

# PES (2015) ANNEX C TECHNICAL NOTES

## 1. Classification of spending as 'identifiable' or 'non-identifiable'

### 2. Individual versus Collective

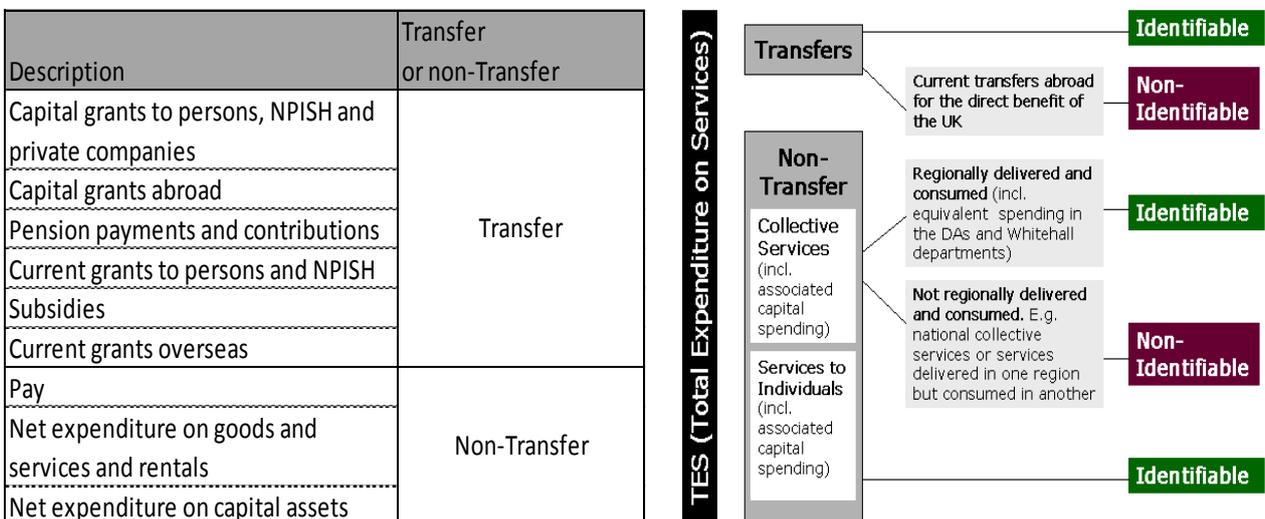
- 2.1 Transfers
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## 1. Classification of spending as 'identifiable' or 'non-identifiable'

1. For the purposes of the Country and Regional Analysis (CRA) exercise, all departmental expenditure on services is classified as "identifiable" (as for the benefit of a particular region) or "non-identifiable" (i.e. cannot be identified as for the benefit of a particular region). This Annex sets out the principles that the Treasury will use for the 2015 CRA data collection in classifying spending as identifiable or non-identifiable. A flow chart below illustrates how this split is derived.



## **2. Individual versus Collective**

### **2.1 Transfers**

2. All transfers (subsidies, current grants, capital grants) by all departments are identifiable and should be allocated by region of recipient. Current grants paid abroad should be classified to a 13<sup>th</sup> region 'outside UK' with the exception of current grants paid abroad that are for the direct benefit of the UK. How to allocate this and other exceptions is discussed in detail in Annex B.

### **2.2 Other current spending**

3. Other current spending (on goods and services, which includes employment costs) takes the form of spending on services that are either 'services to individuals', which are by definition identifiable, or 'collective services', which, where they are delivered nationally, are not identifiable as benefiting individual regions. The distinction between services to individuals and collective services is set out in the European System of Accounts (ESA) 95, which sets the framework for the UK National Accounts.

4. ESA 2010 (paragraph 3.104) states that, for goods and services provided by government, the borderline between individual versus collective goods and services is drawn on the basis of the Classifications of the Functions of Government (COFOG). Expenditure on goods and services under the following COFOG functions is treated as services to individuals:

- education;
- health;
- social security and welfare;
- sport and recreation;
- culture;
- provision of housing;
- collection of household waste; and
- operation of the transport system (public transport).

5. Spending under other COFOG functions is generally treated as collective services.

6. Where collective services are delivered nationally, then they are non-identifiable. National collective services include:

- management and regulation of society;
- provision of security and defence;
- economic development; and
- tax collection.

7. However, where collective services are delivered locally (within a region), and consumed for the most part locally (by the population of that region), then the Treasury proposes to treat

such local collective services as identifiable, since they clearly benefit the region in which the service is consumed. Examples of such local collective services which are consumed locally and are therefore treated as identifiable include:

- all local authority spending;
- central government spending on Regional Development Agencies;
- central government spending on police and local courts; and
- overseas aid (delivered and consumed outside the UK).

8. Additionally, the Treasury identifies collective services expenditure as identifiable where there is equivalent spending in the Devolved Administrations. Previously a small amount of this was treated as non-identifiable. Examples of such collective services are:

- spending on high courts; and
- spending on prisons.

9. Examples of collective services that are delivered locally but which are not consumed locally, and which are therefore treated as non-identifiable include:

- spending on immigration and nationality; and
- spending on the maritime and coastguard agency.

10. The Treasury proposes that spending on administration and corporate services, including policy formulation, should be classified in the same way as the service it supports. So, for instance, administration and corporate services spending on social security and welfare would be treated as identifiable, and distributed pro-rata to the regional distribution of the delivery of social security and welfare. But administration and corporate service spending on tax collection would be treated as non-identifiable.

### **2.3 Other capital spending**

11. Capital spending (other than capital grants, which are transfer payments) includes purchases of capital assets, net of asset sales, and a small amount of stock building. The Treasury proposes that capital spending should be classified in the same way as the service it supports. This means that capital spending in support of collective services delivered nationally will be classified as non-identifiable, in the same way that current spending on these services is classified.

### 3. Summary

	Identifiable	Non-identifiable
<b>Transfer payments</b> (subsidies, current grants and capital grants)	All transfer payments except some current transfers abroad.	Some <i>current transfers abroad</i> that are for the <u>direct</u> benefit of the UK.
<b>Other current expenditure</b> (spending on goods and services, including employment)	<i>Services to individuals.</i> Includes certain COFOG categories: <ul style="list-style-type: none"> <li>– Education</li> <li>– Health</li> <li>– Social security and welfare</li> <li>– Sport and recreation</li> <li>– Culture</li> <li>– Housing</li> <li>– Household waste collection</li> <li>– Public transport</li> </ul>	<i>National collective services.</i> Includes certain COFOG categories: <ul style="list-style-type: none"> <li>– management and regulation of society</li> <li>– security and defence</li> <li>– economic development</li> <li>– tax collection</li> </ul>
	Collective services delivered locally <b>and</b> consumed locally, within regions. e.g.: <ul style="list-style-type: none"> <li>– LA spending</li> <li>– CG spending on RDAs</li> <li>– CG spending on police, local courts</li> <li>– Overseas aid</li> </ul>	Collective services delivered locally <b>but not</b> consumed locally, within regions. e.g.: <ul style="list-style-type: none"> <li>– spending on Immigration and Nationality</li> <li>– spending on the Maritime and Coastguard Agency</li> </ul>
	Collective services delivered locally and consumed locally, within regions where there is equivalent spending by the Devolved Administrations <ul style="list-style-type: none"> <li>– Spending on high courts</li> <li>– Spending on prisons</li> </ul>	
	<i>Admin and corporate services</i> are classified as identifiable or non-identifiable in the same way as the service they support	
<b>Other capital spending</b> (purchase of assets, net of sales of assets, and stock building) other than capital grants	Classified as identifiable or non-identifiable in the same way as the associated current expenditure	

#### 4. (NUTS1) Regions in the UK

Below is a list of counties included in each of the (NUTS1) former government office regions- now known as 'Regions'. Unitary counties are generally under their 'parent' county, rather than shown separately.

A map showing details of the coverage of the 12 NUTS1 regions is available at:

<http://www.ons.gov.uk/ons/guide-method/geography/beginner-s-guide/maps/regions-and-their-constituent-counties---unitary-authorities-as-at-2011.pdf>

Full details of the composition of each region in terms of counties, unitary authorities and metropolitan and London Boroughs is available at: <http://www.ons.gov.uk/ons/guide-method/geography/beginner-s-guide/administrative/index.html>

##### **Scotland**

##### **Wales**

##### **Northern Ireland**

##### **North East**

Northumberland

Tyne & Wear

Durham

Tees Valley

##### **North West**

Cumbria

Lancashire

Merseyside

Greater Manchester

Cheshire

##### **Yorkshire and the Humber**

North Yorkshire

West Yorkshire

South Yorkshire

East Riding & North Lincolnshire (The Humber)

##### **East Midlands**

Derbyshire

Nottinghamshire

Leicestershire & Rutland

Lincolnshire

Northamptonshire

##### **West Midlands**

Herefordshire

Worcestershire

Shropshire

Staffordshire

West Midlands

Warwickshire

##### **East of England**

Cambridgeshire

Norfolk

Suffolk

Bedfordshire

Hertfordshire

Essex

##### **London**

Greater London

##### **South East**

Berkshire

Buckinghamshire

Oxfordshire

Hampshire & Isle of Wight

Surrey

West Sussex

East Sussex

Kent

##### **South West**

Gloucestershire

Bristol/Bath area

Somerset

Wiltshire

Dorset

Devon

Cornwall & Isles of Scilly