
Chair of the UK Statistics Authority, Andrew Dilnot CBE

Rt. Hon. Andy Burnham MP
House of Commons
LONDON
SW1A 0AA

4 December 2012

Dear Mr Burnham

PUBLIC EXPENDITURE ON HEALTH

Thank you for your letter dated 1 November regarding ministerial statements about public expenditure on health.

I have now completed my consideration of this matter. I have today written to the Secretary of State for Health, and I append a copy of my letter.

Yours sincerely



Andrew Dilnot CBE

Chair of the UK Statistics Authority, Andrew Dilnot CBE

Rt. Hon. Jeremy Hunt MP
Secretary of State for Health
Richmond House
79 Whitehall
LONDON
SW1A 2NS

4 December 2012

Dear Mr Hunt

PUBLIC EXPENDITURE ON HEALTH

The Statistics Authority has been asked to consider, in the light of the published official statistics, various statements made by the Prime Minister, by yourself, and on the Conservative Party website. For example, you said in the House of Commons on 23 October that “real-terms spending on the NHS has increased across the country”¹ and the Conservative Party website states that “we have increased the NHS budget in real terms in each of the last two years”.²

We are aware that there are questions of definition here. The year on year changes in real terms have been small and the different sources, including the Department of Health Annual Report and Accounts and the public expenditure figures issued by the Treasury, are not necessarily exactly the same.

The most authoritative source of National Statistics on the subject would seem to be the Treasury publication *Public Spending Statistics*, and I note that these figures were used in a Department of Health Press Release in July 2012. The most recent update to those figures was published on 31 October but the July 2012 release gives a more detailed breakdown. I attach a note prepared by staff of the Statistics Authority summarising some of the relevant figures from the two Public Spending releases.

On the basis of these figures, we would conclude that expenditure on the NHS in real terms was lower in 2011-12 than it was in 2009-10. Given the small size of the changes and the uncertainties associated with them, it might also be fair to say that real terms expenditure had changed little over this period. In light of this, I should be grateful if the Department of Health could clarify the statements made.

¹ HC Deb, 23 October 2012, c815

² http://www.conservatives.com/Policy/Where_we_stand/Health.aspx

I am copying this to the Cabinet Secretary, to the Permanent Secretary at the Department of Health and to the National Statistician.

Yours sincerely

A handwritten signature in black ink, appearing to read "Andrew Dilnot". The signature is written in a cursive style with a large initial 'A'.

Andrew Dilnot CBE

ANNEX - Public Expenditure on Health

Recent public debate about whether expenditure on health has been maintained in real terms has focused on the Total Departmental Expenditure Limits (DEL) for NHS (Health). NHS (Health) mainly covers expenditure by the Department of Health, much of which is used to fund the NHS in England, but also includes expenditure on the Food Standards Agency. These statistics were last published in *Public Spending Statistics July 2012*³. Table 1.8 of the bulletin presents the numbers in nominal terms, and table 1.9 presents the numbers in real terms (at 2011-2012 price levels). Table 1 below presents the published statistics from the July statistical bulletin along with the implied percentage changes in expenditure. The table shows real expenditure on NHS (Health) falling by 0.69 per cent between 2009-10 and 2010-11 and by 0.02 per cent between 2010-11 and 2011-12.

Table 1: Public Expenditure on NHS (Health); July 2012 estimates **£ million**

	2007-08	2008-09	2009-10	2010-11	2011-12
Total Departmental Expenditure Limits, nominal (table 1.8)	85,807	92,403	99,794	101,924	104,333
Percentage change in nominal expenditure		7.69%	8.00%	2.13%	2.36%
Total Departmental Expenditure Limits, real (table 1.9)	94,208	98,756	105,073	104,353	104,333
Percentage change in real expenditure		4.83%	6.40%	-0.69%	-0.02%

Source: *Public Spending Statistics July 2012*

HM Treasury published more recent statistics about public expenditure on 31 October 2012, in *Public Spending Statistics October 2012*⁴. This statistical bulletin only presents outturn budget expenditure in nominal terms, but also presents GDP deflators which can be used to convert the nominal expenditure into real terms. Table 2 below uses these GDP deflators to provide estimates of real expenditure on NHS (Health), at 2011-2012 price levels. The table shows that estimates for total nominal DEL (row 3) have not been revised since July for the years before 2010-11. The slight differences in the real expenditure estimates for these years (row 5) can be attributed to revisions to the GDP deflator. The table suggests that, on the basis of the most recently available statistics, real expenditure on NHS (Health) fell by 0.84 per cent between 2009-10 and 2010-11 and rose by 0.09 per cent between 2010-11 and 2011-12.

Table 2: Public Expenditure on NHS (Health), October 2012 estimates **£ million**

	2007-08	2008-09	2009-10	2010-11	2011-12
1. Resource DEL less depreciation (table 6)	81,838	88,033	94,611	97,638	100,483
2. Capital DEL (table 4)	3,969	4,370	5,183	4,159	3,787
3. Implied total Departmental Expenditure Limits, in nominal terms (1 + 2)	85,807	92,403	99,794	101,797	104,270
4. GDP deflator (2011-12 = 100) (Annex A)	91.095	93.581	94.989	97.715	100.000
5. Implied total Departmental Expenditure Limits in real terms (2011-12 prices)	94,195	98,741	105,058	104,177	104,270
6. Year on year per cent change in real expenditure on NHS (health)		4.83%	6.40%	-0.84%	0.09%

Source: *Public Spending Statistics October 2012*

Public Spending Statistics published by HM Treasury presents statistics on both a budgeting framework and on an expenditure on services basis. The budgeting framework provides information on central government departmental budgets, which are the aggregates used by

³ http://www.hm-treasury.gov.uk/pespub_natstats_july2012.htm

⁴ <http://www.hm-treasury.gov.uk/9802.htm>

the Government to plan and control expenditure. Budgets are divided into Departmental Expenditure Limits (DEL), which are firm plans for three or four years, and Annually Managed Expenditure (AME), which covers spending that is demand-led, less predictable and more difficult to control. Tables 1 and 2 above present statistics on the NHS (Health) that are based on the budgeting framework. Both the expenditure statistics and the GDP deflator estimates published by HM Treasury are subject to revision. So, future editions of *Public Spending Statistics* could show further changes to the estimates of real annual expenditure on NHS (Health).