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CBG  
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*Dear Mark*

PUBLIC EXPENDITURE PER FAMILY

Your letter of 22 April to Geoffrey Podger asked for comments on estimates of expenditure per family on, among other things, education and science.

2. Taking your assessment of the number of families, we agree the arithmetic on education and science expenditure. The precise figure is £29.55p. For comparison with the gross health figure, it would be best to exclude the science budget - 95p per week. We should also make some allowance for public expenditure on education financed by private income from course fees and so on. This amounts to just over £1 per family. Hence the equivalent rounded figure for education is £30 of gross public spending per family per week.

3. I am sending copies of this letter to Jill Rutter and Geoffrey Podger.

*Yours,  
Tom.*

T B JEFFERY  
Private Secretary

Econ

Policy Pt 39

Public

EXPERIMENT

& CASH Limits

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## FINANCIAL REPORTING TO PARLIAMENT

Memorandum by H.M. Treasury

### Introduction

The Committee of Public Accounts (PAC), in its Eighth Report of 1986-87 (HC 98) said they wanted documents tailored more specifically to Parliament's needs in its consideration of department's expenditure proposals and suggested three possibilities:

- to develop Volume II of the Public Expenditure White Paper (PEWP), possibly dividing it into separate departmental reports, so that it embodies formal Estimates of the sums required to be voted by Parliament;
- to publish the Estimates earlier and develop their present form to include the forward looking information on departmental objectives and performance targets needed by Parliament to consider Supply;
- to develop some other document tailored more specifically (in relation to both timing and information content) to Parliament's needs, relegating the Estimates to a formal supporting role.

2. The Government replied on 15th July 1987 (Cm 177) agreeing that the form and content of financial reports should reflect internal systems and Parliament's perception of its own needs. There should be a direct correlation between the information in the White Paper on departmental objectives, performance and output and the Supply Estimates, so that the information in the former can be relevant to the examination of the latter. The Government expected to carry this process forward, so that the Committee's concern that information on aims, objectives and performance could be directly related to the Estimates should be largely met without repeating that information in the Estimates themselves. The Government saw advantages which publication of the information in the White Paper and the Estimates in a combined document might produce, but noted that there were many

other implications to be considered (eg for the timing of work in departments and the Treasury and in Parliament) before such a move could be decided upon. The Government would review these implications and report their conclusions to the Committee.

3. The Treasury and Civil Service Committee, in its report on the 1988 PEWP (HC 292), also considered the structure of expenditure documents and the way they are presented to the House and debated by it. The TCSC observed that the Autumn Statement now provides very much more information on the public expenditure aggregates and the broad division between programmes for the three years ahead. In consequence there was very little new that the PEWP has to say on the broad picture.

4. The TCSC recommended dividing the PEWP into three. The material on the broad policy on the totals and the outline plans should be absorbed into the Autumn Statement, to the extent that it is not already there; the departmental chapters of Volume II should be published as departmental reports no later than the Budget, together with the Estimates; and the technical analyses of Volume I should be released in January/February.

5. This memorandum accordingly presents the outcome of the Government's consideration of the matter and its proposals for future action, and invites the comments of the two Committees.

#### Government Proposals

6. The Government notes in the proposals of the two Select Committees some themes which it considers should feature in any new system. These are that the present series of three documents (Autumn Statement, PEWP and Estimates) could usefully be rationalised into two; that the main elements of the outcome of the Survey ought to be made available as soon as possible after the Survey has been completed; that clear and comprehensive information about the objectives, performance and output of each of the departmental programmes should be published for consideration and, as necessary, debated by Parliament; and that there should be clear links between the information about programme plans and the requests for Supply which Parliament is

asked to approve. In addition, if the documents are to include the information which Parliament requires, there need to be clear links between the timetable for these documents and the internal management systems which are used within departments and the Treasury to plan and control the expenditure.

7. Against this background, the Government's proposals are in brief as follows:

i. The Autumn Statement would include as much as practicable of the key material from Chapter 1 of the PEWP. This would still be published in November within a few working days of the Cabinet's decisions on the Survey.

ii. Volume II of the PEWP would be split up into separate departmental volumes containing each department's plans. These would be published in March, on or shortly before Budget day, in conjunction with the formal Supply Estimates. They would thus serve both as a description of the department's plans and as the necessary background information for understanding of the Supply Estimates.

iii. The remaining material in Volume I of the PEWP cannot be produced until departments have decided how the Survey allocations should be further broken down between sub-programmes (especially in the territories where this process has to await decisions on all the English programmes) and the detailed figures have been collated and analysed in the Treasury computer. This could be made available in a number of ways, for example as a statistical supplement to the previously published Autumn Statement, in written answers to Parliamentary questions, or along with the departmental reports in March.

8. A number of related questions will also need to be considered. First, whether for each department the volume on the departmental plans and the corresponding booklet of Supply Estimates should be merged into a single document; or whether the departmental plans should be published separately from, but on the same day as the formal Supply Estimates which would be

published in a series of booklets as now. The Government undertook, in the statement mentioned in paragraph 2 above, to consider this question. Merger would have the advantage that all the relevant information would be bound within one document. But many readers of the departmental plans would not need to have, or want to pay for, the relatively detailed breakdown in the Estimates which is needed by Parliament and Government as the basis for the preparation and audit of the Appropriation Accounts.

9. The Government sees advantages in publishing the departmental material now in the PEWP on the same day as the corresponding Estimates. One effect would be that the figures for the year immediately ahead would be those which had been agreed in the Survey, as modified by subsequent Estimates scrutiny. Linking the two exercises in this way would help to improve the read-across between PEWP and Estimates. But for the reasons given above, it feels it would be better not to bring the two sets of publications into single volumes, but to publish departmental volumes containing the former PEWP material plus a summary of the Estimates. The latter would provide the bridge with the full Estimates which would be published at the same time but in separate booklets. This would still allow Select Committees to have most of the relevant information brought together at the start of their scrutiny of departmental programmes. It would also allow the current arrangements under which the Treasury is responsible for presenting requests for Supply and for the associated procedures to continue.

10. Second, there is the question of the degree of uniformity of the departmental volumes. The character of the main programmes varies greatly and the volumes will need to reflect that. They will however need to contain a basic core of financial information, drawn from a common database, to link them to the information published in the Autumn Statement about the outcome of the Survey. They will also need to contain certain mandatory elements, such as a statement of objectives, an adequate array of indicators of performance and output, with comparisons with the comparable targets set in previous plans, information about running costs and manpower, and (as noted above) a clear link

with the detailed Estimates. As the PAC have pointed out, the information presented should satisfy the criteria of consistency, relevance and reliability. Subject to these requirements, the aim would be to provide as informative an account as possible, bearing in mind any requests for information made by individual departmentally-related Select Committees. To meet the needs of those readers interested in more than one programme it will be our aim to ensure that as far as possible the volumes have similar structure and presentation.

11. Third, there is the timing of the change. The Treasury is well advanced with plans to introduce a new computer system and this will need modification to bring together the separate systems which support the Survey and the Estimates. Changes will also be required to the departmental systems which support the central database and to the timetables for collecting information. Linking the Survey and Estimates databases in a way which would permit the two sets of material to be published together would therefore not be practicable before the documents presenting the outcome of the 1990 Survey.

12. But this need not delay action on the main proposals in paragraph 6 above. The Government proposes to include in the 1988 Autumn Statement additional information on departmental plans in real terms, comparisons of outturn with previous plans for the expenditure totals, and debt interest in order to make it a more complete account of the outcome of the Survey. It also proposes next year to present the existing departmental chapters in the current Volume II of the White Paper as separate booklets in January; to continue to improve the read-across to the Supply Estimates; and to release the remainder of the analytical material now in Volume I in some suitable way. The policy material of Chapter 1 which was moved to the Autumn Statement would not be repeated. This would be followed after two years by moving the departmental reports to March alongside the Estimates.

13. In addition, the Government proposes to proceed with the simplifications to the Estimates identified in the National Audit Office report (HC 576) and summarised in Annex A to the Government's reply to the PAC in July 1987 (Cm 177) including, if

the PAC sees no objection, the change in treatment of grants-in-aid and international subscriptions.

14. Fourth, as the TCSC has pointed out, there are implications for the way in which the information presented is debated by Parliament. If the PEWP is divided as proposed, there would not be the basis for a separate debate that there now is, though the Government recognises that the House would not wish to lose a day's debate on public expenditure. While noting the TCSC's proposal that a debate might be held in May or June arising from Select Committee scrutiny of one or more departmental reports, the Government is not yet convinced that this would prove an acceptable alternative in all parts of the House, and would propose to consult further before taking a final view on the arrangements which should be made.

15. The Government would be grateful for the views of the PAC and the TCSC on the proposals above. It will then take account of those views in devising more detailed arrangements for future expenditure documents along the lines suggested in paragraphs 7-10.

**H.M. Treasury**  
**April 1988**