

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES
BY THE DEPUTY OF ST. MARY
ANSWER TO BE TABLED ON TUESDAY 20th APRIL 2010**

Question

“In the interests of helping members understand better the trends in public expenditure over the recent past, will the Minister give members a complete and accurate breakdown of the oft-referred to “30% increase in public expenditure over the last 5 years” to show members and the public exactly what the increase is due to, including, but not restricted to, such factors as inflation and increases in pay, the Historic Child Abuse Inquiry, the flu pandemic and Williamson, and will he undertake to publicise this breakdown with the same prominence that he has given to the 30% increase claim?”

Answer

The increase in public expenditure over the last 5 years is broken down as follows:

£m	%	
42	10%	Pay awards as allocated in the Annual Business Plans
18	4%	Non-Pay inflation as allocated in the Annual Business Plans
42	10% ¹	Increases in the Social Security service provision made up of: <ul style="list-style-type: none"> • £10.8m transfer of Parish welfare to Social Security • £6.8m protection against GST • £8.2m uprating of benefits • £1.5m growth in residential care • £5.6m increase in cost of supplementation • £6.7m transitional relief • £2.4m economic downturn funding of Social Security
18	4% ¹	Annual Business Plan allocations made up of: <ul style="list-style-type: none"> • £9.5m Health and Social Services growth • £0.5m Privileges and Procedures growth • £1.8m Education demographic growth and social inclusion costs • £2m Overseas aid • £3.2m Home Affairs growth • £1m Housing rent rebate growth
4	1% ¹	Other service changes agreed in the Annual Business Plans, principally as a result of the Fundamental Spending Review and Strategic Plan funding, net of efficiency savings
13	3%	Transfer of capital budgets to revenue budgets
1.4	0.3%	Pandemic Flu costs ²
4.2	1%	HCAE costs (2009) ²
1.4	0.3%	Economic Stimulus funding ²
2.6	0.6%	Cessation of the Reciprocal Health Agreement ²
0.3	0.1%	Williamson report implementation ²
146.9	34.3%	

¹ 15% of the increase is due to changes in services.

² Additional one-off costs incurred in 2009 are included in the total increase. One-off costs in prior year do not contribute to the overall rise between 2004 and 2009.

This breakdown shows that the primary cause of increases in costs over the last five years is changes to services agreed by the Assembly in the Annual Business Plan (15% of the 34%). This is coupled with the fact that no contingencies are allocated, resulting in one-off expenditure of £12 million in 2009 alone. These increases in costs are unsustainable and I am committed to find a way to reduce the overall budget and introduce an allowance for contingencies, as part of the Comprehensive Spending Review which is currently in progress.

Notes on the analysis provided

1. The breakdown above is compiled principally from the Annual Business Plans for the years from 2004 to 2009. The actual expenditure for each line item may vary from the numbers outlined above due to issues such as timing differences between planned and actual spend. To review the previous 5 years to identify any variances would be extremely time consuming and would require involvement from departments. The above provides a breakdown that was achievable in the limited time available. Nonetheless the analysis does provide a clear and accurate assessment of how the significant increase in public spending over the past five years has been allocated.
2. The pay award increase for the period as allocated in the Annual Business Plans (and adjusting for the pay freeze in 2009) was £42 million. The increase in actual pay over the period was approximately £70 million. The difference is due to a number of issues such as changes in service provision (meaning that some additional staff costs are incurred in years over and above the annual pay award) and incremental increases in pay due to promotions over and above the pay award. Departments have consistently delivered their services at or below the budget set in the Annual Business Plan.
3. £13 million of the additional costs relates to transfers between capital and revenue expenditure. This means the costs are now recorded in revenue, as dictated by the appropriate accounting standards but the budget was originally allocated in capital so there has been a commensurate reduction in the cost of capital projects.