



COMPTROLLER &
AUDITOR GENERAL

REPORT BY THE COMPTROLLER & AUDITOR GENERAL

STATES' AGGREGATE EXPENDITURE

MARCH 2007

Introduction

1. The purpose of this paper is to set out a brief summary of the results of the States' control of expenditure since 2001 without comment or analysis.

Background

2. The importance of controlling States' expenditure is clear from references in successive Strategic Plans. The 2006-2011 Plan published by the Council of Ministers in 2006 includes the following aim:

*"Ensure that States income matches or exceeds States expenditure over the economic cycle."*¹

3. The previous Strategic Plan (2005-2010), published before the implementation of Ministerial government had also referred to government expenditure:

*"Future financial forecasts show that the current levels of spending and taxation are unsustainable. The States must tighten its belt and reduce spending. Even after significant spending cuts, new levels of taxation will be necessary in order to balance income and expenditure."*²

4. In short, effective control of expenditure is necessary if certain of the aims in the Strategic Plan are to be achieved.

Measures of expenditure

5. The figures quoted in this report refer to the States' 'Net Revenue Expenditure' (NRE). This comprises the following elements:

- (1) the expenditure of States' Departments (before the introduction of Ministerial Government, of non-trading committees),
- (2) after deduction of charges made by Departments for services.

¹ Paragraph 1.3.1, page 15.

² Introduction to Strategic Aim Nine, Strategic Plan 2005-2010.

6. As such, NRE does not include:
 - (1) benefits paid from the Social Security Fund (although it does include payments made by the States to the Fund by way of 'supplementation'), and
 - (2) capital expenditure.
7. It is the total of NRE which is forecast each year and then voted by the States Assembly. As a result, it is possible to track changes in NRE from year to year.
8. It is difficult to track the expenditure of individual Departments because there have been many changes in the responsibilities allocated to them so that comparisons can be misleading.

NRE ~ forecast and actual

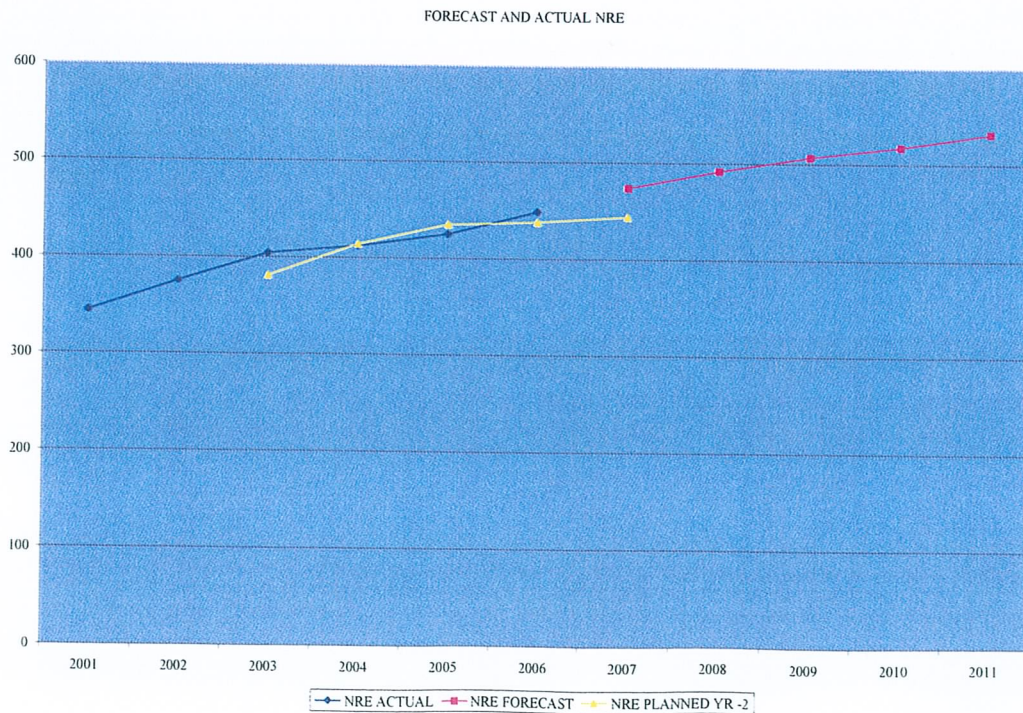
9. The numbers set out in Appendix One, show the figures for actual and estimated NRE published in successive Budgets and Business Plans from 2001.
10. The information in Appendix One is summarised in Table One below which shows:
 - (1) Estimated figures for NRE shown in each Budget and Business Plan.
 - (2) The planning figure for NRE shown in the Budget two years before the calendar year to which the figure relates as an indication of the extent to which the States was able to hold expenditure within its planned limits.
 - (3) Annual percentage increases in NRE: actual and forecast.
 - (4) Annual percentage increase in the Retail Prices Index (RPI).
 - (5) The percentage by which the estimated actual NRE for a year exceeded the planning figure two years previously.
11. All figures have been taken from the relevant Budgets and Business Plans save for the figures for RPI which are taken from data published by the Statistics Unit.

*Control of States' expenditure
Report of the Comptroller & Auditor General
Monday, 19 March 2007*

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
NRE (actual) £m	344	375	404	412	425	449					
NRE (f'cast) £m							474	492	507	518	532
Planned NRE (Yr-2) £m			381	414	435	438	444				
NRE % ann inc		9.0	7.7	2.0	3.2	5.6	5.6	3.8	3.0	2.2	2.7
NRE % over plan			6.0	-0.5	-2.3	2.5	6.8				
RPI % inc		4.4	4.2	4.9	3.1	3.1					

Forecast and actual NRE

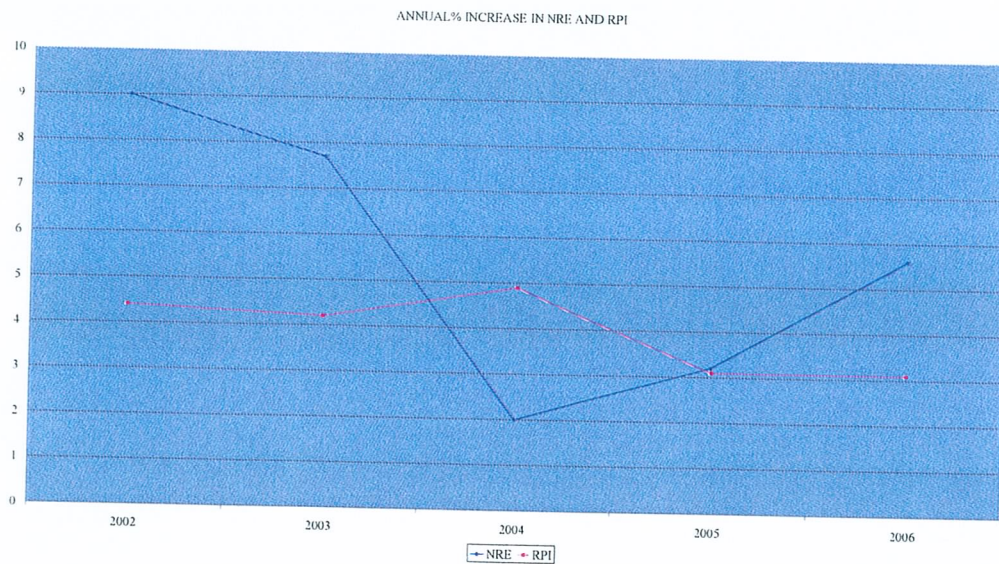
12. The following chart plots planned and actual NRE in millions of pounds:



13. A comparison of actual NRE with the plan published two years earlier provides some indication of the extent to which the States adhere to their early plans for expenditure.

Increases in NRE and RPI

14. The following chart plots annual percentage increases in NRE and in RPI:



15. A large proportion of the States' expenditure consists of payments to people by way of remuneration which is likely to be especially sensitive to movements in the RPI. Considerable restraint is likely to be necessary to achieve increases in NRE which are lower than increases in RPI.