plans			
	2001–02	2002–03	2003–04	2004–05	2005–06
Resource Budget					
Education and Skills	17.1	20.9	22.3	24.0	26.8
Health	50.8	56.0	61.4	67.2	73.3
of which: NHS	49.2	53.9	58.9	64.5	70.6
Transport	4.3	5.0	7.6	7.7	8.7
Office of the Deputy Prime Minister	2.8	4.6	4.7	5.1	5.3
Local Government	37.0	37.4	40.4	42.5	45.5
Home Office	10.3	10.2	11.7	12.0	12.7
Lord Chancellor's departments	3.0	2.9	3.1	3.3	3.3
Attorney General's departments	0.5	0.5	0.5	0.5	0.5
Defence	31.7	31.4	33.0	33.8	34.7
Foreign and Commonwealth Office	1.4	1.3	1.4	1.5	1.6
International Development	3.5	3.4	3.7	3.8	4.6
Trade and Industry	4.1	4.6	4.8	5.1	5.6
Environment, Food and Rural Affairs	2.8	2.4	2.8	2.7	2.8
Culture, Media and Sport	1.2	1.4	1.5	1.5	1.6
Work and Pensions	6.4	7.0	7.6	7.7	7.8
Scotland	15.5	16.6	18.1	19.1	20.4
Wales	8.3	8.8	9.7	10.2	11.0
Northern Ireland Executive	5.8	6.2	6.5	6.8	7.2
Northern Ireland Office	1.0	1.1	1.1	1.1	1.2
Chancellor's Departments	4.1	4.3	4.5	4.6	4.8
Cabinet Office	1.7	1.6	1.9	1.9	1.9
Invest to Save Budget	0.0	0.0	0.0	0.0	0.0
Capital Modernisation Fund	0.0	0.0	0.1	0.1	0.1
Policy Innovation Fund	0.0	0.0	0.0	0.0	0.0
Reserve	0.0	1.0	1.0	1.3	1.7
Total Resource Budget DEL	213.2	228.5	249.3	263.7	283.1
Capital Budget					
Education and Skills	2.0	2.3	3.3	3.8	4.4
Health	1.8	2.3	2.9	3.5	4.5
of which: NHS	1.7	2.2	2.8	3.4	4.4
Transport	2.0	2.9	3.4	3.8	3.4
Office of the Deputy Prime Minister	2.7	1.5	2.0	2.2	2.3
Local Government	0.1	0.3	0.3	0.3	0.3
Home Office	0.6	0.7	0.8	0.9	1.1
Lord Chancellor's departments	0.1	0.1	0.1	0.1	0.1
Attorney General's departments	0.0	0.0	0.0	0.0	0.0
Defence	5.5	5.5	6.0	6.3	6.9
Foreign and Commonwealth Office	0.1	0.1	0.1	0.1	0.1
International Development	0.0	0.0	0.0	0.0	0.0
Trade and Industry	0.1	0.3	0.4	0.2	0.1
Environment, Food and Rural Affairs	0.3	0.2	0.3	0.3	0.4
Culture, Media and Sport	0.0	0.0	0.1	0.1	0.1
Work and Pensions	0.2	0.1	0.0	0.2	0.1
Scotland	1.6	1.9	2.0	2.1	2.3
Wales	0.5	0.8	0.8	0.9	1.0
Northern Ireland Executive	0.3	0.3	0.4	0.5	0.5
Northern Ireland Office	0.0	0.1	0.1	0.1	0.1
Chancellor's Departments	0.2	0.2	0.2	0.3	0.3
Cabinet Office	0.0	0.2	0.2	0.2	0.2
Invest to Save Budget	0.0	0.0	0.0	0.0	0.0
Capital Modernisation Fund	0.0	0.9	1.1	0.8	0.9
Policy Innovation Fund	0.0	0.0	0.0	0.0	0.0
Reserve	0.0	0.4	0.6	0.8	1.0
Total Capital Budget DEL	18.3	21.3	25.2	27.6	30.1

¹ Full resource budgeting basis. Includes costs for depreciation and impairments, costs of capital charges and provisions on an accruals basis.

A.16 Just as TME is divided into public sector current expenditure and public sector net investment, DEL and AME are also divided into resource (current) and capital. To ensure that DEL budgets reconcile back to National Accounts, departments are set separate resource and capital DELs. Table A.6 divides total DEL from the previous table into resource and gross capital budgets for each department.

A.17 For the golden rule to be met, resource DEL must reconcile back to the National Accounts aggregate of public sector current expenditure. Table A.7 shows that this has been achieved in the period covered by the Spending Review. Taken together, resource DEL and AME reconcile back to the level of public sector current expenditure set in the Budget and shown in Table A.1. In the same way, Table A.8 demonstrates that capital DEL and AME reconcile back to the level of public sector net investment set in the Budget and shown in Table A.1.

Table A.7: Resource Budget and Public Sector Current Expenditure

	£ billion				
	Provisional outturn 2001–02	2002–03	Plans		
	2003–04	2004–05	2005–06		
Resource Budget					
in Departmental Expenditure Limits:	213.2	228.5	249.3	263.7	283.1
<i>of which:</i>					
Departmental DEL	213.2	227.5	248.2	262.2	281.3
Non-departmental DEL ¹	0.0	1.1	1.1	1.4	1.8
in Departmental AME	129.8	132.9	142.3	149.4	155.4
<i>of which:</i>					
Departmental AME (excluding non-cash items)	125.2	128.1	137.2	144.0	149.9
Non-cash items in AME	4.6	4.8	5.1	5.4	5.5
in other AME	41.8	43.2	46.3	48.9	51.3
Net payments to EC institutions	0.8	2.2	2.4	2.8	3.1
Locally financed current expenditure	18.8	18.8	20.1	21.4	22.8
CG debt interest	22.2	20.9	23.0	22.9	22.8
AME margin (current)	0.0	1.3	0.9	1.8	2.7
Total Resource Budget	384.8	404.6	437.9	462.0	489.8
Accounting and other adjustments ²	-17.4	-14.3	-15.5	-15.1	-15.3
Classification changes to national accounts ³	0.0	-0.3	-2.1	-2.7	-3.4
Public sector current expenditure	367.4	389.9	420.3	444.2	471.1

¹ Central funds, including the Invest to Save Budget, the Capital Modernisation Fund, the Policy Innovation Fund and the Reserve.

² Includes adjustments to deduct non-cash items in DEL and AME, which do not score in TME.

³ Adjusts for classification differences between resource budgeting and national accounts.

Table A.8: Capital Budget and Public Sector Net Investment

	£ billion				
	Provisional outturn	Plans			
	2001-02	2002-03	2003-04	2004-05	2005-06
Capital Budget:					
in Departmental Expenditure Limits:	18.3	21.3	25.2	27.6	30.1
<i>of which:</i>					
Departmental DEL	18.3	19.9	23.5	26.1	28.2
Non-departmental DEL ¹	0.0	1.3	1.7	1.6	1.9
in Departmental AME	1.0	1.4	1.5	1.3	1.1
in other AME	3.6	4.3	4.3	4.0	3.9
Public corporations own-financed capital expenditure	2.0	2.4	2.3	2.0	1.9
Locally financed capital expenditure	1.6	2.0	1.9	1.8	1.8
AME margin (capital)	0.0	0.0	0.1	0.2	0.3
Total Capital Budget	22.9	27.0	31.0	32.9	35.0
Accounting and other adjustments	-0.1	1.1	1.2	1.7	1.8
Classification changes to national accounts ²	0.0	0.3	2.1	2.7	3.4
Public sector gross investment	22.7	28.4	34.3	37.3	40.3
less Depreciation (national accounts)	13.6	14.0	14.6	15.2	15.9
Public sector net investment	9.2	14.4	19.7	22.1	24.4

¹ Central funds, including the Invest to Save Budget, the Capital Modernisation Fund, the Policy Innovation Fund and the Reserve.

² Includes capital grants to the private sector, which are classified as investment in national accounts, but as resource in budgets.

A.18 Under full resource budgeting, capital grants to the private sector score in the resource budget, rather than the capital budget. This reflects the fact that, under RAB, spending is only treated as capital if it creates an asset on the balance sheet of the Government. However, this expenditure continues to score as investment in national accounts and is a vital part of investment in our public services, particularly in education, housing and transport. The table below shows departmental gross investment budgets, which include both capital DEL and capital grants to the private sector.

Table A.9: Public sector investment in DEL¹

	£ billion				
	Provisional outturn 2001-02	2002-03	2003-04	Plans 2004-05	2005-06
Education and Skills	2.5	3.0	4.1	5.0	5.8
Health	2.0	2.4	3.0	3.6	4.5
of which: NHS	1.8	2.3	2.9	3.4	4.4
Transport	2.0	3.9	6.0	6.3	6.4
Office of the Deputy Prime Minister	2.7	3.7	4.3	4.7	4.9
Local Government	0.1	0.3	0.3	0.3	0.3
Home Office	0.6	0.8	0.9	1.1	1.2
Lord Chancellor's departments	0.1	0.1	0.1	0.1	0.1
Attorney General's departments	0.0	0.0	0.0	0.0	0.0
Defence	5.5	5.5	6.0	6.3	6.9
Foreign and Commonwealth Office	0.1	0.1	0.2	0.2	0.2
International Development	0.0	0.0	0.0	0.0	0.0
Trade and Industry	0.1	0.8	1.0	0.9	0.9
Environment, Food and Rural Affairs	0.3	0.5	0.5	0.6	0.6
Culture, Media and Sport	0.0	0.1	0.1	0.1	0.1
Work and Pensions	0.2	0.1	0.0	0.2	0.1
Scotland	1.6	2.1	2.2	2.4	2.6
Wales	0.5	1.0	2.2	1.1	1.2
Northern Ireland Executive	0.3	0.7	0.7	0.8	0.8
Northern Ireland Office	0.3	0.1	0.1	0.1	0.1
Chancellor's Departments	0.0	0.2	0.3	0.3	0.3
Cabinet Office	0.2	0.2	0.2	0.2	0.2
Invest to Save Budget	0.0	0.0	0.0	0.0	0.0
Capital Modernisation Fund	0.0	0.9	1.1	0.8	0.9
Policy Innovation Fund	0.0	0.0	0.0	0.0	0.0
Reserve	0.0	0.4	0.6	0.8	1.0
Total investment in DEL	19.0	26.9	33.8	35.7	39.1

¹ Includes capital grants to the private sector, which are classified as investment in national accounts

² Incorporates the Policy Innovation Fund and the Capital Modernisation Fund

A.19 Tables A.7 and A.8 show how a series of accounting adjustments have to be made to reconcile DEL and AME back to national accounts. These are broken down into separate categories in the table below.

Table A.10: Accounting and other adjustments

	£ billion				
	Provisional outturn	Plans			
	2001–02	2002–03	2003–04	2004–05	2005–06
Accounting adjustments in DEL	-21.0	-18.4	-20.4	-20.7	-21.9
Resource budgeting changes	-22.4	-21.5	-23.2	-24.1	-25.5
Financial transactions in departmental budgets	-1.7	-1.4	-1.7	-1.3	-1.4
Expenditure arising from liabilities	1.5	1.7	1.8	2.1	2.2
Adjustments for public corporations	3.1	3.0	3.1	3.1	3.2
Other accounting adjustments in DEL	-1.4	-0.2	-0.5	-0.5	-0.5
Accounting adjustments in AME	3.4	5.2	6.1	7.3	8.5
General Government non-trading capital consumption	8.4	8.5	8.9	9.3	9.8
VAT refunded on general government expenditure	7.8	8.2	9.0	9.6	10.3
EC contributions	-6.1	-5.4	-4.9	-4.5	-4.3
Financial transactions in AME	0.0	0.0	0.0	0.0	0.0
Tax credits	0.9	1.3	0.7	0.7	0.7
Adjustments for public corporations	0.1	0.1	0.1	0.1	0.1
Intra general government debt interest	-3.2	-3.0	-3.0	-2.9	-2.9
Removal of non-cash spending in AME	-4.6	-4.8	-5.1	-5.4	-5.5
Other accounting adjustments in AME	0.1	0.4	0.4	0.4	0.2
Total accounting and other adjustments	-17.6	-13.2	-14.3	-13.4	-13.5

A.20 Table A.11 provides a historical series for each of the key fiscal aggregates.

Table A.11: Public Expenditure Aggregates, 1963–64 to 2005–06

	Public sector current expenditure			Depreciation	Public sector net investment				Total Managed Expenditure		
	Cash (£bn)	Real Terms (£bn)	per cent of GDP		Cash (£bn)	Cash (£bn)	Real Terms of GDP	per cent of GDP	Cash (£bn)	Real Terms (£bn)	per cent of GDP
1963-64	9.6	129.2	30.7	1.1	1.4	18.8	4.5	12.1	163.4	38.9	
1964-65	10.1	130.6	29.8	1.2	1.7	22.0	5.0	13.0	168.3	38.4	
1965-66	11.3	138.4	30.9	1.3	1.8	22.4	5.0	14.4	176.8	39.5	
1966-67	12.2	144.5	31.7	1.4	2.3	26.8	5.9	15.9	187.9	41.3	
1967-68	13.7	157.6	33.6	1.5	2.9	33.4	7.1	18.2	208.5	44.5	
1968-69	14.7	161.1	33.2	1.7	2.8	30.8	6.4	19.2	210.1	43.3	
1969-70	15.6	161.7	32.7	1.8	2.8	28.8	5.8	20.2	209.4	42.4	
1970-71	17.3	165.3	32.6	2.1	3.2	31.0	6.1	22.6	216.1	42.7	
1971-72	19.7	172.9	33.3	2.3	3.1	27.3	5.3	25.1	220.5	42.5	
1972-73	22.2	180.6	33.1	2.6	3.2	26.3	4.8	28.1	228.2	41.8	
1973-74	26.2	198.5	35.0	3.1	3.9	29.5	5.2	33.2	251.8	44.4	
1974-75	34.6	219.3	38.8	4.0	4.9	31.2	5.5	43.6	276.0	48.8	
1975-76	44.3	224.2	39.9	5.1	6.1	30.7	5.5	55.5	280.6	49.9	
1976-77	51.8	230.6	39.9	6.0	5.6	25.0	4.3	63.3	282.2	48.8	
1977-78	58.0	227.2	38.4	6.8	4.3	17.0	2.9	69.1	270.8	45.8	
1978-79	66.3	234.0	38.4	7.7	4.2	14.8	2.4	78.2	276.0	45.2	
1979-80	79.4	240.0	38.2	9.1	4.5	13.7	2.2	93.1	281.3	44.8	
1980-81	96.6	247.0	40.8	10.9	4.3	11.0	1.8	111.8	285.9	47.3	
1981-82	110.6	258.1	42.6	11.9	2.4	5.6	0.9	124.9	291.5	48.1	
1982-83	120.9	263.9	42.7	12.3	4.2	9.3	1.5	137.5	300.1	48.5	
1983-84	130.4	272.4	42.3	12.8	5.5	11.5	1.8	148.7	310.7	48.3	
1984-85	141.0	279.8	42.6	12.8	5.1	10.1	1.5	158.9	315.4	48.1	
1985-86	148.7	279.8	41.0	12.1	4.5	8.5	1.2	165.3	311.0	45.5	
1986-87	155.8	283.9	40.1	12.6	2.8	5.1	0.7	171.2	312.0	44.1	
1987-88	166.4	287.6	38.6	12.3	2.8	4.9	0.7	181.5	313.8	42.1	
1988-89	173.7	281.1	36.2	13.6	1.7	2.8	0.4	189.0	305.8	39.4	
1989-90	187.4	283.1	35.7	14.7	6.3	9.5	1.2	208.4	314.7	39.7	
1990-91	203.3	284.9	36.1	13.8	8.2	11.4	1.4	225.3	315.6	40.0	
1991-92	228.6	301.9	38.4	12.3	11.0	14.5	1.8	251.9	332.7	42.3	
1992-93	247.8	317.0	40.3	11.9	12.4	15.8	2.0	272.1	348.0	44.2	
1993-94	262.3	327.4	40.1	12.0	10.4	12.9	1.6	284.6	355.3	43.6	
1994-95	275.2	339.1	39.9	12.5	10.4	12.8	1.5	298.1	367.2	43.2	
1995-96	287.3	344.1	39.4	13.0	10.3	12.3	1.4	310.5	372.0	42.6	
1996-97	299.4	347.6	38.7	12.5	5.3	6.1	0.7	317.2	368.2	41.0	
1997-98	306.3	344.9	37.2	12.4	4.9	5.5	0.6	323.6	364.4	39.3	
1998-99	314.7	344.9	36.2	12.6	6.0	6.6	0.7	333.3	365.3	38.4	
1999-00	326.6	349.5	35.6	12.6	4.4	4.7	0.5	343.6	367.8	37.4	
2000-01	348.5	364.9	36.2	13.0	5.6	5.9	0.6	367.1	384.4	38.2	
2001-02	367.4	376.2	36.8	13.6	9.2	9.4	0.9	390.1	399.5	39.0	
2002-03	389.9	389.9	37.1	14.0	14.4	14.4	1.4	418.4	418.4	39.9	
2003-04	420.3	409.9	38.0	14.6	19.7	19.2	1.8	454.6	443.4	41.1	
2004-05	444.2	422.5	38.2	15.2	22.1	21.0	1.9	481.5	458.0	41.4	
2005-06	471.1	437.2	38.6	15.9	24.4	22.7	2.0	511.4	474.6	41.9	