

PUBLIC SPENDING STATISTICS JULY 2018



HM Treasury

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INTRODUCTION

This National Statistics release is intended to provide comprehensive information on public spending. Data are arranged thematically by section. Each section contains overview commentary on the statistics being released, statistical tables, and further background information.

The key data being updated in this release are for the years 2013-14 to 2017-18. This release contains the first estimate of 2017-18 outturn. All data in this release are National Statistics and are on an outturn basis. Where major revisions to the data for past years have been made we refer to them in the text accompanying the tables. Further background detail is found in the accompanying background material published alongside this release.

EUROPEAN SYSTEM OF ACCOUNTS 2010 (ESA10)

The Office for National Statistics (ONS) are responsible for producing the National Accounts which measure the economic activity of the whole economy. The UK are legally required to produce these based on a framework specified in the European System of Accounts 2010 (ESA10). Before September 2014 the UK, along with all other Member States, produced accounts using the previous ESA95 framework.

Total Managed Expenditure (TME) is an aggregate drawn from National Accounts that measures the sum of public sector current and capital spending. The move to ESA10 from September 2014 onwards means that the TME aggregate used in the Public Spending Statistics and PESA publications is also now on an ESA 2010 basis.

About ESA 2010:

<http://ec.europa.eu/eurostat/web/esa-2010>

HM Treasury Public Spending Statistics provide a range of information about public spending. Further detailed explanations are provided in the methodology annex to this bulletin.

The release is classified as National Statistics and conforms to the rules and principles set out in the *Code of Practice for Official Statistics* overseen by the United Kingdom Statistics Authority.

RELATED RELEASES FROM HM TREASURY

- The **PESA command paper** is an annual release, containing plans data for the Spending Review period, alongside the data contained in this release.
- The **quarterly Public Spending Statistics update releases** update the key series found in this release.

Changes to this release have been made in response to requests from the United Kingdom Statistics Authority and feedback received from users. We welcome further user feedback at: pesa@hmtreasury.gsi.gov.uk

REVISIONS IN THIS RELEASE

All of the data contained in the Public Spending National Statistics are open for revision in every publication. Table 1 below summarises the key revisions in this release.

Revisions to Budgets since July 2017 (£million)	2013-14	2014-15	2015-16	2016-17
Total Managed Expenditure	-3,073	-1,543	2,851	1,410
Total Departmental Expenditure Limits (DEL)	0	0	2	102
Departmental Annually Managed Expenditure (AME)	0	0	100	-1,376
Other AME	-3,073	-1,543	2,748	2,488
Total resource DEL	0	0	2	896
Total capital DEL	0	0	1	-598

Figures for Total Managed Expenditure are taken from the ONS/HM Treasury Public Sector Finances release. The main revisions since last July's publication are:

Changes to Other AME are mainly due to ONS revisions to capital expenditure by public corporations. There are also changes to Local Authority Self-Financed Expenditure (LASFE). These are the result of the inclusion of new ONS data for Housing Associations and outturn data for Local Government. Figures for each year also include revisions to central government debt interest.

Following the introduction of Sector Accounting for Academy Sector the Department for Education (DfE) have updated the data to reflect the underlying budgetary aggregates. This includes expenditure listed by function (chapters 4 and 5) and on local government grants (chapter 7). While DfE and HMT have engaged in quality assurance on these data, due to the number of academies continuing to move between the local government and central government sector further work is needed to provide consistent information across outturn and plans years.

FUTURE DEVELOPMENT OF PUBLIC SPENDING STATISTICS

We would be interested in readers' views on how PESA might be developed to further increase its value to users. Please write to:

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CHAPTER 1 DEPARTMENTAL BUDGETS

OVERVIEW

The tables in chapter 1 bring together information on public expenditure within the current budgeting and control framework. This comprises departmental budgets, including all control totals, as well as reconciling from the budgetary framework to the fiscal aggregates in the National Accounts.

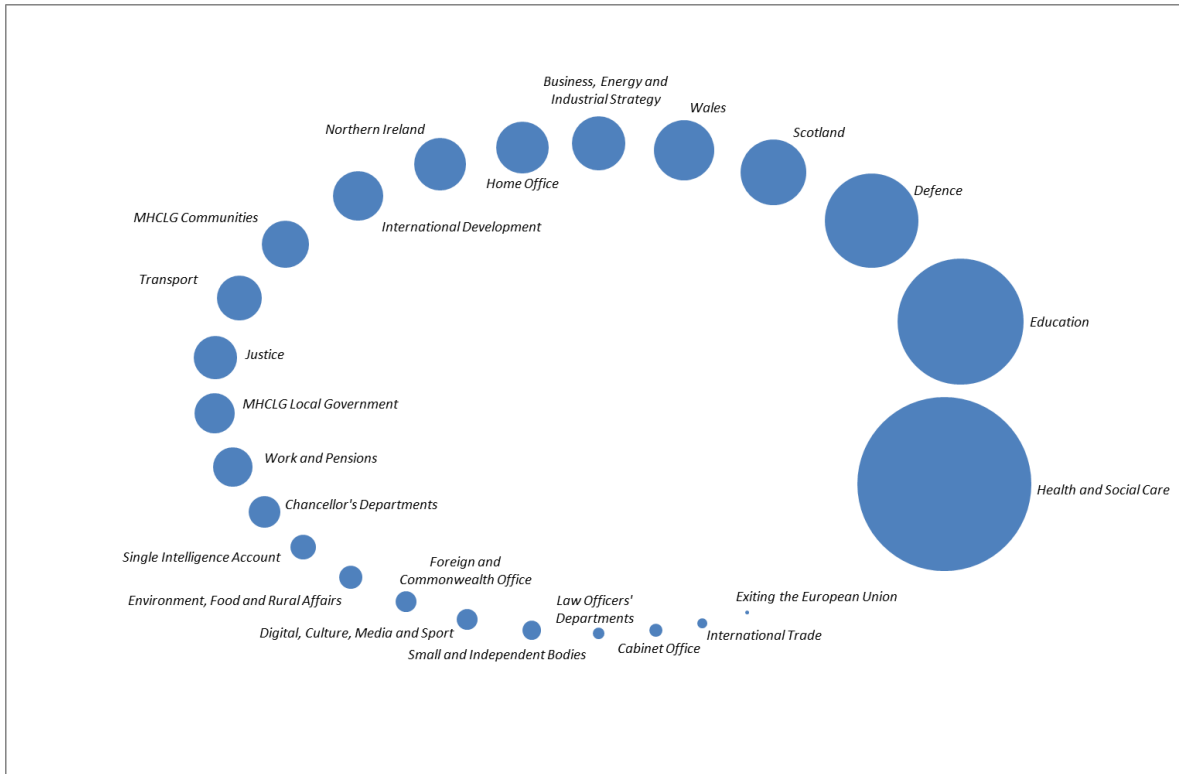
DEPARTMENTAL EXPENDITURE LIMITS

- Total resource DEL in real terms was £331.2bn in 2017-18, a decrease of 1.2 per cent on the previous year.
- Total resource DEL (RDEL) excluding depreciation in real terms was £302.5bn in 2017-18, a fall of 2.2 per cent on the previous year.
- Depreciation in resource DEL was £28.7bn in real terms in 2017-18, an increase of 11.6 per cent on 2016-17.
- Total capital DEL was £55.7bn in real terms in 2017-18, an increase of 6.8 per cent on the previous year.
- Total DEL in real terms fell by 0.9 per cent in 2017-18 from £361.6bn to £358.3bn. The largest reductions in DEL spending in 2017-18 were in Scotland (-£6.4bn, where a section of spending was reclassified to AME) and MHCLG Local Government (-£1.7bn). These were offset by increases in spend for other departments. The largest increases were for Health and Social Care which increased by £2.5bn to £125.2bn (2.0 per cent) and for MHCLG Communities, which increased by £1.3bn (17.0 per cent).

ANNUALLY MANAGED EXPENDITURE

- Resource departmental AME increased by £136.7bn to £433.2bn in real terms in 2017-18. The large rise reflects a change in the long-term discount rate which increases the present value of expected future long-term costs for a one-off accounting charge. The largest increase was in respect of Business, Energy and Industrial Strategy, which increased by £71.6bn, followed by HM Treasury which increased by £25.2bn.
- Capital departmental AME increased by £18.0bn to £21.3bn in 2017-18.

CHART 1 2017-18 Total Departmental Expenditure Limit (TDEL) outturn by department.



Bubble sizes are proportional to the amount of TDEL for each department. TDEL is made up of Resource DEL excluding depreciation plus Capital DEL.

Table 1.1 Total Managed Expenditure, 2013-14 to 2017-18

	£ million				
	National Statistics				
	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 outturn
CURRENT EXPENDITURE					
<i>Resource DEL</i>					
Resource DEL excluding depreciation	308,361	307,844	306,676	304,259	302,544
Depreciation in resource DEL	22,298	17,169	18,742	25,248	28,661
Total resource DEL	330,659	325,013	325,418	329,506	331,205
<i>Resource departmental AME</i>					
Social security benefits	179,599	184,185	187,687	189,298	192,521
Tax credits ⁽¹⁾	29,394	29,187	28,482	27,393	26,293
Net public service pensions ⁽²⁾	5,787	10,188	11,830	9,524	26,340
National lottery	1,209	1,440	904	1,080	1,229
BBC domestic services	3,204	3,533	3,631	3,567	3,713
Student loans	-1,096	-1,579	-1,683	-2,031	-2,992
Non-cash items	43,389	61,033	185,538	61,761	147,313
Financial sector interventions	8,380	-48,669	-12,492	-24,832	-216
Other departmental expenditure	13,332	14,986	14,067	25,804	39,020
Total resource departmental AME	283,199	254,303	417,963	291,563	433,221
<i>Resource other AME</i>					
Net expenditure transfers to the EU	11,879	11,658	11,253	9,160	10,188
Locally financed expenditure	23,187	25,555	30,294	33,902	35,376
Central government gross debt interest	48,797	45,371	45,127	48,659	54,749
Accounting adjustments ⁽³⁾	-32,562	12,917	-147,439	-20,063	-156,947
Total resource other AME	51,301	95,501	-60,766	71,658	-56,634
Total resource AME	334,500	349,804	357,197	363,221	376,587
Public sector current expenditure	665,159	674,817	682,615	692,727	707,792
CAPITAL EXPENDITURE					
<i>Capital DEL</i>					
Total capital DEL	49,742	53,195	48,603	51,268	55,711
<i>Capital departmental AME</i>					
National lottery	492	584	407	479	427
BBC domestic services	83	111	130	248	141
Student loans	9,291	11,477	12,597	14,025	16,898
Financial sector interventions	-4,938	-3,030	-11,315	-3,514	-942
Other departmental expenditure	-11,118	-4,118	-11,076	-8,059	4,730
Total capital departmental AME	-6,189	5,024	-9,257	3,179	21,253
<i>Capital other AME</i>					
Locally financed expenditure	6,877	6,683	8,720	9,031	10,996
Public corporations' own-financed capital expenditure	14,400	18,027	14,594	16,682	15,486
Accounting adjustments ⁽³⁾	3,824	-7,302	11,492	-902	-21,744
Total capital other AME	25,101	17,409	34,806	24,812	4,738
Total capital AME	18,912	22,433	25,549	27,991	25,992
Public sector gross investment ⁽⁴⁾	68,654	75,628	74,152	79,259	81,703
<i>less public sector depreciation</i>	37,959	39,014	40,078	40,781	41,049
Public sector net investment ⁽⁴⁾	30,695	36,614	34,074	38,478	40,654
TOTAL MANAGED EXPENDITURE ^{(4) (5)}	733,813	750,445	756,767	771,986	789,495
<i>of which:</i>					
Total DEL ⁽⁵⁾	358,104	361,039	355,278	355,527	358,255
Departmental AME	277,009	259,327	408,706	294,741	454,475
Other AME	98,700	130,079	-7,217	121,718	-23,235

(1) Tax credits include working tax credits, stakeholder pension credits and Child Tax Credits. Child allowances paid as part of Income Support and Jobseekers' Allowance are shown within social security benefits. Tax credits include elements that are treated as negative tax in National Accounts.

(2) 2017-18 saw a reduction in the "discount rate net of CPI" used to measure the costs of public service pensions accruing over the year on an accounting basis, increasing this figure.

(3) Transactions from 2013-14 onwards have been affected by financial sector interventions, see Box 2.A in Chapter 2.

(4) This excludes the temporary effects of banks being classified to the public sector. See Box 2.A in Chapter 2.

(5) Total DEL is given by resource DEL excluding depreciation plus capital DEL.

Table 1.2 Total Managed Expenditure in real terms⁽¹⁾, 2013-14 to 2017-18

	£ million				
	National Statistics				
	2013-14	2014-15	2015-16	2016-17	2017-18
	outturn	outturn	outturn	outturn	outturn
CURRENT EXPENDITURE					
<i>Resource DEL</i>					
Resource DEL excluding depreciation	327,346	322,652	318,878	309,448	302,544
Depreciation in resource DEL	23,671	17,995	19,488	25,678	28,661
Total resource DEL	351,017	340,646	338,366	335,127	331,205
<i>Resource departmental AME</i>					
Social security benefits	190,656	193,044	195,154	192,526	192,521
Tax credits ⁽²⁾	31,203	30,591	29,615	27,860	26,293
Net public service pensions ⁽³⁾	6,143	10,678	12,301	9,687	26,340
National lottery	1,284	1,509	940	1,098	1,229
BBC domestic services	3,402	3,703	3,775	3,628	3,713
Student loans	-1,163	-1,655	-1,750	-2,065	-2,992
Non-cash items	46,060	63,968	192,920	62,814	147,313
Financial sector interventions	8,896	-51,010	-12,989	-25,256	-216
Other departmental expenditure	14,153	15,706	14,627	26,244	39,020
Total resource departmental AME	300,634	266,535	434,593	296,536	433,221
<i>Resource other AME</i>					
Net expenditure transfers to the EU	12,610	12,219	11,700	9,316	10,188
Locally financed expenditure	24,615	26,784	31,499	34,481	35,376
Central government gross debt interest	51,801	47,553	46,923	49,489	54,749
Accounting adjustments ⁽⁴⁾	-34,567	13,538	-153,306	-20,406	-156,947
Total resource other AME	54,459	100,095	-63,183	72,880	-56,634
Total resource AME	355,094	366,629	371,410	369,416	376,587
Public sector current expenditure	706,111	707,275	709,775	704,543	707,792
CAPITAL EXPENDITURE					
<i>Capital DEL</i>					
Total capital DEL	52,805	55,753	50,537	52,142	55,711
<i>Capital departmental AME</i>					
National lottery	522	612	424	487	427
BBC domestic services	89	116	135	252	141
Student loans	9,863	12,029	13,098	14,264	16,898
Financial sector interventions	-5,242	-3,176	-11,765	-3,574	-942
Other departmental expenditure	-11,803	-4,316	-11,517	-8,196	4,730
Total capital departmental AME	-6,570	5,266	-9,625	3,233	21,253
<i>Capital other AME</i>					
Locally financed expenditure	7,300	7,005	9,067	9,185	10,996
Public corporations' own-financed capital expenditure	15,287	18,895	15,175	16,967	15,486
Accounting adjustments ⁽⁴⁾	4,060	-7,653	11,949	-917	-21,744
Total capital other AME	26,646	18,247	36,191	25,235	4,738
Total capital AME	20,076	23,512	26,566	28,468	25,992
Public sector gross investment ⁽⁵⁾	72,881	79,266	77,102	80,611	81,703
<i>less public sector depreciation</i>	40,296	40,891	41,673	41,477	41,049
Public sector net investment ⁽⁵⁾	32,585	38,375	35,430	39,134	40,654
TOTAL MANAGED EXPENDITURE ^{(5) (6)}	778,991	786,541	786,878	785,154	789,495
<i>of which:</i>					
Total DEL ⁽⁶⁾	380,151	378,405	369,414	361,591	358,255
Departmental AME	294,064	271,800	424,968	299,769	454,475
Other AME	104,776	136,336	-7,504	123,794	-23,235

(1) Real terms figures are the cash figures adjusted to 2017-18 price levels using GDP deflators. The deflators are calculated from the data released by the Office for National Statistics on 29 June 2018. The forecasts are consistent with the 2018 Spring Statement.

(2) Tax credits include working tax credits, stakeholder pension credits and Child Tax Credits. Child allowances paid as part of Income Support and Jobseekers' Allowance are shown within social security benefits. Tax credits include elements that are treated as negative tax in National Accounts.

(3) The change in 2017-18 is due to the reduction in the "discount rate net of CPI" used to measure the costs of public service pensions accruing over the year on an accounting basis.

(4) Transactions from 2013-14 onwards have been affected by financial sector interventions, see Box 2.A in Chapter 2.

(5) This excludes the temporary effects of banks being classified to the public sector. See Box 2.A in Chapter 2.

(6) Total DEL is given by resource DEL excluding depreciation plus capital DEL.

Table 1.3 Resource budgets, 2013-14 to 2017-18

	£ million				
	National Statistics				
	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 outturn
Resource DEL by departmental group					
Defence	35,536	34,155	34,424	35,423	34,199
Single Intelligence Account	1,967	2,032	2,174	2,268	2,390
Home Office	11,052	11,443	10,757	10,977	10,892
Foreign and Commonwealth Office	2,153	1,861	1,953	2,058	2,208
International Development	7,783	7,017	6,829	7,413	7,558
Health and Social Care	105,478	109,534	113,710	117,031	120,650
Work and Pensions	7,606	7,145	6,473	6,161	6,108
Education	65,611	62,222	63,978	69,854	74,879
Business, Energy and Industrial Strategy	2,417	2,450	2,499	1,968	1,720
Transport	4,702	3,460	3,029	2,927	3,616
Exiting the European Union	7	7	7	23	57
Digital, Culture, Media and Sport	1,386	1,512	1,389	1,550	1,584
MHCLG - Housing and Communities	1,985	2,043	2,174	2,488	2,372
MHCLG - Local Government	16,481	13,657	10,758	8,229	6,714
Scotland ⁽¹⁾	26,091	26,373	26,334	21,374	14,966
Wales	14,466	14,202	13,328	13,325	13,998
Northern Ireland	10,161	10,189	10,161	10,480	10,631
Justice	8,110	7,728	7,348	7,406	7,630
Law Officers' Departments	581	554	553	530	567
Environment, Food and Rural Affairs	1,883	1,856	1,737	1,744	1,848
HM Revenue and Customs	3,650	3,468	3,576	3,836	3,946
HM Treasury	-249	129	130	159	226
Cabinet Office	255	421	407	450	671
International Trade	206	279	341	345	383
Small and Independent Bodies	1,342	1,276	1,350	1,490	1,394
Total resource DEL	330,659	325,013	325,418	329,506	331,205
Resource departmental AME by departmental group					
Defence	6,377	8,311	12,020	5,125	16,637
Single Intelligence Account	19	41	135	13	19
Home Office	1,872	2,457	1,551	2,396	2,510
Foreign and Commonwealth Office	66	-70	39	-53	142
International Development	109	151	206	188	326
Health and Social Care ⁽²⁾	18,194	21,952	48,530	27,782	39,664
Work and Pensions	163,072	167,639	173,400	172,921	177,252
Education	10,563	12,908	5,296	11,448	15,034
Business, Energy and Industrial Strategy ⁽²⁾	5,347	8,949	102,217	3,781	75,396
Transport ⁽³⁾	-5,207	-264	5,680	6,457	6,979
Exiting the European Union	-	-	-	-	0
Digital, Culture, Media and Sport	4,517	4,935	4,348	4,702	4,671
MHCLG - Housing and Communities	-48	47	56	154	184
MHCLG - Local Government	11,123	11,662	12,174	12,413	15,752
Scotland ⁽¹⁾	2,669	3,858	3,951	9,203	17,282
Wales	0	32	-311	240	177
Northern Ireland	7,463	8,285	8,370	8,248	8,889
Justice	-239	-144	483	549	653
Law Officers' Departments	7	13	-15	-1	11
Environment, Food and Rural Affairs	-92	78	391	86	-195
HM Revenue and Customs	42,574	42,931	43,194	42,329	41,845
HM Treasury ⁽⁴⁾	6,210	-49,912	-13,781	-25,458	-681
Cabinet Office	8,641	10,573	10,366	9,140	10,545
International Trade	0	-	0	-	-
Small and Independent Bodies	-39	-129	-336	-102	127
Total resource departmental AME	283,199	254,303	417,963	291,563	433,221
Total resource budget	613,858	579,316	743,381	621,069	764,426

(1) The Scottish Government's resource DEL block grant has been adjusted from 2015-16 onwards as agreed in the Scottish Government's Fiscal Framework. From 2015-16 adjustments reflect the devolution of Stamp Duty Land Tax and Landfill Tax. In 2016-17 they reflect the creation of the Scottish Rate of Income Tax. From 2017-18 they reflect the devolution of further income tax powers and revenues from Scottish courts.

(2) Figures reflect a change to the long-term discount rate used each year for provisions to maintain compliance with International Financial Reporting Standards.

(3) Following implementation of ESA10, Network Rail is now classified to Central Government. Consequently Total Managed Expenditure (TME) includes Network Rail spending in all years shown. However, the actual expenditure of Network Rail only appears in the Department for Transport budget from 2015-16. Figures in 2013-14 and 2014-15 reflect a change in accounting policy for recognising impairment on the roads network.

(4) Transactions from 2013-14 onwards have been affected by financial sector interventions, see Box 2.A in Chapter 2.

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Table 1.4 Resource budgets in real terms⁽¹⁾, 2013-14 to 2017-18

	£ million				
	National Statistics				
	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 outturn
Resource DEL by departmental group					
Defence	37,724	35,798	35,794	36,027	34,199
Single Intelligence Account	2,088	2,129	2,260	2,307	2,390
Home Office	11,733	11,993	11,185	11,165	10,892
Foreign and Commonwealth Office	2,285	1,951	2,030	2,093	2,208
International Development	8,262	7,355	7,101	7,539	7,558
Health and Social Care	111,972	114,802	118,234	119,027	120,650
Work and Pensions	8,075	7,488	6,730	6,266	6,108
Education	69,650	65,215	66,524	71,045	74,879
Business, Energy and Industrial Strategy	2,566	2,568	2,599	2,001	1,720
Transport	4,991	3,626	3,149	2,977	3,616
Exiting the European Union	8	7	8	23	57
Digital, Culture, Media and Sport	1,471	1,585	1,444	1,576	1,584
MHCLG - Housing and Communities	2,107	2,142	2,260	2,531	2,372
MHCLG - Local Government	17,496	14,314	11,186	8,369	6,714
Scotland ⁽²⁾	27,697	27,641	27,382	21,739	14,966
Wales	15,357	14,885	13,858	13,552	13,998
Northern Ireland	10,786	10,679	10,565	10,659	10,631
Justice	8,609	8,100	7,640	7,532	7,630
Law Officers' Departments	617	580	575	539	567
Environment, Food and Rural Affairs	1,999	1,945	1,806	1,773	1,848
HM Revenue and Customs	3,875	3,635	3,718	3,901	3,946
HM Treasury	-264	135	135	162	226
Cabinet Office	271	442	423	458	671
International Trade	219	293	355	351	383
Small and Independent Bodies	1,425	1,338	1,403	1,515	1,394
Total resource DEL	351,017	340,646	338,366	335,127	331,205
Resource departmental AME by departmental group					
Defence	6,770	8,710	12,499	5,213	16,637
Single Intelligence Account	20	43	140	14	19
Home Office	1,988	2,576	1,613	2,437	2,510
Foreign and Commonwealth Office	70	-74	40	-54	142
International Development	116	159	214	191	326
Health and Social Care ⁽³⁾	19,314	23,008	50,461	28,256	39,664
Work and Pensions	173,112	175,702	180,299	175,870	177,252
Education	11,213	13,529	5,507	11,643	15,034
Business, Energy and Industrial Strategy ⁽³⁾	5,677	9,379	106,285	3,845	75,396
Transport ⁽⁴⁾	-5,528	-276	5,906	6,567	6,979
Exiting the European Union	-5,207	-264	5,680	6,457	6,979
Digital, Culture, Media and Sport	4,795	5,172	4,521	4,782	4,671
MHCLG - Housing and Communities	-51	50	58	156	184
MHCLG - Local Government	11,808	12,223	12,659	12,625	15,752
Scotland ⁽²⁾	2,834	4,043	4,108	9,360	17,282
Wales	-	33	-323	244	177
Northern Ireland	7,923	8,684	8,703	8,389	8,889
Justice	-254	-151	502	559	653
Law Officers' Departments	7	13	-16	-1	11
Environment, Food and Rural Affairs	-98	81	406	88	-195
HM Revenue and Customs	45,195	44,996	44,912	43,051	41,845
HM Treasury ⁽⁵⁾	6,592	-52,313	-14,329	-25,892	-681
Cabinet Office	9,173	11,081	10,778	9,296	10,545
International Trade	0	-	0	-	-
Small and Independent Bodies	-41	-135	-350	-104	127
Total resource departmental AME	300,634	266,535	434,593	296,536	433,221
Total resource budget	651,651	607,181	772,959	631,663	764,426

(1) Real terms figures are the cash figures adjusted to 2017-18 price levels using GDP deflators. The deflators are calculated from the data released by the Office for National statistics on 29 June 2018. The forecasts are consistent with the 2018 Spring Statement.

(2) The Scottish Government's resource DEL block grant has been adjusted from 2015-16 onwards as agreed in the Scottish Government's Fiscal Framework. From 2015-16 adjustments reflect the devolution of Stamp Duty Land Tax and Landfill Tax. In 2016-17 they reflect the creation of the Scottish Rate of Income Tax. From 2017-18 they reflect the devolution of further income tax powers and revenues from Scottish courts.

(3) Figures reflect a change to the long-term discount rate used each year for provisions to maintain compliance with International Financial Reporting Standards.

(4) Following implementation of ESA10, Network Rail is now classified to Central Government. Consequently Total Managed Expenditure (TME) includes Network Rail spending in all years shown. However, the actual expenditure of Network Rail only appears in the Department for Transport budget from 2015-16. Figures in 2013-14 and 2014-15 reflect a change in accounting policy for recognising impairment on the roads network.

(5) Transactions from 2013-14 onwards have been affected by financial sector interventions, see Box 2.A in Chapter 2.

Table 1.5 Resource DEL excluding depreciation, 2013-14 to 2017-18

	£ million				
	National Statistics				
	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 outturn
Resource DEL excluding depreciation by departmental group					
Defence	26,055	25,632	26,696	26,592	26,901
Single Intelligence Account	1,564	1,606	1,768	1,920	2,020
Home Office	10,792	11,163	10,510	10,712	10,594
Foreign and Commonwealth Office	1,995	1,713	1,762	1,934	2,061
International Development	7,769	7,000	6,817	7,404	7,549
Health and Social Care	104,408	108,373	112,592	116,028	119,916
Work and Pensions	7,424	6,969	6,290	6,004	5,921
Education	59,182	59,860	59,180	59,894	60,372
Business, Energy and Industrial Strategy	2,112	2,157	2,230	1,612	1,453
Transport	3,695	2,468	1,913	1,585	2,019
Exiting the European Union	7	7	7	23	57
Digital, Culture, Media and Sport	1,227	1,407	1,262	1,407	1,435
MHCLG - Housing and Communities	1,957	2,050	2,173	2,471	2,391
MHCLG - Local Government	16,481	13,657	10,758	8,229	6,714
Scotland ⁽¹⁾	25,428	25,620	25,563	20,596	14,182
Wales	13,709	13,754	12,814	13,071	13,290
Northern Ireland	9,710	9,686	9,906	9,890	10,084
Justice	7,661	7,293	6,894	6,915	7,162
Law Officers' Departments	575	547	546	524	559
Environment, Food and Rural Affairs	1,687	1,666	1,568	1,556	1,671
HM Revenue and Customs	3,416	3,191	3,302	3,557	3,649
HM Treasury	-255	123	122	152	218
Cabinet Office	241	409	388	428	637
International Trade	204	277	339	343	381
Small and Independent Bodies	1,319	1,217	1,276	1,412	1,307
Total Resource DEL excluding depreciation	308,361	307,844	306,676	304,259	302,544

(1) The Scottish Government's resource DEL block grant has been adjusted from 2015-16 onwards as agreed in the Scottish Government's Fiscal Framework. From 2015-16 adjustments reflect the devolution of Stamp Duty Land Tax and Landfill Tax. In 2016-17 they reflect the creation of the Scottish Rate of Income Tax. From 2017-18 they reflect the devolution of further income tax powers and revenues from Scottish courts.

Table 1.6 Resource DEL excluding depreciation in real terms⁽¹⁾, 2013-14 to 2017-18

	£ million				
	National Statistics				
	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 outturn
Resource DEL excluding depreciation by departmental group					
Defence	27,659	26,865	27,758	27,045	26,901
Single Intelligence Account	1,660	1,684	1,838	1,953	2,020
Home Office	11,456	11,700	10,928	10,895	10,594
Foreign and Commonwealth Office	2,118	1,795	1,832	1,967	2,061
International Development	8,247	7,336	7,088	7,531	7,549
Health and Social Care	110,836	113,586	117,072	118,007	119,916
Work and Pensions	7,881	7,304	6,540	6,107	5,921
Education	62,825	62,739	61,534	60,915	60,372
Business, Energy and Industrial Strategy	2,242	2,260	2,319	1,640	1,453
Transport	3,922	2,587	1,989	1,612	2,019
Exiting the European Union	8	7	8	23	57
Digital, Culture, Media and Sport	1,303	1,474	1,312	1,431	1,435
MHCLG - Housing and Communities	2,078	2,149	2,259	2,513	2,391
MHCLG - Local Government	17,496	14,314	11,186	8,369	6,714
Scotland ⁽²⁾	26,993	26,852	26,580	20,947	14,182
Wales	14,553	14,415	13,324	13,294	13,290
Northern Ireland	10,308	10,152	10,300	10,059	10,084
Justice	8,132	7,644	7,169	7,033	7,162
Law Officers' Departments	610	574	567	533	559
Environment, Food and Rural Affairs	1,790	1,746	1,631	1,583	1,671
HM Revenue and Customs	3,626	3,345	3,433	3,618	3,649
HM Treasury	-271	129	126	154	218
Cabinet Office	256	428	403	435	637
International Trade	216	290	353	348	381
Small and Independent Bodies	1,400	1,275	1,327	1,436	1,307
Total Resource DEL excluding depreciation	327,346	322,652	318,878	309,448	302,544

(1) Real terms figures are the cash figures adjusted to 2017-18 price levels using GDP deflators. The deflators are calculated from the data released by the Office for National statistics on 29 June 2018. The forecasts are consistent with the 2018 Spring Statement.

(2) The Scottish Government's resource DEL block grant has been adjusted from 2015-16 onwards as agreed in the Scottish Government's Fiscal Framework. From 2015-16 adjustments reflect the devolution of Stamp Duty Land Tax and Landfill Tax. In 2016-17 they reflect the creation of the Scottish Rate of Income Tax. From 2017-18 they reflect the devolution of further income tax powers and revenues from Scottish courts.

Table 1.7 Administration budgets, 2013-14 to 2017-18

	£ million				
	National Statistics				
	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 outturn
Defence	2,129	1,474	1,505	1,497	1,467
Single Intelligence Account	59	58	63	67	70
Home Office	501	525	384	375	352
Foreign and Commonwealth Office	167	178	111	116	176
International Development	116	110	104	97	100
Health and Social Care	3,122	2,873	2,554	2,400	2,319
Work and Pensions	1,084	888	835	880	799
Education	587	560	499	524	541
Business, Energy and Industrial Strategy	475	475	435	392	383
Transport	240	271	267	259	260
Exiting the European Union	7	7	7	23	57
Digital, Culture, Media and Sport	139	148	159	143	157
MHCLG - Housing and Communities	363	252	275	242	224
Justice	530	552	571	510	455
Law Officers' Departments	42	45	43	43	42
Environment, Food and Rural Affairs	527	487	497	453	473
HM Revenue and Customs	869	801	792	757	842
HM Treasury	131	146	134	160	165
Cabinet Office	155	156	151	195	184
International Trade	42	20	27	30	76
Small and Independent Bodies	304	366	281	256	254
Total administration budgets	11,589	10,394	9,695	9,418	9,399
of which: administration costs paybill	7,497	6,680	6,604	6,499	6,631
Administration budgets as a percentage of Total Managed Expenditure ⁽¹⁾	1.6	1.4	1.3	1.2	1.2

(1) TME excludes the temporary effects of banks being classified to the public sector. See Box 2.A for details.

Table 1.8 Capital budgets, 2013-14 to 2017-18

	£ million				
	National Statistics				
	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 outturn
Capital DEL by departmental group					
Defence	8,485	8,736	8,402	8,689	9,704
Single Intelligence Account	499	550	575	603	576
Home Office	519	520	476	510	624
Foreign and Commonwealth Office	120	158	131	60	-252
International Development	2,251	2,650	2,433	2,588	2,713
Health and Social Care	5,367	4,971	4,652	4,556	5,238
Work and Pensions	237	251	188	292	432
Education	4,120	4,764	5,414	5,104	4,846
Business, Energy and Industrial Strategy	9,510	9,360	10,199	10,793	10,464
Transport ⁽¹⁾	8,537	9,389	6,001	5,419	6,218
Exiting the European Union	-	-	-	-	1
Digital, Culture, Media and Sport	33	264	349	275	351
MHCLG - Housing and Communities	3,729	4,332	3,849	5,114	6,634
Scotland	2,921	3,289	3,164	3,246	3,626
Wales	1,325	1,500	1,543	1,449	1,825
Northern Ireland	945	1,085	766	1,005	1,148
Justice	274	295	266	417	412
Law Officers' Departments	3	4	3	13	10
Environment, Food and Rural Affairs	550	692	570	655	632
HM Revenue and Customs	218	234	228	326	281
HM Treasury	-6	36	-660	-2	-78
Cabinet Office	30	30	-37	48	116
International Trade	3	2	2	6	15
Small and Independent Bodies	76	83	90	103	177
Total capital DEL	49,742	53,195	48,603	51,268	55,711
Capital departmental AME by departmental group					
Defence	-129	51	29	-	44
Home Office	-	-	437	-	-
International Development	-	-	450	285	395
Health and Social Care	-70	-5	9	13	-
Work and Pensions	-134	-124	-148	-87	-37
Education	8,483	10,563	11,642	13,072	15,801
Business, Energy and Industrial Strategy	-4,305	-1,616	-1,630	-15	-1,197
Transport ⁽²⁾	13	6,695	6,544	6,855	6,960
Digital, Culture, Media and Sport	646	743	497	804	773
MHCLG - Housing and Communities	-	121	207	-	-
Scotland	336	440	744	811	958
Wales	306	357	388	422	505
Northern Ireland	425	536	605	498	318
Environment, Food and Rural Affairs	-1	2	0	1	0
HM Revenue and Customs	0	0	-	-	-
HM Treasury ⁽³⁾	-11,725	-12,714	-29,066	-19,731	-3,697
Small and Independent Bodies	-34	-23	34	251	429
Total capital departmental AME	-6,189	5,024	-9,257	3,179	21,253
Total capital budget	43,553	58,219	39,346	54,447	76,965

(1) Following implementation of ESA10, Network rail is now classified to Central Government. Consequently from 2015-16 there is no longer a Central Government capital grant to Network Rail. The actual expenditure of Network rail appears in the Department for Transport departmental AME budget.

(2) In 2014-15 the Government put in place a loan arrangement in advance of Network Rail's formal reclassification to the Public Sector in September 2014. This is included in Capital departmental AME as lending to the private sector.

(3) Transactions from 2013-14 onwards have been affected by financial sector interventions, see Box 2.A in Chapter 2.

Table 1.9 Capital budgets in real terms⁽¹⁾, 2013-14 to 2017-18

	£ million				
	National Statistics				
	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 outturn
Capital DEL by departmental group					
Defence	9,007	9,156	8,737	8,837	9,704
Single Intelligence Account	529	577	598	614	576
Home Office	551	545	494	519	624
Foreign and Commonwealth Office	127	165	137	61	-252
International Development	2,389	2,778	2,530	2,632	2,713
Health and Social Care	5,697	5,210	4,837	4,634	5,238
Work and Pensions	251	263	195	297	432
Education	4,374	4,993	5,630	5,191	4,846
Business, Energy and Industrial Strategy	10,096	9,810	10,605	10,977	10,464
Transport ⁽²⁾	9,062	9,841	6,240	5,512	6,218
Exiting the European Union	-	-	-	-	1
Digital, Culture, Media and Sport	35	276	363	280	351
MHCLG - Housing and Communities	3,959	4,541	4,002	5,201	6,634
Scotland	3,101	3,447	3,289	3,302	3,626
Wales	1,406	1,572	1,604	1,473	1,825
Northern Ireland	1,003	1,137	796	1,023	1,148
Justice	291	310	277	424	412
Law Officers' Departments	3	4	3	14	10
Environment, Food and Rural Affairs	583	725	593	666	632
HM Revenue and Customs	232	245	237	332	281
HM Treasury	-6	37	-686	-2	-78
Cabinet Office	32	31	-39	48	116
International Trade	3	2	2	6	15
Small and Independent Bodies	81	87	94	104	177
Total capital DEL	52,805	55,753	50,537	52,142	55,711
Capital departmental AME by departmental group					
Defence	-137	53	30	-	44
Home Office	-	-	454	-	-
International Development	-	-	468	290	395
Health and Social Care	-74	-5	9	14	0
Work and Pensions	-143	-130	-154	-89	-37
Education	9,005	11,071	12,105	13,295	15,801
Business, Energy and Industrial Strategy	-4,570	-1,693	-1,695	-15	-1,197
Transport ⁽³⁾	13	7,017	6,805	6,972	6,960
Digital, Culture, Media and Sport	685	779	517	818	773
MHCLG - Housing and Communities	-	127	215	-	-
Scotland	356	461	774	824	958
Wales	325	374	403	429	505
Northern Ireland	451	561	629	506	318
Environment, Food and Rural Affairs	-1	2	-	1	-
HM Revenue and Customs	0	0	-	-	-
HM Treasury ⁽⁴⁾	-12,447	-13,326	-30,222	-20,068	-3,697
Small and Independent Bodies	-36	-24	35	255	429
Total capital departmental AME	-6,570	5,266	-9,625	3,233	21,253
Total capital budget	46,235	61,019	40,911	55,376	76,965

(1) Real terms figures are the cash figures adjusted to 2017-18 price levels using GDP deflators. The deflators are calculated from the data released by the Office for National statistics on 29 June 2018. The forecasts are consistent with the 2018 Spring Statement.

(2) Following implementation of ESA10, Network rail is now classified to Central Government. Consequently from 2015-16 there is no longer a Central Government capital grant to Network Rail. The actual expenditure of Network rail appears in the Department for Transport departmental AME budget.

(3) In 2014-15 the Government put in place a loan arrangement in advance of Network Rail's formal reclassification to the Public Sector in September 2014. This is included in Capital departmental AME as lending to the private sector.

(4) Transactions from 2013-14 onwards have been affected by financial sector interventions, see Box 2.A in Chapter 2.

Table 1.10 Total Departmental Expenditure Limits⁽¹⁾, 2013-14 to 2017-18

	£ million				
	National Statistics				
	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 outturn
Total DEL by departmental group					
Defence	34,540	34,368	35,099	35,280	36,605
Single Intelligence Account	2,062	2,156	2,343	2,524	2,596
Home Office	11,311	11,683	10,986	11,222	11,218
Foreign and Commonwealth Office	2,115	1,870	1,893	1,994	1,809
International Development	10,020	9,650	9,250	9,992	10,262
Health and Social Care	109,775	113,345	117,245	120,584	125,154
Work and Pensions	7,661	7,220	6,477	6,296	6,354
Education	63,302	64,624	64,594	64,997	65,217
Business, Energy and Industrial Strategy	11,623	11,517	12,429	12,405	11,918
Transport ⁽²⁾	12,231	11,857	7,914	7,004	8,236
Exiting the European Union	7	7	7	23	57
Digital, Culture, Media and Sport	1,260	1,670	1,611	1,682	1,786
MHCLG - Housing and Communities	5,687	6,383	6,022	7,585	9,025
MHCLG - Local Government	16,481	13,657	10,758	8,229	6,714
Scotland ⁽³⁾	28,349	28,909	28,726	23,842	17,808
Wales	15,034	15,254	14,357	14,520	15,114
Northern Ireland	10,655	10,771	10,672	10,895	11,232
Justice	7,935	7,588	7,160	7,332	7,574
Law Officers' Departments	578	551	548	537	569
Environment, Food and Rural Affairs	2,236	2,358	2,138	2,211	2,303
HM Revenue and Customs	3,634	3,425	3,530	3,884	3,930
HM Treasury	-261	159	-539	150	140
Cabinet Office	271	439	351	475	754
International Trade	206	279	341	349	396
Small and Independent Bodies	1,395	1,300	1,366	1,515	1,484
Total DEL by departmental group	358,104	361,039	355,278	355,527	358,255

(1) Total DEL is given by Resource DEL excluding depreciation (Table 1.5) plus Capital DEL (Table 1.8).

(2) Following implementation of ESA10, Network rail is now classified to Central Government. Consequently from 2015-16 there is no longer a Central Government capital grant to Network Rail. The actual expenditure of Network rail appears in the Department for Transport departmental AME budget.

(3) The Scottish Government's resource DEL block grant has been adjusted from 2015-16 onwards as agreed in the Scottish Government's Fiscal Framework. From 2015-16 adjustments reflect the devolution of Stamp Duty Land Tax and Landfill Tax. In 2016-17 they reflect the creation of the Scottish Rate of Income Tax. From 2017-18 they reflect the devolution of further income tax powers and revenues from Scottish courts.

Table 1.11 Total Departmental Expenditure Limits⁽¹⁾ in real terms⁽²⁾, 2013-14 to 2017-18

	£ million				
	National Statistics				
	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 outturn
Total DEL by departmental group					
Defence	36,666	36,021	36,495	35,882	36,605
Single Intelligence Account	2,189	2,260	2,436	2,567	2,596
Home Office	12,007	12,245	11,423	11,414	11,218
Foreign and Commonwealth Office	2,245	1,960	1,969	2,028	1,809
International Development	10,637	10,114	9,618	10,163	10,262
Health and Social Care	116,533	118,796	121,910	122,641	125,154
Work and Pensions	8,132	7,567	6,735	6,403	6,354
Education	67,199	67,733	67,164	66,106	65,217
Business, Energy and Industrial Strategy	12,338	12,071	12,924	12,617	11,918
Transport ⁽³⁾	12,984	12,427	8,229	7,123	8,236
Exiting the European Union	8	7	8	23	57
Digital, Culture, Media and Sport	1,338	1,751	1,675	1,710	1,786
MHCLG - Housing and Communities	6,037	6,690	6,262	7,714	9,025
MHCLG - Local Government	17,496	14,314	11,186	8,369	6,714
Scotland ⁽⁴⁾	30,094	30,299	29,869	24,249	17,808
Wales	15,960	15,987	14,928	14,768	15,114
Northern Ireland	11,311	11,289	11,097	11,081	11,232
Justice	8,423	7,953	7,445	7,457	7,574
Law Officers' Departments	613	578	570	546	569
Environment, Food and Rural Affairs	2,374	2,471	2,223	2,249	2,303
HM Revenue and Customs	3,857	3,590	3,670	3,950	3,930
HM Treasury	-277	167	-560	152	140
Cabinet Office	288	460	365	483	754
International Trade	219	292	354	355	396
Small and Independent Bodies	1,480	1,362	1,421	1,540	1,484
Total DEL by departmental group	380,151	378,405	369,414	361,591	358,255

(1) Total DEL is given by Resource DEL excluding depreciation (Table 1.5) plus Capital DEL (Table 1.8).

(2) Real terms figures are the cash figures adjusted to 2017-18 price levels using GDP deflators. The deflators are calculated from the data released by the Office for National statistics on 29 June 2018. The forecasts are consistent with the 2018 Spring Statement.

(3) Following implementation of ESA10, Network rail is now classified to Central Government. Consequently from 2015-16 there is no longer a Central Government capital grant to Network Rail. The actual expenditure of Network rail appears in the Department for Transport departmental AME budget.

(4) The Scottish Government's resource DEL block grant has been adjusted from 2015-16 onwards as agreed in the Scottish Government's Fiscal Framework. From 2015-16 adjustments reflect the devolution of Stamp Duty Land Tax and Landfill Tax. In 2016-17 they reflect the creation of the Scottish Rate of Income Tax. From 2017-18 they reflect the devolution of further income tax powers and revenues from Scottish courts.

Table 1.11 Total Departmental Expenditure Limits⁽¹⁾ in real terms⁽²⁾, 2013-14 to 2017-18

	£ million				
	National Statistics				
	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 outturn
Total DEL by departmental group					
Defence	36,666	36,021	36,495	35,882	36,605
Single Intelligence Account	2,189	2,260	2,436	2,567	2,596
Home Office	12,007	12,245	11,423	11,414	11,218
Foreign and Commonwealth Office	2,245	1,960	1,969	2,028	1,809
International Development	10,637	10,114	9,618	10,163	10,262
Health and Social Care	116,533	118,796	121,910	122,641	125,154
Work and Pensions	8,132	7,567	6,735	6,403	6,354
Education	67,199	67,733	67,164	66,106	65,217
Business, Energy and Industrial Strategy	12,338	12,071	12,924	12,617	11,918
Transport ⁽³⁾	12,984	12,427	8,229	7,123	8,236
Exiting the European Union	8	7	8	23	57
Digital, Culture, Media and Sport	1,338	1,751	1,675	1,710	1,786
MHCLG - Housing and Communities	6,037	6,690	6,262	7,714	9,025
MHCLG - Local Government	17,496	14,314	11,186	8,369	6,714
Scotland ⁽⁴⁾	30,094	30,299	29,869	24,249	17,808
Wales	15,960	15,987	14,928	14,768	15,114
Northern Ireland	11,311	11,289	11,097	11,081	11,232
Justice	8,423	7,953	7,445	7,457	7,574
Law Officers' Departments	613	578	570	546	569
Environment, Food and Rural Affairs	2,374	2,471	2,223	2,249	2,303
HM Revenue and Customs	3,857	3,590	3,670	3,950	3,930
HM Treasury	-277	167	-560	152	140
Cabinet Office	288	460	365	483	754
International Trade	219	292	354	355	396
Small and Independent Bodies	1,480	1,362	1,421	1,540	1,484
Total DEL by departmental group	380,151	378,405	369,414	361,591	358,255

(1) Total DEL is given by Resource DEL excluding depreciation (Table 1.5) plus Capital DEL (Table 1.8).

(2) Real terms figures are the cash figures adjusted to 2017-18 price levels using GDP deflators. The deflators are calculated from the data released by the Office for National statistics on 29 June 2018. The forecasts are consistent with the 2018 Spring Statement.

(3) Following implementation of ESA10, Network rail is now classified to Central Government. Consequently from 2015-16 there is no longer a Central Government capital grant to Network Rail. The actual expenditure of Network rail appears in the Department for Transport departmental AME budget.

(4) The Scottish Government's resource DEL block grant has been adjusted from 2015-16 onwards as agreed in the Scottish Government's Fiscal Framework. From 2015-16 adjustments reflect the devolution of Stamp Duty Land Tax and Landfill Tax. In 2016-17 they reflect the creation of the Scottish Rate of Income Tax. From 2017-18 they reflect the devolution of further income tax powers and revenues from Scottish courts.

Table 1.12 Total Managed Expenditure by departmental group and other expenditure, 2013-14 to 2017-18

	£ million				
	National Statistics				
	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 outturn
Total Managed Expenditure by departmental group					
Defence	40,789	42,729	47,148	40,405	53,287
Single Intelligence Account	2,081	2,198	2,478	2,537	2,615
Home Office	13,183	14,141	12,973	13,619	13,728
Foreign and Commonwealth Office	2,181	1,800	1,932	1,941	1,952
International Development	10,129	9,801	9,906	10,465	10,983
Health and Social Care ⁽¹⁾	127,899	135,292	165,784	148,380	164,819
Work and Pensions	170,598	174,734	179,729	179,129	183,569
Education	82,347	88,095	81,532	89,518	96,052
Business, Energy and Industrial Strategy ⁽¹⁾	12,665	18,850	113,017	16,171	86,117
Transport ⁽²⁾	7,037	18,289	20,138	20,316	22,175
Exiting the European Union	7	7	7	23	57
Digital, Culture, Media and Sport	6,423	7,348	6,455	7,188	7,229
MHCLG - Housing and Communities	5,638	6,551	6,285	7,739	9,209
MHCLG - Local Government	27,605	25,319	22,932	20,642	22,466
Scotland ⁽³⁾	31,354	33,206	33,421	33,855	36,047
Wales	15,339	15,643	14,434	15,182	15,796
Northern Ireland	18,543	19,592	19,647	19,642	20,440
Justice	7,695	7,444	7,643	7,881	8,227
Law Officers' Departments	584	564	533	537	581
Environment, Food and Rural Affairs	2,143	2,437	2,529	2,298	2,108
HM Revenue and Customs	46,208	46,357	46,723	46,213	45,775
HM Treasury ⁽⁴⁾	-5,776	-62,468	-43,385	-45,040	-4,238
Cabinet Office	8,912	11,011	10,717	9,616	11,299
International Trade	207	279	340	349	396
Small and Independent Bodies	1,322	1,148	1,064	1,663	2,040
Total departmental expenditure ⁽⁵⁾	635,113	620,366	763,984	650,268	812,730
Central government gross debt interest	48,797	45,371	45,127	48,659	54,749
Locally financed expenditure	30,064	32,238	39,014	42,934	46,372
Public sector depreciation	37,959	39,014	40,078	40,781	41,049
Net expenditure transfers to the EU	11,879	11,658	11,253	9,160	10,188
Public corporations' own-financed capital expenditure	14,400	18,027	14,594	16,682	15,486
Accounting adjustments	-44,399	-16,230	-157,283	-36,498	-191,078
Total other expenditure ⁽⁶⁾	98,700	130,079	-7,217	121,718	-23,235
Total Managed Expenditure ⁽⁷⁾	733,813	750,445	756,767	771,986	789,495

(1) Figures reflect a change to the long-term discount rate used each year for provisions to maintain compliance with International Financial Reporting Standards.

(2) Following implementation of ESA10, Network Rail is now classified to Central Government. Consequently Total Managed Expenditure (TME) includes Network Rail spending in all years shown. However, the actual expenditure of Network Rail only appears in the Department for Transport budget from 2015-16. In 2014-15 the Government put in place a loan arrangement in advance of Network Rail's formal reclassification to the Public Sector in September 2014. This is included in Capital departmental AME as lending to the private sector. Figures in 2013-14 and 2014-15 reflect a change in accounting policy for recognising impairment on the roads network.

(3) The Scottish Government's resource DEL block grant has been adjusted from 2015-16 onwards as agreed in the Scottish Government's Fiscal Framework. From 2015-16 adjustments reflect the devolution of Stamp Duty Land Tax and Landfill Tax. In 2016-17 they reflect the creation of the Scottish Rate of Income Tax. From 2017-18 they reflect the devolution of further income tax powers and revenues from Scottish courts.

(4) Transactions from 2013-14 onwards have been affected by financial sector interventions, see Box 2.A in Chapter 2.

(5) Total departmental expenditure is given by Resource DEL excluding depreciation plus capital DEL plus resource and capital departmental AME.

(6) Total other expenditure is other AME spend within total managed expenditure.

(7) This excludes the temporary effects of banks being classified to the public sector. See Box 2.A in Chapter 2.

Table 1.13 Total Managed Expenditure by departmental group and other expenditure in real terms⁽¹⁾, 2013-14 to 2017-18

	£ million				
	National Statistics				
	2013-14	2014-15	2015-16	2016-17	2017-18
	outturn	outturn	outturn	outturn	outturn
Total Managed Expenditure by departmental group					
Defence	43,300	44,784	49,024	41,095	53,287
Single Intelligence Account	2,209	2,303	2,576	2,580	2,615
Home Office	13,995	14,821	13,489	13,851	13,728
Foreign and Commonwealth Office	2,315	1,887	2,009	1,974	1,952
International Development	10,753	10,273	10,300	10,643	10,983
Health and Social Care ⁽²⁾	135,773	141,800	172,380	150,911	164,819
Work and Pensions	181,102	183,139	186,880	182,185	183,569
Education	87,417	92,332	84,776	91,044	96,052
Business, Energy and Industrial Strategy ⁽¹⁾	13,445	19,757	117,513	16,447	86,117
Transport ⁽³⁾	7,470	19,169	20,940	20,662	22,175
Exiting the European Union	8	7	8	23	57
Digital, Culture, Media and Sport	6,818	7,701	6,712	7,310	7,229
MHCLG - Housing and Communities	5,985	6,866	6,535	7,871	9,209
MHCLG - Local Government	29,304	26,537	23,844	20,994	22,466
Scotland ⁽⁴⁾	33,284	34,803	34,751	34,433	36,047
Wales	16,284	16,395	15,009	15,440	15,796
Northern Ireland	19,684	20,534	20,429	19,977	20,440
Justice	8,169	7,802	7,947	8,016	8,227
Law Officers' Departments	620	591	554	546	581
Environment, Food and Rural Affairs	2,275	2,554	2,630	2,337	2,108
HM Revenue and Customs	49,053	48,586	48,582	47,001	45,775
HM Treasury ⁽⁵⁾	-6,131	-65,472	-45,111	-45,808	-4,238
Cabinet Office	9,460	11,541	11,143	9,780	11,299
International Trade	219	292	354	355	396
Small and Independent Bodies	1,404	1,204	1,106	1,692	2,040
Total departmental expenditure ⁽⁶⁾	674,215	650,205	794,382	661,360	812,730
Central government gross debt interest	51,801	47,553	46,923	49,489	54,749
Locally financed expenditure	31,915	33,789	40,566	43,666	46,372
Public sector depreciation	40,296	40,891	41,673	41,477	41,049
Net expenditure transfers to the EU	12,610	12,219	11,700	9,316	10,188
Public corporations' own-financed capital expenditure	15,287	18,895	15,175	16,967	15,486
Accounting adjustments	-47,132	-17,010	-163,541	-37,121	-191,078
Total other expenditure ⁽⁷⁾	104,776	136,336	-7,504	123,794	-23,235
Total Managed Expenditure ⁽⁸⁾	778,991	786,541	786,878	785,154	789,495

(1) Real terms figures are the cash figures adjusted to 2017-18 price levels using GDP deflators. The deflators are calculated from the data released by the Office for National statistics on 29 June 2018. The forecasts are consistent with the 2018 Spring Statement.

(2) Figures reflect a change to the long-term discount rate used each year for provisions to maintain compliance with International Financial Reporting Standards.

(3) Following implementation of ESA10, Network Rail is now classified to Central Government. Consequently Total Managed Expenditure (TME) includes Network Rail spending in all years shown. However, the actual expenditure of Network Rail only appears in the Department for Transport budget from 2015-16. In 2014-15 the Government put in place a loan arrangement in advance of Network Rail's formal reclassification to the Public Sector in September 2014. This is included in Capital departmental AME as lending to the private sector. Figures in 2013-14 and 2014-15 reflect a change in accounting policy for recognising impairment on the roads network.

(4) The Scottish Government's resource DEL block grant has been adjusted from 2015-16 onwards as agreed in the Scottish Government's Fiscal Framework. From 2015-16 adjustments reflect the devolution of Stamp Duty Land Tax and Landfill Tax. In 2016-17 they reflect the creation of the Scottish Rate of Income Tax. From 2017-18 they reflect the devolution of further income tax powers and revenues from Scottish courts.

(5) Transactions from 2013-14 onwards have been affected by financial sector interventions, see Box 2.A in Chapter 2.

(6) Total departmental expenditure is given by Resource DEL excluding depreciation plus capital DEL plus resource and capital departmental AME.

(7) Total other expenditure is other AME spend within total managed expenditure.

(8) This excludes the temporary effects of banks being classified to the public sector. See Box 2.A in Chapter 2.

Table 1.14 Accounting adjustments⁽¹⁾, 2013-14 to 2017-18

	£ billion				
	National Statistics				
	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 outturn
Remove data in budgets which form part of public sector current expenditure but where a different source is used for National Accounts					
Resource DEL					
Capital consumption (excluding NHS)	-17.7	-15.0	-14.6	-15.3	-14.0
NHS capital consumption	-2.1	-1.8	-1.9	-1.9	-2.2
Interest	-0.3	-0.2	-0.1	-0.2	-1.3
Public corporation subsidies	-1.0	-0.7	-0.6	-0.5	-0.4
Other	0.0	0.1	0.0	0.0	0.0
Total resource DEL	-21.0	-17.7	-17.3	-17.8	-17.9
Resource departmental AME					
Capital consumption	4.7	-1.2	-6.3	-6.7	-6.4
Interest	1.3	2.1	3.3	1.6	2.1
Subsidy element of renewable obligation certificates	0.0	0.0	0.0	0.0	0.0
Subsidy element of other environmental levies	-0.1	-0.2	-0.4	-0.5	-0.7
NNDR outturn adjustment	-0.3	0.0	0.0	0.0	0.0
Public corporation subsidies	-0.1	-0.1	-0.2	-0.2	-0.2
Other	0.2	0.1	0.0	0.3	0.1
Total resource departmental AME	5.7	0.7	-3.5	-5.5	-5.0
Adjustment for different data used by OBR in PSCE forecast	0.0	0.0	0.0	0.0	0.0
<i>of which DEL</i>	0.0	0.0	0.0	0.0	0.0
<i>of which AME</i>	0.0	0.0	0.0	0.0	0.0
Total resource budget data replaced by different source data	-15.3	-16.9	-20.8	-23.3	-22.9
Remove data in budgets which do not form part of public sector current expenditure					
Resource DEL					
Impairments	1.6	-0.5	-0.4	-0.7	-1.0
Receipts treated as negative DEL but revenue in National Accounts	0.1	0.1	0.1	0.0	0.0
Fees, levies and charges	0.0	0.0	0.0	0.0	0.0
Grant equivalent element of student lending	-6.1	-1.8	-3.7	-9.3	-13.7
Stock write-offs	0.0	0.0	0.0	0.0	0.1
Change in pension scheme liabilities	0.0	-0.1	0.0	0.0	-0.1
Miscellaneous current transfers	2.5	2.7	2.5	2.7	2.5
Northern Ireland Executive transfers between DEL and AME ⁽²⁾	0.6	0.7	0.7	0.6	0.6
Profit or loss - sale of company securities	0.0	0.0	0.1	0.1	0.1
Profit or loss - sale of other assets (capital in National Accounts)	-0.8	0.2	0.3	0.3	0.0
EU funded expenditure	-0.3	0.2	0.0	-0.4	-0.3
Other	-0.5	0.0	0.4	0.3	0.3
Total resource DEL	-2.9	1.7	-0.2	-6.4	-11.5
Resource departmental AME					
Impairments	-14.3	44.0	-5.0	22.4	-5.9
Bad debts	-0.5	-0.4	-0.4	-0.2	-0.4
Grant equivalent element of student lending	-0.6	-0.5	7.5	0.1	0.0
Provisions	-8.2	-9.9	-127.5	-12.8	-93.7
Change in pension scheme liabilities	-29.1	-34.8	-37.6	-36.2	-53.6
Unwinding of discount rate on pension scheme liabilities	-38.0	-46.3	-42.9	-42.0	-42.6
Release of provisions covering payments of pension benefits	32.2	34.2	35.3	35.5	36.5
Fees, levies and charges	0.0	0.0	0.0	0.0	0.0
Profit or loss - sale of other assets (capital in National Accounts)	0.0	0.0	0.1	0.1	0.0
Imputed tax element of renewable obligation certificates	0.0	0.0	0.0	0.0	0.0
Imputed tax element of other environmental levies	0.0	0.0	0.0	0.0	0.0
Tax credits	0.0	0.0	0.0	0.0	0.0
Other	6.6	2.0	5.8	2.5	2.1
Total resource departmental AME	-51.8	-11.7	-164.6	-30.6	-157.6
Total resource budget data not in public sector current expenditure	-54.7	-10.0	-164.8	-37.0	-169.1

Table 1.14 Accounting adjustments⁽¹⁾, 2013-14 to 2017-18 (continued)

	National Statistics				
	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 outturn
£ billion					
Central government adjustments in National Accounts					
Expenditure on goods and services	25.3	26.2	23.3	25.7	20.8
of which: VAT refunds	5.0	5.0	5.0	5.0	5.2
of which: Single use military expenditure	0.3	0.3	0.0	0.0	0.0
of which: payment from EU for tax collection costs	-0.7	-0.8	-0.8	-0.8	-0.7
of which: capital consumption	17.6	17.9	18.3	18.3	18.5
of which: ONS R&D Adjustment	0.0	0.0	-2.7	0.0	0.0
of which: Network Rail	0.4	1.1	-1.9	-2.0	0.0
of which: other	2.7	2.5	5.3	5.1	-2.3
Net social benefits⁽²⁾	1.4	1.3	0.5	0.8	0.6
of which: switch between benefits and other current grants	0.3	0.3	0.1	0.0	0.0
of which: other	1.1	1.0	0.5	0.8	0.6
Net current grants abroad	0.8	0.7	1.1	0.8	0.8
of which: attributed aid	-0.1	0.0	0.0	0.0	0.0
of which: EU receipts	0.0	0.0	0.0	0.0	0.0
of which: other	0.9	0.7	1.1	0.8	0.8
Other current grants	0.7	0.5	0.0	-1.1	2.1
of which: switch between other current grants and benefits	-0.3	-0.3	-0.1	0.0	0.0
of which: other	1.0	0.7	0.1	-1.1	2.1
Subsidies	3.1	4.2	4.5	5.8	7.2
of which: Renewable Obligation Certificates	2.5	3.1	3.9	4.7	6.1
of which: other environmental levies	0.0	0.2	0.4	0.5	2.1
of which: company tax credits outside departmental AME	1.0	1.3	1.4	1.5	1.2
of which: other	-0.4	-0.4	-1.2	-0.9	-2.2
VAT and GNI based EU contributions	0.0	0.1	0.0	0.4	0.0
of which: other	0.0	0.1	0.0	0.4	0.0
Total central government resource adjustments	31.4	32.9	29.5	32.4	31.5
Local government adjustments in National Accounts					
Remove data which do not form part of public sector current expenditure	-3.8	-3.1	-3.6	-3.4	-3.5
of which: Northern Ireland regional rates	-0.6	-0.7	-0.7	-0.6	-0.6
of which: retirement benefits	0.0	0.0	0.0	0.0	0.0
of which: debt interest payments to central government	-3.1	-2.5	-2.9	-2.8	-2.9
of which: other	0.0	0.0	0.0	0.0	0.0
Adjustments to reconcile use of different data sources	-0.6	-1.1	-0.9	-1.6	-1.8
of which: central government support	-1.6	-1.3	-1.6	-2.3	-2.7
of which: debt interest	0.7	0.0	0.4	0.3	0.5
of which: police and fire top up grants	0.0	0.0	0.0	0.0	0.0
of which: other	0.3	0.3	0.3	0.4	0.4
Expenditure on goods and services	22.0	22.8	23.7	24.9	24.2
of which: VAT refunds	6.6	6.6	6.9	7.1	7.0
of which: Local Authority Pension Scheme	2.1	2.0	2.0	2.2	2.4
of which: capital consumption	10.1	10.6	11.1	11.6	12.1
of which: rates	-1.4	-1.4	-1.4	-1.4	-1.4
of which: other	4.6	5.0	5.2	5.4	4.1
Subsidies	0.4	0.6	0.7	0.9	1.0
of which: equity injection into Housing Revenue Account	0.4	0.6	0.7	0.9	1.0
of which: other	0.0	0.0	0.0	0.0	0.0
Net social benefits	-3.4	-4.1	-3.8	-4.5	-4.9
of which: housing benefits and rent rebates	0.1	0.0	0.0	0.0	-1.1
of which: other	-3.5	-4.1	-3.8	-4.5	-3.7
Other current grants and current grants abroad	0.1	0.1	0.1	0.1	0.1
Total local government resource adjustments	14.6	15.1	16.2	16.3	15.2
Other resource adjustments					
Public corporations	3.3	3.7	3.8	3.8	2.6
Asset Purchase Facility and Special Liquidity Scheme	-12.6	-12.4	-11.7	-13.2	-13.5
Other	0.7	0.6	0.4	0.8	0.0
Total other resource adjustments	-8.5	-8.1	-7.4	-8.5	-10.9
Total resource adjustments	-32.6	12.9	-147.4	-20.1	-156.9
<i>of which:</i>					
Timing adjustments ⁽³⁾					
Central government	5.7	4.8	1.5	2.3	-3.0
Local government	1.2	0.9	1.4	1.0	0.5

Table 1.14 Accounting adjustments⁽¹⁾, 2013-14 to 2017-18 (continued)

	£ billion				
	National Statistics				
	2013-14	2014-15	2015-16	2016-17	2017-18
	outturn	outturn	outturn	outturn	outturn
Remove data in budgets which form part of public sector gross investment but where a different source is used for National Accounts					
Capital DEL					
Change in inventories	0.0	0.1	0.0	-0.3	-0.7
Acquisitions less disposals of valuables	0.0	0.0	0.0	0.0	0.0
Total capital DEL	0.0	0.1	0.0	-0.3	-0.7
Adjustment for different data used by OBR in PSGI forecast	0.0	0.0	0.0	0.0	0.0
of which DEL	0.0	0.0	0.0	0.0	0.0
of which AME	0.0	0.0	0.0	0.0	0.0
Total capital budget data replaced by different source data	0.0	0.1	0.0	-0.3	-0.7
Remove data in budgets which do not form part of public sector gross investment					
Capital DEL					
Net lending to private sector	-2.8	-2.8	-1.9	-3.9	-4.9
Capital support for public corporations	0.4	1.0	0.1	0.3	-0.1
Local government supported capital expenditure	0.0	0.0	-0.3	-0.2	-0.2
Northern Ireland Executive transfers between DEL and AME	0.2	0.3	0.3	0.2	0.0
Other	-0.1	0.7	-0.3	-2.2	-0.8
Total Capital DEL	-2.3	-0.8	-2.2	-5.7	-6.0
Capital departmental AME					
Net lending to private sector	4.3	2.0	17.2	4.7	-13.6
Capital support for public corporations	0.8	-0.3	-0.1	-0.2	-0.4
Purchase of company securities	0.0	0.0	0.0	0.0	0.0
Sale of company securities	0.0	0.0	0.0	0.0	0.0
Northern Ireland Executive transfers between DEL and AME ⁽²⁾	-0.2	-0.2	-0.3	-0.2	0.0
Other	0.6	-6.5	-0.4	-0.4	-0.5
Total capital departmental AME	5.5	-5.1	16.4	4.0	-14.5
Total capital budget data not in public sector gross investment	3.2	-5.9	14.3	-1.7	-20.6
Central government adjustments in National Accounts					
Gross fixed capital formation	6.8	5.7	-0.3	-1.8	-2.2
of which: profit or loss - sale of other assets (from resource budgets)	0.8	-0.2	-0.3	-0.4	0.0
of which: Network Rail	7.1	6.4	6.6	6.6	0.0
of which: Single use military expenditure	-0.3	-0.3	0.0	0.0	0.0
of which: other	-0.7	-0.1	-6.6	-8.0	-2.2
Capital grants to and from the private sector	-6.0	-6.5	-0.8	3.5	1.2
of which: VAT refunds	0.1	0.1	0.1	0.1	0.1
of which: Royal Mail assets transfer	0.0	0.0	0.0	0.0	0.0
of which: Network Rail	-4.0	-3.7	-4.1	0.0	0.0
of which: other	-2.1	-2.9	3.3	3.5	1.1
Total central government capital adjustments	0.8	-0.8	-1.1	1.7	-1.0
Local government adjustments in National Accounts					
Adjustments to reconcile use of different data sources	-2.8	-3.7	-4.6	-3.5	5.5
of which: overhanging debt	0.0	-0.1	-0.2	0.0	0.0
of which: central government support	0.4	0.7	1.3	0.5	9.1
of which: financial transactions	-2.1	-2.7	-4.3	-2.6	-2.1
of which: capital grants from private sector	-1.1	-1.5	-1.4	-1.4	-1.5
Gross fixed capital formation	3.5	3.5	3.6	3.1	-4.7
of which: VAT refunds	2.0	2.0	2.1	1.7	1.6
of which: roads de-trunking	0.0	0.0	0.0	0.0	0.0
of which: other	1.6	1.5	1.5	1.4	-6.3
Capital grants	-0.1	-0.2	-0.2	-0.1	-1.2
of which: grants to public corporations	0.0	0.0	0.0	0.0	0.0
of which: other	-0.1	-0.2	-0.2	-0.1	-1.2
Total local government capital adjustments	0.7	-0.4	-1.2	-0.5	-0.4
Other capital adjustments					
Public corporations	-0.8	0.4	1.1	1.0	1.1
Housing Revenue Account reform receipts	0.0	0.0	-0.9	0.0	0.0
Other	0.0	-0.3	-0.6	-1.2	-0.2
Total other capital adjustments	-0.8	0.1	-0.5	-0.1	0.9
Total capital adjustments	3.8	-7.3	11.5	-0.9	-21.7
<i>of which:</i>					
Timing adjustments ⁽³⁾					
Central government	-4.5	-5.0	3.7	2.0	-0.9
Local government	-0.1	-0.3	-0.3	-0.3	-0.4

(1) The accounting adjustments are described in Annex D.

(2) Offsets with Northern Ireland domestic rates (part of other AME and not in budgets) in local government adjustments in National Accounts.

(3) Reflects timing difference between the latest OSCAR and other source data and the data underlying the Public Sector Finances statistical bulletin. These mainly result from revisions policy and issues with late corrections to OSCAR data in the early years.

Table 1.15 Total Managed Expenditure by spending sector, 2013-14 to 2017-18

	£ million				
	National Statistics				
	2013-14	2014-15	2015-16	2016-17	2017-18
	outturn	outturn	outturn	outturn	outturn
Central government own expenditure					
DEL ⁽¹⁾	269,416	275,461	274,120	278,572	284,751
Departmental AME ^{(1) (2)}	241,317	221,536	371,084	257,431	414,923
Locally financed support in Northern Ireland	632	661	651	585	596
Net expenditure transfers to the EU	11,879	11,658	11,253	9,160	10,188
Central government debt interest	48,797	45,371	45,127	48,659	54,749
Accounting and other adjustments	-12,745	16,354	-123,934	-2,938	-153,960
Total central government own expenditure	559,296	571,041	578,301	591,469	611,247
Local government expenditure					
Central government support in DEL	80,725	78,279	72,968	69,382	65,332
Central government support in departmental AME	44,899	45,755	46,020	45,117	47,271
Locally financed support in Scotland	2,435	2,650	2,789	2,769	2,666
Locally financed support in Wales	-	-	956	977	1,059
Local authority self-financed expenditure	26,996	28,928	33,699	38,604	42,051
Accounting and other adjustments	15,161	14,760	15,000	15,892	14,393
Total local government expenditure	170,216	170,372	171,432	172,741	172,772
Public corporations' expenditure					
DEL	-216	-818	60	-171	211
Departmental AME	-1,028	152	-268	-63	241
Public corporations' own-financed capital expenditure	14,400	18,027	14,594	16,682	15,486
Accounting and other adjustments	3,682	4,027	4,314	4,426	3,022
Total public corporations' expenditure	16,838	21,388	18,700	20,874	18,960
Bank of England ⁽³⁾	-12,537	-12,356	-11,666	-13,098	-13,484
Total Managed Expenditure	733,813	750,445	756,767	771,986	789,495

(1) Full resource budgeting basis, ie resource plus capital less depreciation. See Table 2.1

(2) Transactions have been affected by financial sector interventions. See Box 2A in Chapter 2.

(3) Asset Purchase facility and Special Liquidity Scheme.

BACKGROUND TO DEPARTMENTAL BUDGETS

1.1 This chapter brings together information on public expenditure within the current budgeting and control framework. This comprises departmental budgets, including all control totals, as well as reconciling from the budgetary framework to the fiscal aggregates in the National Accounts.

THE BUDGETING AND REPORTING FRAMEWORK

1.2 Table 1.1 summarises public expenditure both in terms of the Treasury's budgeting and control framework¹, and in terms of the National Accounts aggregate Total Managed Expenditure (TME) and its components. **Table 1.2** presents the same information in real terms.

1.3 There is a fuller description of the budgeting and control framework in **Annex C**. This chapter gives a brief overview.

1.4 A clear distinction is made for budgeting between current and capital spending, with departments having separate resource and capital budgets largely based on International Financial Reporting Standards (IFRS). For part of their resource and capital budgets, departments are given firm three year spending limits called Departmental Expenditure Limits (DELs) within which they prioritise resources and plan ahead.

1.5 Spending that cannot reasonably be subject to firm multi-year limits, or that relates to certain non-cash transactions, is included in Annually Managed Expenditure (AME). **Table 1.1** sets out the main elements of AME. Departmental AME (which is contained in departments' budgets) includes social security spending, and various other items of departmental expenditure. Outside departments' budgets, other AME consists of net expenditure transfers to the EU, locally financed expenditure, debt interest, public corporations' own-financed capital expenditure, and accounting adjustments.

¹ <https://www.gov.uk/government/collections/consolidated-budgeting-guidance>

RECONCILIATION OF BUDGETING AND NATIONAL ACCOUNTS AGGREGATES

1.6 DEL and AME together make up TME, an aggregate that is drawn from the National Accounts, and is defined in National Accounts terms as public sector current expenditure plus public sector gross investment (measured net of sales but gross of depreciation). Note that total public sector depreciation is modelled by the ONS for the National Accounts, while the depreciation referred to in the footnote to **Table 1.1** is depreciation in resource DEL, measured on an IFRS basis.

1.7 **Table 1.1** shows the reconciliation from the resource and capital budgets to the National Accounts measures of public sector current expenditure and public sector gross investment, respectively. With the deduction of depreciation, the latter reconciles to public sector net investment. **Table 1.2** presents the same information in real terms.

1.8 A breakdown of the accounting adjustments used for this reconciliation is shown in **Table 1.14**

1.9 **Table 1.3** shows the resource budget for each departmental group, with **Table 1.4** presenting the same information in real terms. Resource DEL is a control total, which means that departments must manage spending to keep within this total.

1.10 **Table 1.5** shows resource DEL excluding depreciation as first presented in the Spending Review 2010. The depreciation ring fence is a control total that departments must manage. **Table 1.6** presents the same information in real terms.

1.11 **Table 1.8** shows the capital budget for each departmental group, with **Table 1.9** presenting the same information in real terms. Capital DEL is a control total.

ADMINISTRATION BUDGETS

1.12 **Table 1.7** sets out details of administration expenditure in resource DEL for those central government departments that are subject to administration budgets. Administration budgets are set for most civil service departments and are generally designed to contain most back-office functions. These budgets therefore help to drive economy and efficiency in the running of government. Around 65 per cent of administration costs are accounted for by civil service pay, a further 30 per cent is accounted for by procurement of goods and services (e.g. accommodation, equipment, travel). An analysis of administration budgets by economic category is shown in **Table 2.1**.

TOTAL DEL

1.13 **Table 1.10** shows Total DEL by departmental group. Total DEL is made up of resource DEL excluding depreciation plus capital DEL. **Table 1.10** is consistent with **Table 1.5** plus **Table 1.8**. Note that Total DEL is not a control total. **Table 1.11** presents the same information as **Table 1.10** in real terms.

1.14 **Table 1.12** presents total expenditure, i.e. the sum of Total DEL and departmental AME, by departmental group. **Table 1.13** presents the same information as **Table 1.12** in real terms.

PUBLIC EXPENDITURE BY SPENDING SECTOR

1.15 **Table 1.15** shows a breakdown of TME, and within it DEL and AME, between the National Accounts public spending sectors (central government, local government and public corporations).

1.16 This breakdown by sector is used in many of the analyses in this publication. In this table current and capital expenditure are added together (net of depreciation).

1.17 TME is a consolidated measure of public expenditure, i.e. payments from one sector that are used to finance the expenditure of another sector are excluded from TME, as are the corresponding receipts of the counterparty sector. The split by sector of TME presented in PSS records only the 'own' expenditure components that relate to an individual sector.

CENTRAL GOVERNMENT OWN EXPENDITURE

1.18 Central government own expenditure excludes central government spending in support of local government. Loans and capital grants in support of public corporations are also excluded.

1.19 However, subsidies to public corporations are included here, as exceptionally these intra-public sector flows are not consolidated out in the calculation of TME. Central government expenditure includes:

- departments' own spending;
- spending of agencies and Arms Length Bodies (ALBs) classified to central government; and
- spending of the devolved administrations in Scotland, Wales and Northern Ireland.

1.20 Central government own expenditure is shown split into DEL, departmental AME, and other AME, including locally financed central government expenditure. This latter category at present only includes expenditure of the Northern Ireland departments financed from regional rates. Further analyses of central government own expenditure are presented in **Chapter 6**.

LOCAL GOVERNMENT EXPENDITURE

1.21 Local government expenditure is split according to how it is financed:

- central government support (which can be in either DEL or AME);
- locally financed support in Scotland (the proceeds of non-domestic rates in Scotland that are collected and distributed to local authorities by the Scottish Government); and
- self-financed expenditure. Further analyses of local government expenditure are presented in **Chapter 7**.

PUBLIC CORPORATIONS' EXPENDITURE

1.22 The impact of public corporations on the parent department can be either in DEL or departmental AME. For most public corporations, DEL includes:

- subsidies and capital grants paid;
- interest and dividends received; and
- loans and public dividend capital invested.

1.23 For self-financing public corporations, grants and subsidies score in DEL and the other items are contained in departmental AME.

1.24 Subsidies to public corporations are included in central government own expenditure as they affect central government current expenditure in TME. The total public corporations' expenditure line in this table shows their contribution to TME, which is capital expenditure plus interest and dividends paid to the private sector. Further analyses for public corporations, including information on subsidies, are presented in **Chapter 8**.

CHAPTER 2 ECONOMIC ANALYSES OF BUDGETS

OVERVIEW

The tables in chapter 2 of Public Spending Statistics present an analysis by economic category of the budgeting aggregates shown in chapter 1. A description of the economic categories referred to below can be found in the main chapter text of the Public Spending Statistics.

RESOURCE DEL

- Total resource DEL in real terms was £331.2bn in 2017-18, a decrease of 1.2 per cent on the previous year. This represents a fall of £0.5bn (0.2 per cent) since 2013-14.
- Staff costs increased by 1.8 per cent in 2017-18, a reflection of the reclassification of academies from local to central government.
- Expenditure on grants to local government totalled £57.2bn in 2017-18, a fall of 4.8 per cent on 2016-17. The two greatest causes of this are the move of schools from local government to academies and the fall in Revenue Support Grant, both occurring in England. The financing of local government expenditure is examined in more detail in chapter 7 of PESA.
- Expenditure on gross current procurement increased by 5.7 per cent in 2017-18. A breakdown of gross current procurement by individual departments is shown in table 2.2.
- Spending on administration, composed mainly of pay and procurement, stood at £9.4bn in 2017-18. This is a fall of 0.2 per cent from the previous year.

RESOURCE AME

- Resource departmental AME increased by £141.7bn to £433.2bn in real terms in 2017-18. The large rise reflects a change in the long-term discount rate which increases the present value of expected future long-term costs for a one-off accounting charge. As part of this, take up of provisions increased from £19.3bn to £101.3 bn.
- The majority of the spending within resource AME is made up of grants to persons and non-profit bodies, which is mainly social security benefits. Expenditure on this heading rose by 1.9 per cent to £200.9bn in 2017-18 from £197.3bn in the previous year.
- Depreciation increased to £12.2bn from -£15.9bn in 2016-17. This is mainly due to fluctuations in the valuation of financial sector interventions held by HM Treasury in 2016-17, which reduced resource departmental AME by £23.1bn in that year.

CAPITAL BUDGETS

- Capital spending within budgets was £77.0bn in 2017-18, a rise of 41.4 per cent on the previous year. The majority of capital spending occurred within DEL. Within Capital departmental AME net lending and investment to the private sector and abroad moved from -£4.7bn in 2016-17 to £12.9bn in 2017-18. This is mainly in respect of lending to banks together with decreased income from the sale of shares.
- Within capital budgets, support for local government decreased by £1.5bn (-14.6 per cent) in 2017-18. Table 7.3 of PESA breaks this down by country and department. In the same year gross capital procurement increased by £1.8bn (5.2 per cent).

Table 2.1 Budgets by economic category of spending, 2013-14 to 2017-18

	National Statistics					£ million
	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 outturn	
Resource DEL						
Staff costs	94,805	97,633	101,231	107,814	109,777	
Gross current procurement	100,164	104,369	104,460	110,291	116,605	
Income from sales of goods and services	-16,983	-17,296	-15,495	-22,329	-22,808	
Current grants to local government	72,146	68,860	63,346	60,077	57,204	
Current grants to persons and non-profit bodies	18,239	17,798	17,218	17,653	14,137	
Current grants abroad	3,279	2,419	2,997	3,638	3,745	
Subsidies to private sector companies	4,346	3,929	3,888	4,528	4,625	
Subsidies to public corporations	969	747	639	487	430	
Net public service pensions ⁽¹⁾	134	540	88	78	88	
Rentals	6,895	7,635	7,737	6,467	4,590	
Depreciation ⁽²⁾	22,298	17,169	18,742	25,248	28,661	
Take up of provisions	-22	-147	44	2	1	
Release of provisions	-16	-2	-2	0	0	
Change in pension scheme liabilities	16	74	16	15	86	
Unwinding of the discount rate on pension scheme liabilities	32	0	2	1	1	
Release of provisions covering payments of pensions benefits	0	-386	0	0	0	
Other	24,357	21,669	20,506	15,537	14,065	
Total resource DEL	330,659	325,013	325,418	329,506	331,205	
<i>Of which: administration budgets in resource DEL</i>						
Staff costs	7,497	6,680	6,604	6,499	6,631	
Gross current procurement	4,349	5,005	4,195	3,754	3,905	
Income from sales of goods and services	-1,152	-1,625	-1,288	-1,264	-1,219	
Rentals	473	299	309	407	368	
Depreciation	637	504	479	429	393	
Other	-216	-469	-605	-407	-680	
Total administration budgets in resource DEL	11,589	10,394	9,695	9,418	9,399	
Resource departmental AME						
Staff costs	9,174	10,444	13,197	12,369	13,048	
Gross current procurement	10,323	10,997	12,438	13,041	15,290	
Income from sales of goods and services ⁽³⁾	-1,538	-2,013	-2,178	-1,969	-3,894	
Current grants to local government	44,203	44,616	44,801	44,190	46,661	
Current grants to persons and non-profit bodies	189,628	193,176	195,585	197,262	200,922	
Current grants abroad	-700	-598	-520	-553	-577	
Subsidies to private sector companies	3,217	3,534	4,716	5,103	5,441	
Subsidies to public corporations	54	74	175	170	167	
Net public service pensions ⁽¹⁾	8,947	9,641	9,561	8,812	9,240	
Rentals	377	390	81	204	53	
Depreciation ⁽³⁾	10,241	-42,267	3,776	-15,885	12,194	
Take up of provisions ⁽³⁾	12,966	14,317	132,966	19,258	99,233	
Release of provisions	-4,805	-4,369	-5,420	-6,430	-5,531	
Change in pension scheme liabilities	29,087	34,769	37,596	36,245	53,592	
Unwinding of the discount rate on pension scheme liabilities	37,991	46,255	42,882	42,002	42,648	
Release of provisions covering payments of pensions benefits ⁽⁴⁾	-32,246	-34,222	-35,327	-35,533	-36,492	
Other	-33,717	-30,440	-36,367	-26,726	-18,775	
Total resource departmental AME	283,199	254,303	417,963	291,563	433,221	

Table 2.1 Budgets by economic category of spending, 2013-14 to 2017-18 (continued)

	National Statistics					£ million
	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 outturn	
Resource budgets						
Staff costs	103,979	108,077	114,428	120,183	122,825	
Gross current procurement	110,487	115,366	116,899	123,332	131,895	
Income from sales of goods and services ⁽³⁾	-18,521	-19,309	-17,673	-24,298	-26,702	
Current grants to local government	116,348	113,476	108,147	104,267	103,865	
Current grants to persons and non-profit bodies	207,866	210,974	212,804	214,915	215,059	
Current grants abroad	2,579	1,820	2,477	3,085	3,168	
Subsidies to private sector companies	7,562	7,463	8,604	9,631	10,066	
Subsidies to public corporations	1,023	821	815	657	597	
Net public service pensions ⁽¹⁾	9,081	10,182	9,649	8,891	9,327	
Rentals	7,272	8,025	7,818	6,671	4,643	
Depreciation ^{(2) (3)}	32,539	-25,099	22,518	9,362	40,856	
Take up of provisions ⁽³⁾	12,943	14,171	133,010	19,261	99,234	
Release of provisions	-4,821	-4,371	-5,421	-6,430	-5,531	
Change in pension scheme liabilities	29,102	34,843	37,612	36,259	53,678	
Unwinding of the discount rate on pension scheme liabilities	38,023	46,256	42,883	42,003	42,649	
Release of provisions covering payments of pensions benefits ⁽⁴⁾	-32,247	-34,608	-35,328	-35,533	-36,492	
Other	-9,360	-8,771	-15,860	-11,189	-4,710	
Total resource budgets	613,858	579,316	743,381	621,069	764,426	
Capital DEL						
Capital support for local government	8,579	9,419	9,623	9,305	8,128	
Capital grants to persons and non-profit bodies	5,806	6,189	6,507	3,727	6,859	
Capital grants to private sector companies	5,493	5,742	1,822	1,912	2,336	
Capital grants abroad	2,171	2,112	2,487	2,581	2,173	
Capital support for public corporations	-123	-698	221	213	461	
Release of provisions	4	-	-	-	-	
Gross capital procurement	24,758	27,275	25,432	26,590	28,528	
Income from sales of assets	-1,406	-1,982	-2,278	-1,624	-1,501	
Net lending and investment to the private sector and abroad ⁽³⁾	1,717	2,752	1,965	4,550	4,810	
Other	2,743	2,385	2,824	4,016	3,919	
Total capital DEL	49,742	53,195	48,603	51,268	55,711	
Capital departmental AME						
Capital support for local government	697	1,139	1,219	926	610	
Capital grants to persons and non-profit bodies	666	731	853	459	658	
Capital grants to private sector companies	-144	271	427	674	819	
Capital grants abroad	-99	-32	-77	-27	-24	
Capital support for public corporations	-740	362	102	195	451	
Take up of Provisions	73	149	83	8	276	
Release of Provision	-73	-80	-99	-72	-113	
Gross capital procurement	1,119	1,233	8,134	8,531	8,423	
Income from sales of assets	-167	-346	-243	-126	-136	
Net lending and investment to the private sector and abroad	-4,632	-2,007	-17,331	-4,745	12,919	
Other	-2,889	3,604	-2,323	-2,643	-2,628	
Total capital departmental AME	-6,189	5,024	-9,257	3,179	21,253	

Table 2.1 Budgets by economic category of spending, 2013-14 to 2017-18 (continued)

	National Statistics					£ million
	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 outturn	
Capital budgets						
Capital support for local government	9,276	10,558	10,841	10,231	8,738	
Capital grants to persons and non-profit bodies	6,472	6,920	7,360	4,186	7,517	
Capital grants to private sector companies	5,348	6,013	2,249	2,585	3,154	
Capital grants abroad	2,072	2,080	2,409	2,554	2,148	
Capital support for public corporations	-863	-336	323	407	912	
Take up of Provisions	73	149	83	8	276	
Release of Provision	-69	-80	-99	-72	-113	
Gross capital procurement	25,878	28,508	33,566	35,120	36,951	
Income from sales of assets	-1,572	-2,328	-2,521	-1,750	-1,637	
Net lending and investment to the private sector and abroad	-2,916	746	-15,366	-195	17,728	
Other	-146	5,989	500	1,373	1,291	
Total capital budgets	43,553	58,219	39,346	54,447	76,965	

(1) Figures here are based on payments and receipts that score in TME and incorporate the net effect of bulk and individual transfers. The Resource-Accounts-based measure of net public-service pensions is used in Table 1.1.

(2) Excludes NHS Trusts' depreciation as exceptionally this is not removed in the calculation of TDEL.

(3) Transactions have been affected by financial sector interventions. See Box 2.A for details.

(4) Payments that release provision include bulk and individual transfers, including the transfer of liabilities within government.

Table 2.2 Gross current procurement in budgets, 2013-14 to 2017-18

	£ million				
	National Statistics				
	2013-14	2014-15	2015-16	2016-17	2017-18
	outturn	outturn	outturn	outturn	outturn
Gross current procurement in budgets					
Defence	11,549	11,836	11,223	11,017	11,510
Single Intelligence Account	832	983	1,084	1,107	1,198
Home Office	2,208	2,254	2,445	2,508	2,607
Foreign and Commonwealth Office	727	487	542	592	680
International Development	1,057	1,218	1,193	1,170	1,117
Health and Social Care	55,247	59,341	60,359	65,911	70,767
Work and Pensions	2,228	2,409	2,264	2,063	1,857
Education	3,837	4,427	4,306	4,716	5,262
Business, Energy and Industrial Strategy	2,407	2,220	2,140	2,020	2,046
Transport	1,953	1,746	3,604	3,792	4,312
Exiting the European Union	4	4	4	11	23
Digital, Culture, Media and Sport	3,621	3,580	3,213	3,263	3,148
MHCLG - Housing and Communities	260	288	310	318	124
MHCLG - Local Government	0	-	-	-	-
Scotland	7,406	7,902	7,502	8,071	10,158
Wales	3,421	3,471	3,566	3,854	3,856
Northern Ireland	4,296	4,212	4,275	4,154	4,204
Justice	5,382	4,825	4,466	4,873	5,031
Law Officers' Departments	278	300	313	292	323
Environment, Food and Rural Affairs	1,141	1,161	1,032	895	915
HM Revenue & Customs	201	246	575	201	221
HM Treasury	1,220	1,160	1,245	1,365	1,238
Cabinet Office	241	323	317	286	395
International Trade	191	202	211	203	214
Small and Independent Bodies	780	770	709	650	689
Total gross current procurement in budgets	110,487	115,366	116,899	123,332	131,895

Table 2.3 Gross capital procurement in budgets, 2013-14 to 2017-18

	£ million				
	National Statistics				
	2013-14	2014-15	2015-16	2016-17	2017-18
	outturn	outturn	outturn	outturn	outturn
Gross capital procurement in budgets					
Defence	8,411	9,145	9,015	8,836	9,737
Single Intelligence Account	536	563	581	631	623
Home Office	250	265	271	347	437
Foreign and Commonwealth Office	137	123	134	104	142
International Development	79	79	77	64	252
Health and Social Care	5,008	5,523	5,089	4,850	4,709
Work and Pensions	130	120	102	181	341
Education	2,492	3,171	2,163	2,630	2,106
Business, Innovation and Skills	3,042	3,151	3,171	3,157	3,439
Transport	1,517	2,219	9,232	9,463	10,359
Exiting the European Union	-	-	-	-	1
Digital, Culture, Media and Sport	697	425	383	591	331
MHCLG - Housing and Communities	131	168	139	231	395
Scotland	1,087	1,053	1,113	1,201	1,084
Wales	480	531	467	588	660
Northern Ireland	933	1,011	786	1,052	980
Justice	363	365	297	436	445
Law Officers' Departments	3	4	3	13	10
Environment, Food and Rural Affairs	249	227	191	244	267
HM Revenue & Customs	3	13	3	3	8
HM Treasury	220	240	229	328	308
Cabinet Office	26	28	27	49	123
International Trade	3	2	2	6	15
Small and Independent Bodies	81	83	92	115	177
Total gross capital procurement in budgets	25,878	28,508	33,566	35,120	36,951

BACKGROUND TO ECONOMIC ANALYSES

2.1 This chapter provides an economic category analysis of the budgeting aggregates presented in **Chapter 1**. All data in this chapter fall within the scope of National Statistics.

WHAT'S NEW

2.2 Following the implementation of the Scotland Act 2016 and the associated fiscal Framework, new budgeting arrangements have been agreed with the Scottish Government which see its spend scored as AME rather than DEL. The new arrangements began at the start of 2018-19. The changes only affect tables in **Chapters 2 and 7**. In **Table 2.1** the block grant paid by the UK Government to the Scottish Government is shown against the **Other** economic category in both Resource and Capital DEL, offset by a corresponding receipt in Resource and Capital departmental AME. Spending funded by the block grant and the Scottish Government itself, is then shown against economic categories within Resource and Capital departmental AME. As a result, since PESA 2017 most economic categories in DEL will have been revised down, with a corresponding increase in the same categories within departmental AME. Total spending by the Scottish Government is not affected.

ANALYSES OF BUDGETS BY ECONOMIC CATEGORY OF SPENDING

2.3 **Table 2.1** shows analyses of budgets by economic category of spending, consistent with the budgeting aggregates reported in **Chapter 1**. The breakdowns of resource DEL and resource departmental AME are consistent with **Table 1.3**; administration budgets in resource DEL with **Table 1.7**; and capital budgets with **Table 1.8**.

2.4 Brief descriptions of the largest economic categories are given below, including the main differences from the corresponding economic categories presented against the expenditure on services framework in **Tables 5.3 and 6.5**.

2.5 **Staff costs** includes wages and salaries, employers' social contributions, payments of accruing superannuation liability charges for UK staff and locally engaged staff overseas, and amounts that finance employee contributions to pension schemes. It also includes income from the recovery of secondee costs and payments for contract and agency staff that were formerly treated as procurement expenditure.

2.6 **Gross current procurement** shows expenditure on goods and services, including accommodation and building management, ICT outsourcing, maintenance and support, travel costs and payments for consultancy and audit services. It also includes the purchase of services from GPs.

2.7 Current grants include all transfer payments other than subsidies (see 2.8 below) that are not used to fund capital formation. In **Table 2.1** these grants are analysed by recipient: local government; persons and non-profit bodies; and overseas recipients. **Current grants to local government** are intra-public sector payments that consolidate out of Total Managed Expenditure (TME), which is the government's preferred measure of total public spending. Further information on local government finance is given in **Chapter 7**. **Current grants to persons and non-profit bodies** largely comprise social security benefits included in resource departmental AME, as well as funding (usually in DEL) to further and higher education institutions and other non-profit private sector bodies. **Current grants abroad** are mainly foreign aid, such as programmes to reduce poverty.

2.8 Subsidies are current transfer payments to trading businesses (both private sector companies and public corporations) to provide support for current costs, including payments to farmers under the EU's Common Agricultural Policy as well as subsidies to rail and bus operators. They are given with the objective of influencing their levels of production, their prices, or other factors. Unlike other intra-public sector transactions, subsidies to public corporations are included within TME as the receipt of this funding, and subsequent spending, is included within the calculation of the PC's gross operating surplus (which scores on the revenue side of the National Accounts).

2.9 Rentals shows net expenditure on hire and rentals under PFI and non-PFI operating leases.

2.10 Depreciation, also termed capital consumption, represents the amount of capital used up in respect of fixed assets measured on the basis of International Financial Reporting Standards (IFRS). The depreciation lines in **Table 2.1** also include releases from the donated assets and government grant reserves, as well as impairments and downward revaluations of fixed assets. As mentioned above, depreciation now also includes the grant equivalent element of student lending. This is the subsidy implied in student loans being issued at the inflation rate rather than the market interest rate.

2.11 Take-up of provisions are costs in resource budgets recognising that liabilities have been incurred that will more likely than not lead to a future payment, but where the amount and timing of these future payments are uncertain. Upon settling the liability the payment scores to the resource or capital budget according to the economic category of the transaction, whilst an equal and opposite (negative) **release of provisions** scores as a benefit to the resource budget. These lines do not include pension scheme provisions (see below).

Box 2.A: Treatment of financial sector interventions in budgets

In the pre-Budget report of December 2009 the use in fiscal policy of new aggregates excluding the temporary effects of financial interventions was introduced. In these aggregates, banks that are classified to the public sector in the National Accounts (Northern Rock, Bradford & Bingley, Dunfermline, Lloyds Banking Group and Royal Bank of Scotland) are treated as if they are outside the public sector, reflecting the Government's intention to return these banks or their assets to the private sector.

The financial sector interventions are treated as follows in **Table 2.1**:

Resource budget

- Income from sales of goods and services: -£0.2 billion in 2014-15, £0.0 billion in 2015-16, -£0.1 billion in 2016-17 and -£0.1 billion in 2017-18. This is mainly underwriting commission and guarantee fee income;
- Depreciation: In 2013-14 there an impairment of £13.0 billion. There was a gain of £48.0 billion in 2014-15, £10.5 billion in 2015-16 and £23.1 billion in 2016-17. In 2017-18 there was an impairment of £0.4 billion.
- Other: income of -£4.5 billion in 2013-14, -£0.5 billion in 2014-15, -£6.2 billion in 2015-16, -£1.7 billion in 2016-17 and -£0.5 billion in 2017-18. This is mainly interest paid to government and from the sale of shares.

Capital budget

- Net lending to the private sector: -£4.9 billion in 2013-14, -£3.0 billion in 2014-15, -£11.3 billion in 2015-16, -£3.5 billion in 2016-17 and -£0.9 billion in 2017-18. This is mainly lending to banks and the Financial Services Compensation Scheme and subsequent repayments, and income from the sale of shares in Lloyds Banking Group and the Royal Bank of Scotland.

These transactions score within the HM Treasury AME budget.

2.12 Net public service pensions shows the costs of pensions on a National Accounts basis; that is, payments to pensioners less receipts of contributions by employers and employees. It also includes cash payments and receipts associated with bulk and individual transfers into and out of the scheme. **Change in pension scheme liabilities** shows increases to the liability as measured on an IFRS basis. This includes changes to current service costs, the non-cash impact of bulk or individual transfers in or out, and purchases of added years. **Release of provisions covering payments of pension benefits** records a reduction equal and opposite to the pension benefits paid, where these are charged to the provision. The **unwinding of the discount rate** on pension scheme liabilities shows the increase in the liability as future payments move one year closer to being paid (so the effects of discounting reduce). More information on pensions is included in **Annex D**, and a reconciliation from IFRS pensions in departmental AME to the National Accounts measure is given in **Table D1**.

2.13 Capital grants are transfer payments that are usually made on the condition that the recipient uses the funds for capital projects. Capital grants in **Table 2.1** are analysed by the nature of the recipient: persons and non-profit bodies; private sector companies; and overseas recipients. Capital grants to local government and public corporations are included as part of the respective capital support rows (see paragraphs 2.13 and 2.14).

2.14 Capital support for local government shows central government support for local government capital expenditure, comprising capital grants and Supported Capital Expenditure (Revenue). More information is given in **Chapter 7**.

2.15 Capital support for public corporations comprises capital grants, net lending (see paragraph 2.18) and public corporations' market and overseas borrowing where this scores in the parent department's budget.

2.16 Gross capital procurement comprises the acquisition of fixed assets (such as land, buildings and machinery) as well as any net increases in stock (where included in budgets). It is measured gross of depreciation. It includes the pay of civil servants engaged in in-house capital formation that is recorded as capital expenditure, rather than as pay..

2.17 Income from sales of capital assets records the sale value (book value plus profit/loss) of any assets, such as land, buildings and machinery, disposed of.

2.18 Net lending to private sector means lending by government net of any repayments of previous lending. It includes transactions in shares of private companies – so for example privatisation receipts count as negative net lending.

2.19 Other includes items that are too small or too uncommon to warrant an individual line. These include certain receipts that are usually treated as part of revenue in the National Accounts and certain financial transactions. Write-offs of stock and loans are also recorded here. In **Chapters 5 and 6** they are recorded as capital grants in line with National Accounts.

2.20 Table 2.2 shows central government gross current procurement expenditure in budgets by departmental group.

2.21 Table 2.3 shows central government own capital procurement, gross of depreciation and before deduction of sales, broken down by departmental group.

CHAPTER 4 TRENDS IN PUBLIC SPENDING

OVERVIEW

The tables in chapter 4 show trends in public spending on a longer run basis than other chapters in release, in nominal terms, real terms (inflation-adjusted) and percentage of GDP terms.

Table 4.1 shows long run trends in Total Managed Expenditure (TME) and its Public Sector Current Expenditure (PSCE) and Public Sector Net Investment (PSNI) components back to 1976-77.

Tables 4.2 to 4.4 show total expenditure on services split by high level spending function (health, education, social protection, etc.) back to 1994-95.

TRENDS IN TME, PSCE AND PSNI (TABLE 4.1)

- During 2017-18, Total Managed Expenditure has increased in nominal terms by £17.5bn (2.3 per cent), and also in real (inflation-adjusted) terms by £4.3bn (0.6 per cent).
- Since 1976-77, real terms year-on-year decreases in TME have only occurred in 1977-78, 1985-86, 1988-89, 1996-97, 2011-12, 2013-14 and 2016-17.
- TME as a percentage of GDP, which shows the size of the public sector relative to the size of the whole economy, was 38.4 per cent in 2017-18. This is lowest figure since 2003-04.

TRENDS IN FUNCTIONAL EXPENDITURE (TABLE 4.2 TO 4.4)

- In real terms, spending in eight functions increased whilst spending in two functions fell during 2017-18.
- The largest real terms percentage increases were in **Housing and Community Amenities** (15.3 per cent) and in **Economic Affairs** (6.6 per cent).
- The real terms decreases in spending were in **Social Protection** (-0.6 per cent), and in **Recreation, Culture and Religion** (-0.1 per cent).
- Spending on **Health** shows a nominal and real terms increase in 2017-18 (2.3 per cent in nominal terms, 0.5 per cent in real terms).
- For greater detail see Table 5.2, which shows a breakdown of public spending at the sub-functional level.

Chart 2: Trends in public spending

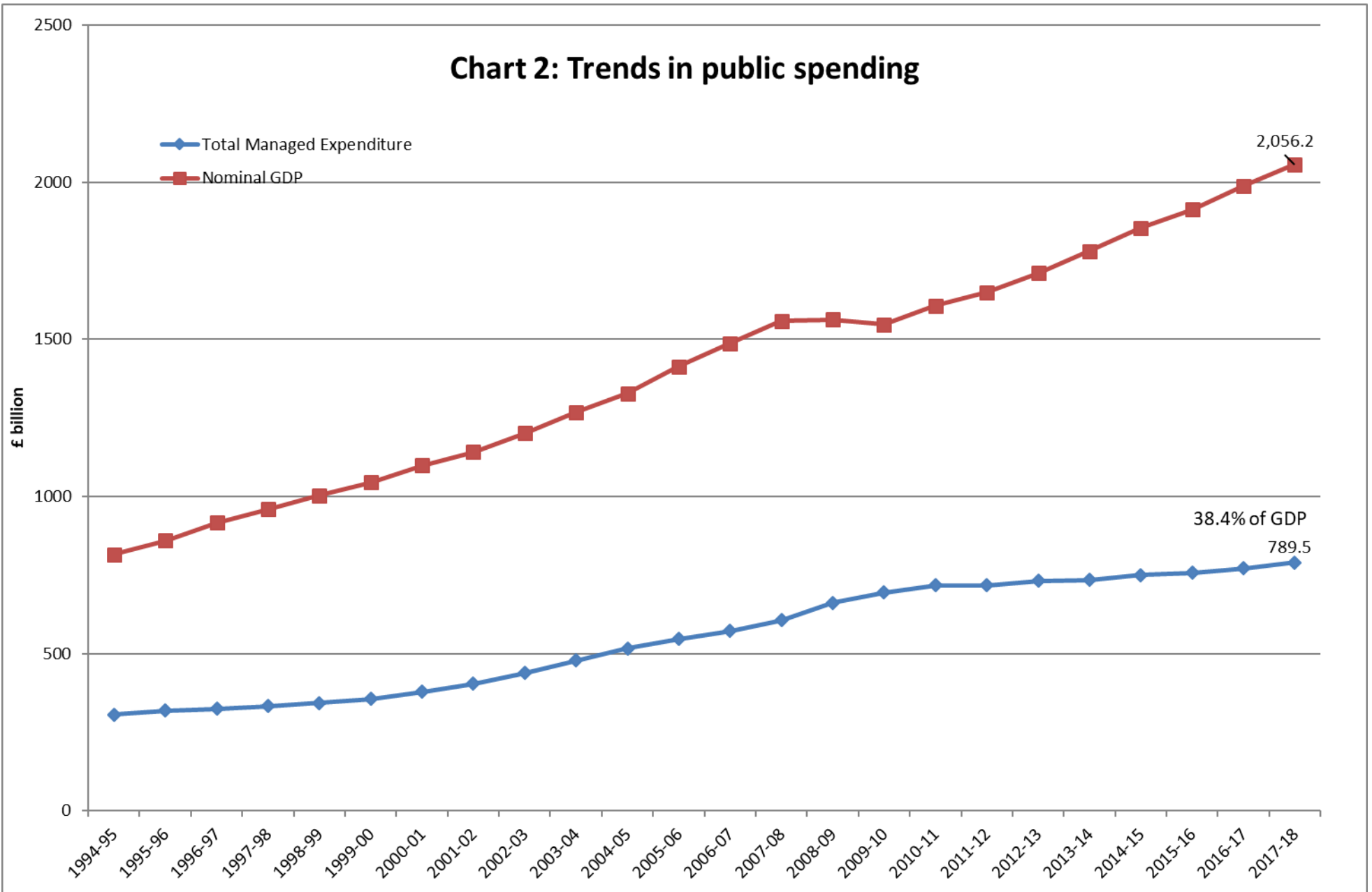


Table 4.1 Public expenditure aggregates, 1976-77 to 2017-18

Outturn data in this table up to 2017-18 fall within the scope of National Statistics

	Public sector current expenditure			Depreciation	Public sector net investment			Total Managed Expenditure ⁽²⁾		
	Nominal £ billion	Real terms ⁽¹⁾ £ billion	Per cent of GDP		Nominal £ billion	Nominal £ billion	Real terms ⁽¹⁾ £ billion	Per cent of GDP	Nominal £ billion	Real terms ⁽¹⁾ £ billion
1976-77	51.2	298.0	36.1	6.4	6.4	37.4	4.5	64.1	372.9	45.1
1977-78	57.5	294.2	34.7	7.4	5.2	26.8	3.2	70.2	358.8	42.3
1978-79	66.1	304.0	34.4	8.4	5.2	23.9	2.7	79.7	366.5	41.5
1979-80	79.6	313.2	34.2	10.0	5.8	22.7	2.5	95.3	375.1	41.0
1980-81	96.8	319.8	36.2	12.1	5.8	19.2	2.2	114.7	378.8	42.9
1981-82	110.8	331.1	37.2	13.2	4.1	12.4	1.4	128.2	382.9	43.0
1982-83	121.6	338.8	37.2	13.9	6.1	17.1	1.9	141.6	394.4	43.3
1983-84	131.3	349.0	36.7	14.6	7.6	20.2	2.1	153.4	407.8	42.9
1984-85	142.0	357.3	36.8	14.8	7.3	18.4	1.9	164.1	412.8	42.5
1985-86	150.5	359.1	35.6	14.4	6.3	15.1	1.5	171.3	408.6	40.4
1986-87	158.7	363.5	34.9	14.9	4.8	11.0	1.1	178.4	408.7	39.2
1987-88	169.6	368.0	33.2	14.9	4.7	10.2	0.9	189.3	410.6	37.1
1988-89	176.3	359.2	31.0	15.8	3.8	7.7	0.7	195.9	399.1	34.4
1989-90	191.1	361.4	30.5	16.8	9.0	17.0	1.4	216.8	410.1	34.6
1990-91	208.1	363.8	30.7	16.7	10.3	17.9	1.5	235.1	411.0	34.7
1991-92	232.0	383.6	32.5	15.4	13.5	22.3	1.9	260.9	431.4	36.6
1992-93	252.1	406.6	34.3	15.3	14.0	22.7	1.9	281.5	453.9	38.3
1993-94	266.2	419.0	34.2	15.6	11.9	18.8	1.5	293.7	462.4	37.7
1994-95	277.6	431.8	34.0	15.7	12.3	19.1	1.5	305.5	475.2	37.4
1995-96	291.2	439.4	33.9	15.7	12.6	19.0	1.5	319.4	482.0	37.1
1996-97	300.3	437.8	32.8	16.0	7.6	11.1	0.8	323.9	472.2	35.3
1997-98	308.2	446.4	32.1	18.7	6.5	9.3	0.7	333.4	482.8	34.8
1998-99	316.6	452.6	31.6	18.8	7.8	11.1	0.8	343.1	490.6	34.2
1999-00	327.5	466.4	31.3	19.4	9.2	13.1	0.9	356.1	507.2	34.1
2000-01	349.1	486.3	31.8	20.0	9.2	12.8	0.8	378.3	526.9	34.4
2001-02	366.9	506.1	32.1	20.9	16.4	22.6	1.4	404.2	557.5	35.4
2002-03	394.2	530.5	32.8	22.8	20.8	27.9	1.7	437.8	589.2	36.5
2003-04	430.8	568.0	34.0	22.9	23.8	31.4	1.9	477.5	629.6	37.6
2004-05	463.5	595.1	34.9	24.5	28.9	37.0	2.2	516.9	663.6	38.9
2005-06	490.8	614.0	34.7	25.9	29.7	37.2	2.1	546.4	683.5	38.7
2006-07	513.7	624.1	34.5	27.2	31.0	37.6	2.1	571.9	694.8	38.4
2007-08	544.4	645.4	34.9	28.2	33.9	40.2	2.2	606.5	719.1	38.9
2008-09	577.1	666.1	36.9	31.1	53.5	61.7	3.4	661.7	763.8	42.3
2009-10	610.0	694.3	39.4	32.5	52.7	60.0	3.4	695.2	791.2	44.9
2010-11	637.7	712.5	39.7	33.9	45.7	51.1	2.8	717.4	801.5	44.7
2011-12	645.9	712.3	39.1	35.4	35.9	39.6	2.2	717.3	791.0	43.5
2012-13	655.9	709.1	38.3	36.6	39.3	42.5	2.3	731.8	791.1	42.8
2013-14	665.2	706.1	37.3	38.0	30.7	32.6	1.7	733.8	779.0	41.2
2014-15	674.8	707.3	36.4	39.0	36.6	38.4	2.0	750.4	786.5	40.5
2015-16	682.6	709.8	35.7	40.1	34.1	35.4	1.8	756.8	786.9	39.6
2016-17	692.7	704.5	34.8	40.8	38.5	39.1	1.9	772.0	785.2	38.8
2017-18	707.8	707.8	34.4	41.0	40.7	40.7	2.0	789.5	789.5	38.4

(1) Real terms figures are the nominal figures adjusted to 2017-18 price levels using GDP deflators from the Office for National Statistics (released 29 June 2018).

(2) This excludes the temporary effects of banks being classified to the public sector. See Box 5.A in PESA for details.

Public Spending Statistics July 2018

Table 4.2 Public sector expenditure on services by function, 1994-95 to 2017-18

£ billion

	cash basis				accruals basis																			
					National Statistics																			
	1994-95 outturn	1995-96 outturn	1996-97 outturn	1997-98 outturn	1998-99 outturn	1999-00 outturn	2000-01 outturn	2001-02 outturn	2002-03 outturn	2003-04 outturn	2004-05 outturn	2005-06 outturn	2006-07 outturn	2007-08 outturn	2008-09 outturn	2009-10 outturn	2010-11 outturn	2011-12 outturn	2012-13 outturn	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 outturn
1. General public services	32.7	36.3	37.4	39.0	39.8	37.2	38.7	36.1	35.5	38.7	43.0	46.1	48.4	51.3	54.7	50.1	62.9	63.8	59.5	61.1	59.4	59.7	63.5	68.3
<i>of which: public and common services</i>	5.9	6.1	6.2	6.2	7.2	8.0	7.9	9.2	9.8	10.9	12.1	12.8	12.7	12.5	14.0	13.8	12.8	11.5	11.2	11.2	11.5	11.2	12.5	13.1
<i>of which: international services</i>	3.3	3.4	3.1	3.1	3.2	3.7	4.2	4.3	4.5	5.1	5.5	6.2	6.3	6.7	6.4	7.1	7.8	7.7	7.7	9.8	10.5	10.4	10.9	10.7
<i>of which: public sector debt interest</i>	23.5	26.8	28.1	29.7	29.4	25.5	26.6	22.6	21.2	22.7	25.4	27.1	29.4	32.1	34.3	29.2	42.3	44.6	40.6	40.1	37.4	38.0	40.2	44.5
2. Defence ⁽¹⁾	23.3	22.5	22.1	21.7	24.5	25.1	25.7	25.4	27.0	28.8	29.8	31.0	32.2	33.7	36.8	37.7	39.3	38.7	36.3	36.4	36.7	36.6	37.1	38.7
3. Public order and safety	15.6	16.0	16.4	17.1	18.0	18.4	20.4	23.1	24.4	26.4	28.5	29.3	30.4	31.7	33.7	34.1	33.1	32.1	31.3	29.6	30.5	30.2	30.1	31.6
4. Economic affairs	23.9	23.6	23.4	21.6	19.6	21.5	23.8	27.7	30.7	33.1	33.6	35.3	37.5	37.4	49.7	48.7	40.0	37.8	36.7	40.9	40.6	46.5	48.5	52.5
<i>of which: enterprise and economic development⁽²⁾</i>	4.7	4.5	4.3	4.3	3.1	4.4	4.9	5.1	5.9	6.0	6.5	6.4	6.3	7.1	16.2	12.2	4.9	4.8	5.0	6.7	6.3	7.1	8.0	8.4
<i>of which: science and technology</i>	1.1	1.2	1.4	1.4	1.4	1.4	1.4	1.7	2.1	2.3	2.5	3.0	2.9	3.3	3.2	3.6	3.4	3.6	3.3	4.2	4.5	4.8	4.5	5.0
<i>of which: employment policies</i>	3.2	3.1	2.8	2.5	2.9	3.5	3.8	3.3	3.0	3.2	3.2	3.3	3.3	2.1	3.5	4.1	4.7	3.2	2.9	3.8	2.8	2.4	2.4	2.6
<i>of which: agriculture, fisheries and forestry</i>	3.4	3.9	5.4	4.7	4.4	4.3	4.7	6.3	4.9	5.3	5.4	5.6	5.1	4.3	5.8	5.8	5.5	5.8	5.3	5.4	5.2	4.5	5.2	5.3
<i>of which: transport^{(3), (4)}</i>	11.5	10.9	9.5	8.7	7.8	7.9	9.0	11.3	14.8	16.3	16.0	17.0	19.9	20.6	21.0	23.0	21.5	20.4	20.2	20.8	21.8	27.7	28.4	31.2
5. Environment protection	3.8	4.1	3.7	4.0	4.3	4.9	5.1	5.4	6.0	6.2	7.0	8.5	9.4	9.6	9.2	10.4	10.9	10.5	10.7	11.2	11.6	11.6	11.0	11.4
6. Housing and community amenities	6.2	6.0	5.7	4.9	5.5	4.7	5.5	6.2	5.4	6.7	8.0	10.7	11.5	13.0	15.3	16.3	13.3	10.2	10.0	9.9	10.3	9.8	10.3	12.1
7. Health	39.4	41.4	42.8	44.5	46.9	49.4	54.2	59.8	66.2	74.9	82.9	89.8	94.7	101.1	108.7	116.9	119.9	121.3	124.3	129.4	134.1	138.5	142.6	145.8
8. Recreation, culture and religion	5.2	5.5	5.7	6.4	7.2	7.7	7.8	8.6	9.3	9.7	10.0	10.8	11.4	11.9	12.4	13.2	13.0	12.5	12.7	11.6	12.4	11.4	11.6	11.8
9. Education ⁽⁵⁾	36.2	37.0	37.8	38.6	40.0	42.2	45.9	51.2	54.7	61.0	65.1	69.8	73.0	78.7	83.0	88.5	91.5	86.5	84.1	84.7	85.1	84.9	84.9	87.8
10. Social protection	102.0	107.6	112.8	114.5	115.2	123.0	128.5	137.4	145.3	155.6	164.1	171.0	177.0	188.6	203.4	223.0	230.4	244.8	253.4	253.9	261.0	264.8	265.3	268.2
EU transactions ⁽⁶⁾	-4.3	-4.1	-5.2	-3.7	-2.6	-2.7	-2.6	-4.8	-1.9	-2.1	-0.9	-0.6	-1.8	-1.5	-2.9	0.9	5.9	4.3	6.7	7.2	6.2	7.7	4.7	5.4
Public sector expenditure on services	284.0	295.9	302.6	308.6	318.4	331.4	353.0	376.1	402.6	439.0	471.1	501.7	523.7	555.5	604.0	639.8	660.2	662.3	665.8	675.9	687.8	701.7	709.7	733.6
Accounting adjustments	21.5	23.5	21.3	24.8	24.7	24.7	25.3	28.1	35.2	38.5	45.7	44.7	48.2	51.1	57.7	55.4	57.2	54.9	66.0	57.9	62.6	55.1	62.3	55.9
Total Managed Expenditure⁽⁷⁾	305.5	319.4	323.9	333.4	343.1	356.1	378.3	404.2	437.8	477.5	516.9	546.4	571.9	606.5	661.7	695.2	717.4	717.3	731.8	733.8	750.4	756.8	772.0	789.5

(1) The 2015 Spending Review continued the commitment to meet the NATO investment pledge to spend 2% of GDP on Defence for the rest of this decade. This is evaluated using the NATO definitions of Defence spending rather than the UN COFOG definitions that are used in this table. The UN COFOG and NATO measures of Defence use different definitions and are therefore not comparable. For example, the NATO Defence figures include pensions whereas in COFOG these are included in Social Protection. Details and figures on NATO Defence expenditures can be found at the following http://www.nato.int/cps/ov/natohq/topics_49198.htm

(2) Transactions in 2008-09 onwards have been affected by financial sector interventions. Details are provided in chapter 5 Box 5.A.

(3) Following implementation of ESA2010, Network Rail is now classified to Central Government. Consequently Total Managed Expenditure (TME) includes Network Rail spending in all years shown, however the actual expenditure of Network Rail only appears in the Department for Transport budget from 2015-16. The functional analysis shown includes Network Rail spending from 2015-16 and is therefore only included within 'Total Expenditure on services' from that year.

(4) In order to align with ONS data, the transport function now includes expenditure relating to the local government part of the TfL subsidiary, 'Transport Trading Limited'. This data has been obtained from the Office for National Statistics and currently includes expenditure of bodies such as Crossrail and Rail for London from 2011-12 onwards.

(5) From 2011-12 onwards the 'grant-equivalent element of student loans' is no longer part of the TES framework and has therefore been removed from the Education function. Therefore figures are not directly comparable between 2010-11 and 2011-12. A full explanation of this decision can be found in PESA 2016 Annex E.

(6) From 2010-11 onwards VAT-based payments are no longer deducted from EU transactions thus bringing these totals in-line with ESA10.

(7) This excludes the temporary effects of banks being classified to the public sector. See Box 5.A for details.

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Table 4.3 Public sector expenditure on services by function in real terms⁽¹⁾, 1994-95 to 2017-18

£ billion

	cash basis				accruals basis																				
					National Statistics																				
	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	
	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn	outturn
1. General public services	50.8	54.7	54.6	56.5	56.9	53.0	53.9	49.8	47.7	51.1	55.2	57.7	58.8	60.8	63.1	57.0	70.2	70.3	64.4	64.8	62.2	62.0	64.6	68.3	
<i>of which: public and common services</i>	9.2	9.2	9.0	9.0	10.3	11.4	11.0	12.7	13.2	14.4	15.5	16.0	15.4	14.8	16.2	15.7	14.3	12.6	12.1	11.9	12.0	11.7	12.7	13.1	
<i>of which: international services</i>	5.1	5.1	4.5	4.5	4.6	5.3	5.9	5.9	6.1	6.7	7.1	7.8	7.7	7.9	7.4	8.1	8.7	8.5	8.4	10.4	11.0	10.9	11.0	10.7	
<i>of which: public sector debt interest</i>	36.5	40.4	41.0	43.0	42.0	36.3	37.0	31.2	28.5	30.0	32.6	33.9	35.8	38.0	39.6	33.2	47.2	49.2	43.9	42.6	39.2	39.5	40.8	44.5	
2. Defence ⁽²⁾	36.2	34.0	32.2	31.4	35.0	35.8	35.8	35.0	36.3	38.0	38.3	38.8	39.1	40.0	42.5	42.9	43.9	42.6	39.3	38.6	38.5	38.1	37.8	38.7	
3. Public order and safety	24.3	24.1	23.9	24.8	25.7	26.2	28.4	31.9	32.8	34.8	36.6	36.7	36.9	37.6	38.9	38.8	37.0	35.4	33.8	31.4	32.0	31.4	30.6	31.6	
4. Economic affairs	37.2	35.6	34.1	31.3	28.0	30.6	33.2	38.2	41.3	43.6	43.1	44.2	45.6	44.3	57.4	55.4	44.7	41.7	39.7	43.4	42.5	48.3	49.3	52.5	
<i>of which: enterprise and economic development⁽³⁾</i>	7.3	6.8	6.3	6.2	4.4	6.3	6.8	7.0	7.9	7.9	8.3	8.0	7.7	8.4	18.7	13.9	5.5	5.3	5.4	7.1	6.6	7.4	8.1	8.4	
<i>of which: science and technology</i>	1.7	1.8	2.0	2.0	2.0	2.0	2.3	2.8	3.0	3.2	3.8	3.5	3.9	3.7	4.1	3.8	4.0	3.6	4.5	4.7	5.0	4.6	5.0	5.0	
<i>of which: employment policies</i>	5.0	4.7	4.1	3.6	4.1	5.0	5.3	4.6	4.0	4.2	4.1	4.1	4.0	2.5	4.0	4.7	5.3	3.6	3.1	4.0	3.0	2.5	2.4	2.6	
<i>of which: agriculture, fisheries and forestry</i>	5.3	5.9	7.9	6.8	6.3	6.1	6.5	8.7	6.6	7.0	6.9	7.0	6.2	5.1	6.7	6.6	6.1	6.4	5.7	5.7	5.5	4.7	5.3	5.3	
<i>of which: transport^{(4), (5)}</i>	17.9	16.5	13.8	12.6	11.2	11.3	12.5	15.6	19.9	21.5	20.5	21.3	24.2	24.4	24.2	26.2	24.0	22.5	21.9	22.1	22.8	28.8	28.9	31.2	
5. Environment protection	5.9	6.2	5.4	5.8	6.1	7.0	7.1	7.4	8.1	8.2	9.0	10.6	11.4	11.4	10.6	11.8	12.2	11.6	11.5	11.9	12.1	12.1	11.2	11.4	
6. Housing and community amenities	9.6	9.1	8.3	7.1	7.9	6.7	7.7	8.6	7.3	8.8	10.3	13.4	14.0	15.4	17.7	18.6	14.9	11.2	10.8	10.5	10.8	10.2	10.5	12.1	
7. Health	61.3	62.5	62.4	64.4	67.1	70.4	75.5	82.5	89.1	98.7	106.4	112.3	115.1	119.9	125.5	133.0	134.0	133.7	134.4	137.4	140.5	144.0	145.0	145.8	
8. Recreation, culture and religion	8.1	8.3	8.3	9.3	10.3	11.0	10.9	11.9	12.5	12.8	12.8	13.5	13.9	14.1	14.3	15.0	14.5	13.8	13.7	12.3	13.0	11.8	11.8	11.8	
9. Education ⁽⁶⁾	56.3	55.8	55.1	55.9	57.2	60.1	63.9	70.6	73.6	80.4	83.6	87.3	88.7	93.3	95.8	100.7	102.2	95.4	90.9	89.9	89.1	88.3	86.4	87.8	
10. Social protection	158.7	162.4	164.4	165.8	164.7	175.2	179.0	189.5	195.5	205.1	210.7	213.9	215.0	223.6	234.8	253.8	257.4	270.0	273.9	269.6	273.6	275.4	269.9	268.2	
EU transactions ⁽⁷⁾	-6.7	-6.2	-7.6	-5.4	-3.7	-3.8	-3.6	-6.6	-2.6	-2.8	-1.2	-0.8	-2.2	-1.8	-3.3	1.0	6.6	4.8	7.2	7.7	6.5	8.0	4.8	5.4	
Public sector expenditure on services	441.8	446.5	441.2	446.9	455.2	472.0	491.7	518.7	541.8	578.8	604.8	627.6	636.3	658.5	697.1	728.2	737.6	730.4	719.7	717.5	720.9	729.6	721.8	733.6	
Accounting adjustments	33.4	35.5	31.0	35.9	35.4	35.2	35.3	38.8	47.4	50.7	58.7	55.9	58.5	60.6	66.6	63.1	63.9	60.6	71.4	61.5	65.6	57.3	63.4	55.9	
Total Managed Expenditure⁽⁸⁾	475.2	482.0	472.2	482.8	490.6	507.2	526.9	557.5	589.2	629.6	663.6	683.5	694.8	719.1	763.8	791.2	801.5	791.0	791.1	779.0	786.5	786.9	785.2	789.5	

(1) Real terms figures are the nominal figures adjusted to 2017-18 price levels using GDP deflators from the Office for National Statistics (released 29 June 2018).

(2) The 2015 Spending Review continued the commitment to meet the NATO investment pledge to spend 2% of GDP on Defence for the rest of this decade. This is evaluated using the NATO definitions of Defence spending rather than the UN COFOG definitions that are used in this table. The UN COFOG and NATO measures of Defence use different definitions and are therefore not comparable. For example, the NATO Defence figures include pensions whereas in COFOG these are included in Social Protection. Details and figures on NATO Defence expenditures can be found at the following http://www.nato.int/cps/on/natohg/topics_49198.htm

(3) Transactions from 2008-09 onwards have been affected by financial sector interventions. Details are provided in chapter 5 Box 5.A.

(4) Following implementation of ESA2010, Network Rail is now classified to Central Government. Consequently Total Managed Expenditure (TME) includes Network Rail spending in all years shown, however the actual expenditure of Network Rail only appears in the Department for Transport budget from 2015-16. The functional analysis shown includes Network Rail spending from 2015-16 and is therefore only included within 'Total Expenditure on services' from that year.

(5) In order to align with ONS data, the transport function now includes expenditure relating to the local government part of the TfL subsidiary, 'Transport Trading Limited'. This data has been obtained from the Office for National Statistics and currently includes expenditure of bodies such as Crossrail and Rail for London from 2011-12 onwards.

(6) From 2011-12 onwards the 'grant-equivalent element of student loans' is no longer part of the TES framework and has therefore been removed from the Education function. Therefore figures are not directly comparable between 2010-11 and 2011-12. A full explanation of this decision can be found in PESA 2016 Annex E.

(7) From 2010-11 onwards VAT-based payments are no longer deducted from EU transactions thus bringing these totals in-line with ESA10.

(8) This excludes the temporary effects of banks being classified to the public sector. See Box 5.A for details.

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Table 4.4 Public sector expenditure on services by function as a per cent of GDP⁽¹⁾, 1994-95 to 2017-18

	cash basis				accruals basis																		per cent	
					National Statistics																			
	1994-95 outturn	1995-96 outturn	1996-97 outturn	1997-98 outturn	1998-99 outturn	1999-00 outturn	2000-01 outturn	2001-02 outturn	2002-03 outturn	2003-04 outturn	2004-05 outturn	2005-06 outturn	2006-07 outturn	2007-08 outturn	2008-09 outturn	2009-10 outturn	2010-11 outturn	2011-12 outturn	2012-13 outturn	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 outturn
1. General public services	4.0	4.2	4.1	4.1	4.0	3.6	3.5	3.2	3.0	3.1	3.2	3.3	3.3	3.3	3.5	3.2	3.9	3.9	3.5	3.4	3.2	3.1	3.2	3.3
<i>of which: public and common services</i>	<i>0.7</i>	<i>0.7</i>	<i>0.7</i>	<i>0.6</i>	<i>0.7</i>	<i>0.8</i>	<i>0.7</i>	<i>0.8</i>	<i>0.8</i>	<i>0.9</i>	<i>0.9</i>	<i>0.9</i>	<i>0.9</i>	<i>0.8</i>	<i>0.9</i>	<i>0.8</i>	<i>0.7</i>	<i>0.7</i>	<i>0.6</i>	<i>0.6</i>	<i>0.6</i>	<i>0.6</i>	<i>0.6</i>	
<i> of which: international services</i>	<i>0.4</i>	<i>0.4</i>	<i>0.3</i>	<i>0.3</i>	<i>0.3</i>	<i>0.4</i>	<i>0.4</i>	<i>0.4</i>	<i>0.4</i>	<i>0.4</i>	<i>0.4</i>	<i>0.4</i>	<i>0.4</i>	<i>0.4</i>	<i>0.4</i>	<i>0.5</i>	<i>0.5</i>	<i>0.5</i>	<i>0.5</i>	<i>0.5</i>	<i>0.6</i>	<i>0.5</i>	<i>0.5</i>	
<i> of which: public sector debt interest</i>	<i>2.9</i>	<i>3.1</i>	<i>3.1</i>	<i>3.1</i>	<i>2.9</i>	<i>2.4</i>	<i>2.4</i>	<i>2.0</i>	<i>1.8</i>	<i>1.8</i>	<i>1.9</i>	<i>1.9</i>	<i>2.0</i>	<i>2.1</i>	<i>2.2</i>	<i>1.9</i>	<i>2.6</i>	<i>2.7</i>	<i>2.4</i>	<i>2.3</i>	<i>2.0</i>	<i>2.0</i>	<i>2.2</i>	
2. Defence ⁽²⁾	2.9	2.6	2.4	2.3	2.4	2.4	2.3	2.2	2.2	2.3	2.2	2.2	2.2	2.2	2.4	2.4	2.3	2.1	2.0	2.0	1.9	1.9	1.9	
3. Public order and safety	1.9	1.9	1.8	1.8	1.8	1.8	1.9	2.0	2.0	2.1	2.1	2.1	2.0	2.0	2.2	2.2	2.1	1.9	1.8	1.7	1.6	1.6	1.5	1.5
4. Economic affairs	2.9	2.7	2.6	2.3	2.0	2.1	2.2	2.4	2.6	2.6	2.5	2.5	2.5	2.4	3.2	3.1	2.5	2.3	2.1	2.3	2.2	2.4	2.4	2.6
<i>of which: enterprise and economic development⁽³⁾</i>	<i>0.6</i>	<i>0.5</i>	<i>0.5</i>	<i>0.4</i>	<i>0.3</i>	<i>0.4</i>	<i>0.4</i>	<i>0.4</i>	<i>0.5</i>	<i>0.5</i>	<i>0.5</i>	<i>0.5</i>	<i>0.4</i>	<i>0.5</i>	<i>1.0</i>	<i>0.8</i>	<i>0.3</i>	<i>0.3</i>	<i>0.3</i>	<i>0.4</i>	<i>0.3</i>	<i>0.4</i>	<i>0.4</i>	
<i>of which: science and technology</i>	<i>0.1</i>	<i>0.1</i>	<i>0.2</i>	<i>0.1</i>	<i>0.1</i>	<i>0.1</i>	<i>0.1</i>	<i>0.1</i>	<i>0.2</i>	<i>0.2</i>	<i>0.2</i>	<i>0.2</i>	<i>0.2</i>	<i>0.2</i>	<i>0.2</i>	<i>0.2</i>	<i>0.2</i>	<i>0.2</i>	<i>0.2</i>	<i>0.2</i>	<i>0.2</i>	<i>0.3</i>	<i>0.2</i>	
<i>of which: employment policies</i>	<i>0.4</i>	<i>0.4</i>	<i>0.3</i>	<i>0.3</i>	<i>0.3</i>	<i>0.3</i>	<i>0.3</i>	<i>0.3</i>	<i>0.2</i>	<i>0.3</i>	<i>0.2</i>	<i>0.2</i>	<i>0.2</i>	<i>0.2</i>	<i>0.1</i>	<i>0.2</i>	<i>0.3</i>	<i>0.2</i>	<i>0.2</i>	<i>0.2</i>	<i>0.2</i>	<i>0.1</i>	<i>0.1</i>	
<i>of which: agriculture, fisheries and forestry</i>	<i>0.4</i>	<i>0.5</i>	<i>0.6</i>	<i>0.5</i>	<i>0.4</i>	<i>0.4</i>	<i>0.4</i>	<i>0.6</i>	<i>0.4</i>	<i>0.4</i>	<i>0.4</i>	<i>0.4</i>	<i>0.3</i>	<i>0.3</i>	<i>0.4</i>	<i>0.4</i>	<i>0.3</i>	<i>0.4</i>	<i>0.3</i>	<i>0.3</i>	<i>0.3</i>	<i>0.2</i>	<i>0.3</i>	
<i>of which: transport^{(4), (5)}</i>	<i>1.4</i>	<i>1.3</i>	<i>1.0</i>	<i>0.9</i>	<i>0.8</i>	<i>0.8</i>	<i>0.8</i>	<i>1.0</i>	<i>1.2</i>	<i>1.3</i>	<i>1.2</i>	<i>1.2</i>	<i>1.3</i>	<i>1.3</i>	<i>1.3</i>	<i>1.5</i>	<i>1.3</i>	<i>1.2</i>	<i>1.2</i>	<i>1.2</i>	<i>1.4</i>	<i>1.4</i>	<i>1.5</i>	
5. Environment protection	0.5	0.5	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.7	0.7	0.6	0.6	0.6	0.6	0.6	0.6	
6. Housing and community amenities	0.8	0.7	0.6	0.5	0.5	0.4	0.5	0.5	0.4	0.5	0.6	0.8	0.8	0.8	1.0	1.1	0.8	0.6	0.6	0.6	0.6	0.5	0.5	0.6
7. Health	4.8	4.8	4.7	4.6	4.7	4.7	4.9	5.2	5.5	5.9	6.2	6.4	6.4	6.5	7.0	7.6	7.5	7.3	7.3	7.3	7.2	7.2	7.1	7.1
8. Recreation, culture and religion	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.9	0.8	0.7	0.7	0.7	0.7	0.6	0.6	0.6
9. Education ⁽⁶⁾	4.4	4.3	4.1	4.0	4.0	4.0	4.2	4.5	4.6	4.8	4.9	4.9	4.9	5.0	5.3	5.7	5.7	5.2	4.9	4.8	4.6	4.4	4.3	4.3
10. Social protection	12.5	12.5	12.3	11.9	11.5	11.8	11.7	12.0	12.1	12.3	12.4	12.1	11.9	12.1	13.0	14.4	14.3	14.8	14.8	14.3	14.1	13.8	13.3	13.0
EU transactions ⁽⁷⁾	-0.5	-0.5	-0.6	-0.4	-0.3	-0.3	-0.2	-0.4	-0.2	-0.2	-0.1	0.0	-0.1	-0.1	-0.2	0.1	0.4	0.3	0.4	0.4	0.3	0.4	0.2	0.3
Public sector expenditure on services	34.8	34.4	33.0	32.2	31.7	31.7	32.1	33.0	33.5	34.6	35.5	35.2	35.6	35.6	38.6	41.4	41.1	40.1	38.9	37.9	37.1	36.7	35.7	35.7
Accounting adjustments	2.6	2.7	2.3	2.6	2.5	2.4	2.3	2.5	2.9	3.0	3.4	3.2	3.2	3.3	3.7	3.6	3.6	3.3	3.9	3.3	3.4	2.9	3.1	2.7
Total Managed Expenditure⁽⁸⁾	37.4	37.1	35.3	34.8	34.2	34.1	34.4	35.4	36.5	37.6	38.9	38.7	38.4	38.9	42.3	44.9	44.7	43.5	42.8	41.2	40.5	39.6	38.8	38.4

(1) GDP until 2017-18 is consistent with the latest figures from the Office for National Statistics (published 29 June 2018).

(2) The 2015 Spending Review continued the commitment to meet the NATO investment pledge to spend 2% of GDP on Defence for the rest of this decade. This is evaluated using the NATO definitions of Defence spending rather than the UN COFOG definitions that are used in this table. The UN COFOG and NATO measures of Defence use different definitions and are therefore not comparable. For example, the NATO Defence figures include pensions whereas in COFOG these are included in Social Protection. Details and figures on NATO Defence expenditures can be found at the following http://www.nato.int/cps/0n/natohq/topics_49198.htm

(3) Transactions from 2008-09 onwards have been affected by financial sector interventions. Details are provided in chapter 5 Box 5.A.

(4) Following implementation of ESA2010, Network Rail is now classified to Central Government. Consequently Total Managed Expenditure (TME) includes Network Rail spending in all years shown, however the actual expenditure of Network Rail only appears in the Department for Transport budget from 2015-16. The functional analysis shown includes Network Rail spending from 2015-16 and is therefore only included within 'Total Expenditure on services' from that year.

(5) In order to align with ONS data, the transport function now includes expenditure relating to the local government part of the TfL subsidiary, 'Transport Trading Limited'. This data has been obtained from the Office for National Statistics and currently includes expenditure of bodies such as Crossrail and Rail for London from 2011-12 onwards.

(6) From 2011-12 onwards the 'grant-equivalent element of student loans' is no longer part of the TES framework and has therefore been removed from the Education function. Therefore figures are not directly comparable between 2010-11 and 2011-12. A full explanation of this decision can be found in PESA 2016 Annex E.

(7) From 2010-11 onwards VAT-based payments are no longer deducted from EU transactions thus bringing these totals in-line with ESA10.

(8) This excludes the temporary effects of banks being classified to the public sector. See Box 5.A for details.

BACKGROUND TO TRENDS IN PUBLIC SECTOR EXPENDITURE

4.1 The analyses in this chapter show trends in government spending over a longer time span than presented elsewhere in Public Spending Statistics, adjusted as far as possible so that figures for historical outturn years are based on current definitions.

4.2 Data in this chapter are a combination of cash and accruals. Data for public sector expenditure on services are on a cash basis up until 1997-98, and on an accruals basis thereafter. All data in this chapter are National Statistics.

WHAT'S NEW

4.3 There have been no significant changes to the presentation of data within this chapter since the summer PSS 2017.

PUBLIC SPENDING AGGREGATES

4.4 **Table 4.1** shows trends in public spending since 1976-77 in terms of three spending aggregates: public sector current expenditure; public sector net investment; and Total Managed Expenditure (TME). All aggregates are presented in nominal and in real terms and as a per cent of Gross Domestic Product (GDP). Data for a fourth aggregate, public sector depreciation, are shown in nominal terms only.

4.5 Outturn data up to 2017-18 for these aggregates are taken from the public sector accounts compiled by the Office for National Statistics (ONS). The public sector accounts are a part of the National Accounts that are updated monthly.

PUBLIC SECTOR EXPENDITURE ON SERVICES BY FUNCTION

4.6 The public spending by function series uses the Total Expenditure on Services spending aggregate (TES). Expenditure on services covers most expenditure by the public sector that is included in TME.

4.7 Public sector expenditure on services includes central government spending, but excludes the part that is finance to local government and capital finance to public corporations. This central government own expenditure is then combined with actual spending by local government and public corporations to give total public sector expenditure. Expenditure on services excludes non-cash items such as depreciation and provisions. Derivation of expenditure on services from departments' budgets is available at the end of this release in **Table E.1**.

4.8 **Table 4.2** shows public sector expenditure on services by United Nations Classification Of the Functions Of Government (COFOG) level 1 from 1994-95. **Tables 4.3 and 4.4** present this in real terms and as a per cent of GDP respectively. These tables cover outturn years up to 2017-18. They also show, in italics, additional Treasury-defined functional divisions that were used prior to the introduction of UN COFOG, but which don't correspond to COFOG level 1.

METHODS AND DATA QUALITY FOR EXPENDITURE ON SERVICE LONG-RUN TABLE

4.9 Our aim is for the functional breakdown of spending to be broadly consistent across all tables.

4.10 Data in **Tables 4.2, 4.3 and 4.4** for years before 2013-14 are not taken directly from the 'live' public expenditure database that is maintained by government departments (see **Annex A**). Data that precede the most recent five outturn years cease to be 'live' and are archived in a summarised form.

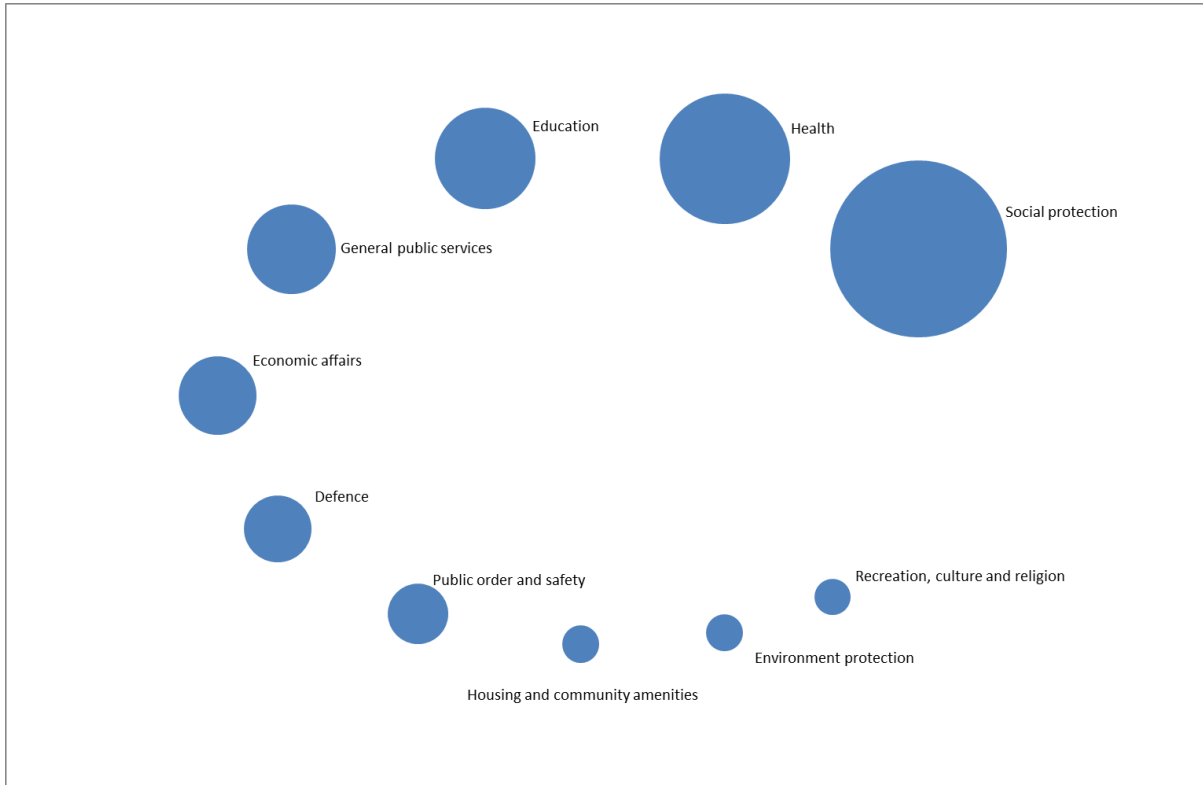
4.11 Historical outturn data are not usually subject to adjustment. However, sometimes reclassifications affect the long run functional series. These include ONS decisions for the National Accounts and decisions taken by the Treasury in conjunction with departments to improve the allocation of spending to functions.

4.12 Only substantial classification changes are reflected in the historical years, based on the change in spending relative to the size of the function or functions concerned. Reclassifications that are reflected in the historical series are based on archived data. The decision as to the procedure used to implement reclassifications for historical years is taken by Treasury officials after discussions with the relevant government departments, and can sometimes entail a simple percentage split based on the best information available.

4.13 It should be noted that the attribution of spending to functions for historical years is less accurate than for live years. In some cases, the presentation of functional numbers as accurate to within £100 million overstates the accuracy of the figures due to rounding. Minor differences in figures or rates of change should be disregarded.

CHAPTER 5 PUBLIC SECTOR SPENDING BY FUNCTION, SUB-FUNCTION AND ECONOMIC CATEGORY

CHART 4 Public Sector spending in 2017-18 broken down by function.



Data are consistent with UN Classification of the Functions of Government framework (COFOG). Each bubble is proportional to the amount spent under each function in 2017-18.

OVERVIEW

The tables in chapter 5 of this release present analysis of total public sector expenditure on services split by function, sub-function and economic category. These presentations are more stable between years than presentations of data by government department on a budgeting basis (Chapters 1 and 2 for example) because they ignore changes in the structure of Government over time.

FUNCTIONAL TABLES

- In nominal terms, spending in all ten functions increased in 2017-18.
- The largest increases in percentage terms, were in **Housing and community amenities** (17.3 per cent), **Economic affairs** (8.4 per cent) and **General public services** (7.7 per cent).
- In percentage terms, the smallest increases in functional spend were in **Social protection** (1.1 per cent), **Recreation, culture and religion** (1.6 per cent) and **Health** (2.3 per cent).

SUB-FUNCTIONAL TABLES

- The £1.8bn increase in **Housing and community amenities** was driven by a £1.7bn increase in *Housing development*, £1.2bn of which was due to greater *local authority housing*.
- The largest nominal spending increase by function was in **General public services** (£4.9bn, 7.7 per cent), where *Public sector debt interest* rose by £4.4bn.
- The **Public order and safety** increase of £1.5bn (5.0 per cent) was chiefly due to £1.2bn more being spent on police services other than immigration and citizenship.
- The greatest portion of the £4.1bn (8.4 per cent) increase in **Economic Affairs** spending was taken by *Railways* (£2.0bn, 13.1 per cent), although *National roads* (£500m, 12.0 per cent) and *Local public transport* (£143m, 5.7 per cent) both also rose.

Public Spending Statistics July 2018

Table 5.1 Public sector expenditure on services by departmental group and function, 2017-18

Function Departmental Grouping		National Statistics														£ million				
		1. General public services <i>of which: public and common services</i>	<i>of which: international services</i>	<i>of which: public sector debt interest</i>	2. Defence	3. Public order and safety	4. Economic affairs <i>of which: enterprise and economic development</i>	<i>of which: science and technology</i>	<i>of which: employment policies</i>	<i>of which: agriculture, fisheries and forestry</i>	<i>of which: transport</i>	5. Environment protection	6. Housing and community amenities	7. Health	8. Recreation, culture and religion	9. Education	10. Social protection	EU transactions	Public sector expenditure on services for each department	
Defence	-	-	-	35,996	-	-	-	-	-	-	-	-	-	26	-	2,330	-	38,352		
Single Intelligence Account	-	-	-	2,613	-	-	-	-	-	-	-	-	-	-	-	-	-	2,613		
Home Office	-	-	-	-	2,933	-	-	-	-	-	-	-	-	-	-	-	-	2,933		
Foreign and Commonwealth Office	1,994	-	1,994	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,994		
International Development	8,949	347	8,602	-	-	-	-	-	-	-	-	-	-	-	-	61	-	9,009		
Health and Social Care	-	-	-	-	-	-	-	-	-	-	-	-	117,517	-	-	-	-305	117,213		
Work and Pensions	20	20	-	-	-	2,481	15	2	2,465	-	-	-	-	-	-	156,693	-	159,194		
Education	19	19	-	-	-	11	-	-	11	-	-	-	-	-	36,127	3,614	-	39,771		
Business, Energy and Industrial Strategy	175	142	33	-	114	6,342	1,261	4,991	58	-	32	3,384	-	678	162	-	475	11,329		
Transport	-	-	-	-	293	19,615	-	13	-	-	19,602	1	-	-	-	-	14	19,922		
Exiting the European Union	57	-	57	-	-	-	-	-	-	-	-	-	-	-	-	-	-	57		
Digital, Culture, Media and Sport	-	-	-	-	-	61	61	-	-	-	-	39	224	9	6,869	3	537	7,742		
Housing, Communities and Local Government	180	179	1	-	-4	-10	-10	-	-	-	-	-	3,700	-	2	-	11	3,880		
Scotland	390	389	1	-	2,618	2,955	390	3	-	869	1,694	213	1,676	12,677	249	2,563	403	23,744		
Wales	247	247	-	-	1	1,274	221	29	0	443	580	60	569	7,204	67	1,185	84	10,690		
Northern Ireland	318	318	-	-	1,208	1,349	238	6	80	490	534	43	543	4,257	150	2,700	7,758	18,327		
Justice	-	-	-	-	8,687	-	-	-	-	-	-	-	-	-	-	-	44	8,731		
Law Officers' Departments	-	-	-	-	631	-	-	-	-	-	-	-	-	-	-	-	-	631		
Environment, Food and Rural Affairs	-	-	-	-	-	3,072	-	-	-	3,072	-	1,211	6	-	-	-	-	4,289		
HM Revenue and Customs	3,713	3,713	-	-	-	3,743	3,743	-	-	-	-	27	142	-	-	-	38,094	45,718		
HM Treasury	44,102	266	9	43,828	-	112	112	-	-	-	-	-	-	-	-	4	5,364	49,582		
Cabinet Office	843	843	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,496	4,340		
International Trade	-	-	-	-	-	417	417	-	-	-	-	-	-	-	-	-	-	417		
Small and Independent Bodies	1,188	1,188	-	-	4	273	161	3	-	79	30	-	-	-	155	-	-	1,620		
Local Government	6,144	5,444	-	700	48	15,076	10,843	1,825	-	304	8,714	6,461	5,218	3,470	4,265	45,082	54,928	151,535		
Public sector expenditure on services for each function	68,340	13,115	10,697	44,528	38,658	31,560	52,538	8,434	5,047	2,614	5,257	31,187	11,439	12,077	145,811	11,791	87,814	268,241	5,364	733,632

Public Spending Statistics July 2018

Table 5.1a Public sector current expenditure on services by departmental group and function, 2017-18

Function Departmental Grouping		National Statistics														EU transactions		Public sector current expenditure on services for each department			
		1. General public services	of which: public and common services	of which: international services	of which: public sector debt interest	2. Defence	3. Public order and safety	4. Economic affairs	of which: enterprise and economic development	of which: science and technology	of which: employment policies	of which: agriculture, fisheries and forestry	of which: transport	5. Environment protection	6. Housing and community amenities	7. Health	8. Recreation, culture and religion		9. Education	10. Social protection	
Defence	-	-	-	-	26,366	-	-	-	-	-	-	-	-	-	-	-	26	-	2,330	-	28,722
Single Intelligence Account	-	-	-	-	1,991	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,991
Home Office	-	-	-	-	-	2,445	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,445
Foreign and Commonwealth Office	2,246	-	2,246	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,246
International Development	7,114	-	7,114	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	61	-	7,174
Health and Social Care	-	-	-	-	-	-	-	-	-	-	-	-	-	-	112,984	-	-	-	-305	-	112,679
Work and Pensions	20	20	-	-	-	-	2,376	15	-	2,362	-	-	-	-	-	-	-	-	156,475	-	158,872
Education	18	18	-	-	-	-	11	-	-	11	-	-	-	-	-	-	-	30,932	3,614	-	34,575
Business, Energy and Industrial Strategy	65	40	25	-	-	111	2,506	1,329	1,119	56	-	1	481	-	-	-	-	-	475	-	3,638
Transport	-	-	-	-	-	283	6,181	-	0	-	-	6,181	1	-	-	-	-	-	14	-	6,478
Exiting the European Union	57	-	57	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	57
Digital, Culture, Media and Sport	-	-	-	-	-	-	59	59	-	-	-	-	39	220	9	6,034	3	537	-	-	6,902
Housing, Communities and Local Government	169	168	1	-	-	-4	-2	-2	-	-	-	-	-	182	-	2	-	11	-	-	356
Scotland	377	376	1	-	-	2,517	1,943	268	3	-	789	884	178	68	12,269	230	2,454	403	-	-	20,439
Wales	235	235	-	-	-	1	804	136	5	0	375	288	34	42	6,855	54	1,153	84	-	-	9,260
Northern Ireland	277	277	-	-	-	1,136	983	206	-	80	446	252	40	234	4,048	133	2,499	7,753	-	-	17,103
Justice	-	-	-	-	-	8,335	-	-	-	-	-	-	-	-	-	-	-	-	44	-	8,379
Law Officers' Departments	-	-	-	-	-	621	-	-	-	-	-	-	-	-	-	-	-	-	-	-	621
Environment, Food and Rural Affairs	-	-	-	-	-	-	2,993	-	-	-	2,993	-	711	6	-	-	-	-	-	-	3,710
HM Revenue and Customs	3,458	3,458	-	-	-	-	3,729	3,729	-	-	-	-	27	134	-	-	-	-	38,083	-	45,431
HM Treasury	44,095	258	9	43,828	-	-	7	7	-	-	-	-	-	-	-	-	-	-	4	5,364	49,470
Cabinet Office	729	729	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,496	-	4,225
International Trade	-	-	-	-	-	-	402	402	-	-	-	-	-	-	-	-	-	-	-	-	402
Small and Independent Bodies	1,050	1,050	-	-	-	4	259	154	-	-	75	29	-	-	-	-	148	-	-	-	1,460
Local Government	4,176	3,476	-	700	48	14,078	3,708	524	-	-	91	3,093	5,880	2,128	3,455	2,921	40,979	54,669	-	-	132,042
Public sector current expenditure on services for each function	64,084	10,104	9,452	44,528	28,405	29,526	25,959	6,827	1,127	2,509	4,770	10,728	7,391	3,013	139,619	9,399	78,167	267,748	5,364	658,675	

Public Spending Statistics July 2018

Table 5.1b Public sector capital expenditure on services by departmental group and function, 2017-18

Function Departmental Grouping		National Statistics																	£ million	
		1. General public services <i>of which: public and common services</i>	<i>of which: international services</i>	<i>of which: public sector debt interest</i>	2. Defence	3. Public order and safety	4. Economic affairs <i>of which: enterprise and economic development</i>	<i>of which: science and technology</i>	<i>of which: employment policies</i>	<i>of which: agriculture, fisheries and forestry</i>	<i>of which: transport</i>	5. Environment protection	6. Housing and community amenities	7. Health	8. Recreation, culture and religion	9. Education	10. Social protection	EU transactions	Public sector capital expenditure on services for each department	
Defence	-	-	-	9,630	-	-	-	-	-	-	-	-	-	-	-	0	-	-	9,630	
Single Intelligence Account	-	-	-	623	-	-	-	-	-	-	-	-	-	-	-	-	-	-	623	
Home Office	-	-	-	-	488	-	-	-	-	-	-	-	-	-	-	-	-	-	488	
Foreign and Commonwealth Office	-252	-	-252	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-252	
International Development	1,835	347	1,488	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,835	
Health and Social Care	-	-	-	-	-	-	-	-	-	-	-	-	4,533	-	-	-	-	-	4,533	
Work and Pensions	-	-	-	-	-	105	2	103	-	-	-	-	-	-	-	-	218	-	322	
Education	1	1	-	-	-	-	-	-	-	-	-	-	-	-	5,195	-	-	-	5,196	
Business, Energy and Industrial Strategy	110	102	8	-	2	3,836	-68	3,872	1	31	2,903	-	678	162	-	-	-	-	7,691	
Transport	-	-	-	-	10	13,434	-	13	-	13,421	0	-	-	-	-	-	-	-	13,444	
Exiting the European Union	1	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	
Digital, Culture, Media and Sport	-	-	-	-	-	1	1	-	-	-	-	4	-	835	-	-	-	-	841	
Housing, Communities and Local Government	11	11	-	-	0	-7	-7	-	-	-	-	3,519	-	1	-	-	-	-	3,523	
Scotland	14	14	-	-	101	1,012	122	-	-	80	810	35	1,608	408	19	109	-	-	3,305	
Wales	12	12	-	-	0	470	85	25	-	68	293	26	527	349	13	32	1	-	1,430	
Northern Ireland	41	41	-	-	71	366	33	6	1	44	282	4	309	210	17	202	5	-	1,224	
Justice	-	-	-	-	352	-	-	-	-	-	-	-	-	-	-	-	-	-	352	
Law Officers' Departments	-	-	-	-	10	-	-	-	-	-	-	-	-	-	-	-	-	-	10	
Environment, Food and Rural Affairs	-	-	-	-	-	79	-	-	-	79	500	0	-	-	-	-	-	-	579	
HM Revenue and Customs	254	254	-	-	-	14	14	-	-	-	-	8	-	-	-	-	11	-	287	
HM Treasury	8	8	-	-	-	105	105	-	-	-	-	-	-	-	-	-	-	-	112	
Cabinet Office	114	114	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	114	
International Trade	-	-	-	-	-	15	15	-	-	-	-	-	-	-	-	-	-	-	15	
Small and Independent Bodies	138	138	-	-	0	14	7	3	-	4	1	-	-	-	7	-	-	-	160	
Local Government	1,968	1,968	-	-	998	7,136	1,301	-	-	214	5,622	581	3,090	15	1,345	4,103	259	-	19,493	
Public sector capital expenditure on services for each function	4,256	3,011	1,245	-	10,252	2,033	26,579	1,607	3,920	105	488	20,459	4,048	9,065	6,192	2,392	9,648	493	-	74,957

Table 5.2 Public sector expenditure on services by sub-function, 2013-14 to 2017-18

	National Statistics					£ million
	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 outturn	
1. General public services						
1.1 Executive and legislative organs, financial and fiscal affairs, external affairs	10,142	9,913	10,002	10,348	10,590	
1.2 Foreign economic aid ⁽¹⁾	7,586	8,542	8,173	8,729	8,613	
1.3 General services	768	932	948	1,140	856	
1.4 Basic research	-	-	-	-	-	
1.5 R&D general public services	402	407	415	308	358	
1.6 General public services n.e.c.	2,079	2,156	2,111	2,804	3,395	
1.7 Public debt transactions ^{(2), (3)}	40,108	37,418	38,006	40,153	44,528	
of which: central government debt interest	48,797	45,371	45,127	48,659	54,749	
of which: local government debt interest	547	706	762	807	700	
of which: public corporation debt interest	3,329	3,739	3,821	3,842	2,620	
of which: Bank of England	-12,565	-12,398	-11,704	-13,155	-13,541	
Total general public services	61,084	59,368	59,656	63,481	68,340	
2. Defence ⁽⁴⁾						
2.1 Military defence	33,021	33,749	34,012	34,995	36,409	
2.2 Civil defence	54	49	46	45	48	
2.3 Foreign military aid	1,412	688	382	602	801	
2.4 R&D defence	1,732	2,009	1,981	1,296	1,231	
2.5 Defence n.e.c.	186	202	207	194	169	
Total defence	36,406	36,697	36,627	37,132	38,658	
3. Public order and safety						
3.1 Police services	16,351	16,662	16,569	16,371	17,525	
of which: immigration and citizenship	976	1,196	1,063	868	791	
of which: other police services	15,375	15,466	15,506	15,504	16,734	
3.2 Fire-protection services	2,802	2,807	2,720	2,722	2,802	
3.3 Law courts	5,548	6,331	5,745	5,810	6,098	
3.4 Prisons	4,116	3,828	4,158	4,249	4,339	
3.5 R&D public order and safety	38	38	35	38	31	
3.6 Public order and safety n.e.c.	748	820	980	880	765	
Total public order and safety	29,603	30,487	30,207	30,070	31,560	
4. Economic affairs						
4.1 General economic, commercial and labour affairs ⁽⁵⁾	8,402	7,421	7,719	8,102	8,346	
4.2 Agriculture, forestry, fishing and hunting	5,378	5,213	4,489	5,213	5,257	
of which: market support under CAP	2,959	2,773	2,278	2,973	2,899	
of which: other agriculture, food and fisheries policy	2,301	2,312	2,056	2,073	2,224	
of which: forestry	118	129	155	167	134	
4.3 Fuel and energy	464	450	463	480	761	
4.4 Mining, manufacturing and construction	273	39	168	858	1,077	
4.5 Transport	20,795	21,790	27,688	28,368	31,187	
of which: national roads	3,151	3,713	3,987	4,160	4,660	
of which: local roads	5,025	5,302	5,159	5,224	5,240	
of which: local public transport	2,398	2,519	2,438	2,495	2,637	
of which: railway ^{(6), (7)}	9,020	9,147	14,616	15,080	17,053	
of which: other transport	1,201	1,109	1,489	1,409	1,597	
4.6 Communication	645	436	438	271	198	
4.7 Other industries	274	282	277	253	254	
4.8 R&D economic affairs	4,194	4,472	4,819	4,488	5,047	
4.9 Economic affairs n.e.c.	459	480	427	432	412	
Total economic affairs	40,884	40,583	46,488	48,465	52,538	

Table 5.2 Public sector expenditure on services by sub-function, 2013-14 to 2017-18 (continued)

	National Statistics					£ million
	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 outturn	
5. Environment protection						
5.1 Waste management	7,828	7,896	7,938	7,909	8,341	
5.2 Waste water management	-	-	-	-	-	
5.3 Pollution abatement	142	501	470	78	84	
5.4 Protection of biodiversity and landscape	435	475	598	418	362	
5.5 R&D environment protection	496	466	456	424	509	
5.6 Environment protection n.e.c.	2,308	2,250	2,148	2,215	2,144	
Total environment protection	11,209	11,589	11,609	11,043	11,439	
6. Housing and community amenities						
6.1 Housing development	5,174	5,692	5,493	5,234	6,893	
<i>of which: local authority housing</i>	<i>4,074</i>	<i>4,738</i>	<i>4,685</i>	<i>4,358</i>	<i>5,558</i>	
<i>of which: other social housing</i>	<i>1,100</i>	<i>954</i>	<i>808</i>	<i>876</i>	<i>1,336</i>	
6.2 Community development	3,062	2,950	2,642	3,165	3,211	
6.3 Water supply	628	582	581	745	785	
6.4 Street lighting	750	790	814	847	892	
6.5 R&D housing and community amenities	-	-	2	0	1	
6.6 Housing and community amenities n.e.c.	242	263	299	303	294	
Total housing and community amenities	9,856	10,277	9,830	10,295	12,077	
7. Health⁽⁸⁾						
Medical services	122,815	128,596	132,766	137,337	141,216	
Medical research	1,970	1,876	2,179	1,872	1,941	
Central and other health services	4,604	3,581	3,554	3,380	2,654	
Total health	129,389	134,053	138,499	142,589	145,811	
8. Recreation, culture and religion						
8.1 Recreational and sporting services	3,472	3,997	3,268	3,230	3,013	
8.2 Cultural services	3,952	4,056	3,777	3,860	4,119	
8.3 Broadcasting and publishing services	3,903	4,088	4,005	4,232	4,316	
8.4 Religious and other community services	95	76	85	58	86	
8.5 R&D recreation, culture and religion	141	174	168	157	170	
8.6 Recreation, culture and religion n.e.c.	46	59	65	69	87	
Total recreation, culture and religion	11,607	12,449	11,367	11,606	11,791	
9. Education						
9.1 Pre-primary and primary education	30,474	30,749	31,203	31,045	30,996	
<i>of which: under fives</i>	<i>3,396</i>	<i>2,932</i>	<i>3,102</i>	<i>3,125</i>	<i>3,891</i>	
<i>of which: primary education</i>	<i>27,078</i>	<i>27,817</i>	<i>28,101</i>	<i>27,920</i>	<i>27,106</i>	
9.2 Secondary education ⁽⁹⁾	37,488	39,138	38,972	38,928	41,655	
9.3 Post-secondary non-tertiary education	537	581	508	594	634	
9.4 Tertiary education	7,534	6,680	6,164	6,066	6,307	
9.5 Education not definable by level	598	735	632	808	891	
9.6 Subsidiary services to education	4,231	3,727	3,504	3,393	3,396	
9.7 R&D education	1,573	1,573	1,573	1,703	1,815	
9.8 Education n.e.c.	2,246	1,872	2,358	2,369	2,120	
Total education	84,681	85,055	84,914	84,905	87,814	

Table 5.2 Public sector expenditure on services by sub-function, 2013-14 to 2017-18 (continued)

	National Statistics					£ million
	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 outturn	
10. Social protection						
<i>of which: personal social services</i>	28,657	30,268	30,437	31,142	31,651	
10.1 Sickness and disability	46,887	50,155	53,260	53,465	55,192	
<i>of which: personal social services</i>	9,349	9,422	9,815	9,919	10,533	
<i>of which: incapacity, disability and injury benefits</i>	37,538	40,733	43,445	43,546	44,659	
10.2 Old age	114,301	118,569	120,094	121,856	124,327	
<i>of which: personal social services</i>	10,273	10,552	10,037	10,442	10,716	
<i>of which: pensions</i>	104,028	108,016	110,057	111,413	113,610	
10.3 Survivors	1,135	1,153	1,167	1,157	1,019	
10.4 Family and children	24,631	25,250	25,340	24,934	24,334	
<i>of which: personal social services</i>	8,497	9,759	10,023	10,149	9,839	
<i>of which: family benefits, income support and tax credits</i>	16,134	15,491	15,317	14,785	14,495	
10.5 Unemployment	4,945	3,473	2,698	2,227	2,022	
<i>of which: personal social services</i>	-	-	-	-	-	
<i>of which: other unemployment benefits</i>	4,945	3,473	2,698	2,227	2,022	
10.6 Housing	26,424	26,421	26,211	25,153	24,138	
10.7 Social exclusion n.e.c. ⁽¹⁰⁾	32,026	32,086	32,097	32,286	33,033	
<i>of which: personal social services</i>	539	534	563	632	562	
<i>family benefits, income support, Universal Credit and tax credits</i>	31,487	31,552	31,535	31,654	32,470	
10.8 R&D social protection	-	-	-	-	-	
10.9 Social protection n.e.c.	3,597	3,932	3,955	4,266	4,177	
Total social protection	253,945	261,038	264,821	265,341	268,241	
EU transactions ⁽¹¹⁾						
VAT-based and GNI-based contributions (net of abatement and collection)	11,146	10,915	10,482	8,803	9,490	
<i>derived as:</i>						
<i>costs</i>	18,209	18,732	17,635	16,926	17,450	
<i>Traditional Own Resources (without deduction of collection costs)</i>	-2,933	-3,006	-3,085	-3,366	-3,413	
<i>UK abatement</i>	-4,130	-4,811	-4,068	-4,757	-4,547	
EU receipts	-3,856	-4,690	-2,811	-4,081	-4,126	
Attributed aid and Common Foreign and Security Policy	-79	-	-	-	-	
Total EU transactions	7,211	6,225	7,671	4,722	5,364	
Public sector expenditure on services	675,874	687,821	701,689	709,650	733,632	
Accounting adjustments	57,939	62,624	55,078	62,336	55,863	
Total Managed Expenditure ⁽¹²⁾	733,813	750,445	756,767	771,986	789,495	

(1) Official Development Assistance (ODA) is the internationally-agreed classification of foreign aid financing and is measured in accordance with international standards agreed by the Organisation for Economic Co-operation and Development (OECD). The UN COFOG measure of Foreign economic aid presented in this table is quite different from the UK ODA measure and therefore not comparable. For example the UK ODA measure includes financial transactions such as loans, whereas the UN COFOG measure does not. Also, the UK ODA analysis is on a calendar year rather than financial year basis. A link to the latest ODA release is provided here: <https://www.gov.uk/government/statistics/provisional-uk-official-development-assistance-as-a-proportion-of-gross-national-income-2016>.

(2) Debt interest figures show gross payments to the private sector and overseas.

(3) Bank of England public debt transactions shows data in respect of the Asset Purchase Facility and Special Liquidity Scheme.

(4) The 2015 Spending Review continued the commitment to meet the NATO investment pledge to spend 2% of GDP on Defence for the rest of this decade. This is evaluated using the NATO definitions of Defence spending rather than the UN COFOG definitions that are used in this table. The UN COFOG and NATO measures of Defence use different definitions and are therefore not comparable. For example, the NATO Defence figures include pensions whereas in COFOG these are included in Social Protection. Details and figures on NATO Defence expenditures can be found at the following link: http://www.nato.int/cps/o/n/natohq/topics_49198.htm.

(5) Transactions from 2013-14 onwards have been affected by financial sector interventions. Details are provided in chapter 5 Box 5.A.

(6) Following implementation of ESA2010, Network Rail is now classified to Central Government. Consequently Total Managed Expenditure (TME) includes Network Rail spending in all years shown, however the actual expenditure of Network Rail only appears in the Department for Transport budget from 2015-16. The sub-functional analysis shown includes Network Rail spending from 2015-16 and is therefore only included within 'Total Expenditure on services' from that year.

(7) In order to align with ONS data, the transport function now includes expenditure relating to the local government part of the TfL subsidiary, 'Transport Trading Limited'. This data has been obtained from the Office for National Statistics and currently includes expenditure of bodies such as Crossrail and Rail for London from 2011-12 onwards.

(8) The level of detail required for COFOG level 2 is not yet available in England and Wales. Health spending is therefore presented using HM Treasury's own sub-functional classification.

(9) The Department for Education is currently recording all central government academy expenditure as 'Secondary Education', across all years presented. While secondary schools currently account for the largest population in the academy sector, it is recognised that this will also cover some schools in primary and other functional categories. In future editions of PESA the Department for Education will look to improve apportionment of spending across the education categories.

(10) Social exclusion n.e.c. includes Child and Working Tax Credits. Also included here are Universal Credit additional costs that were previously scored in 10.9 Social protection n.e.c.

(11) An explanation of why the EU transactions are defined in TES in this way is given in Annex E. Complete transactions with the institutions of the EU are shown in Table C.1.

(12) This excludes the temporary effects of banks being classified to the public sector. See Box 5.A for details.

Table 5.3 Public sector expenditure on services by economic category, 2013-14 to 2017-18

	£million				
	2013-14	2014-15	2015-16	2016-17	2017-18
	outturn	outturn	outturn	outturn	outturn
Public sector current expenditure on services					
Pay	163,273	166,606	171,588	177,759	183,961
Gross current procurement	198,964	205,657	208,424	213,833	219,130
Income from sales of goods and services	-51,066	-53,035	-51,883	-58,725	-60,874
Current grants to persons and non-profit bodies	231,739	234,881	236,657	237,951	237,138
Current grants abroad	14,067	12,402	13,694	11,382	12,320
Subsidies to private sector companies	9,039	8,820	9,972	10,904	11,428
Subsidies to public corporations	1,136	928	924	766	704
Net public service pensions	9,081	10,182	9,649	8,891	9,327
Public sector debt interest	40,108	37,418	38,006	40,153	44,528
Other	278	289	215	478	1,013
Total public sector current expenditure on services	616,619	624,148	637,246	643,392	658,675
Accounting adjustments	48,540	50,669	45,369	49,335	49,117
Total public sector current expenditure	665,159	674,817	682,615	692,727	707,792
Public sector capital expenditure on services					
Capital grants	15,654	18,314	14,545	10,503	14,071
Gross capital procurement	47,470	51,126	57,033	61,942	65,192
Income from sales of capital assets	-3,870	-5,765	-7,134	-6,185	-4,307
Total public sector capital expenditure on services	59,254	63,675	64,444	66,260	74,956
Accounting adjustments	9,400	11,953	9,708	12,999	6,747
Total public sector capital expenditure	68,654	75,628	74,152	79,259	81,703
Total public sector expenditure on services	675,873	687,823	701,690	709,652	733,631
Accounting adjustments	57,940	62,622	55,077	62,334	55,864
Total Managed Expenditure	733,813	750,445	756,767	771,986	789,495

Table 5.4 Public sector current and capital expenditure on services by function⁽¹⁾, 2013-14 to 2017-18

	National Statistics					£million
	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 outturn	
Public sector current expenditure on services						
1. General public services	58,654	55,483	56,314	58,808	64,084	
of which: public and common services	9,372	9,703	9,851	9,709	10,104	
of which: international services	9,174	8,362	8,457	8,947	9,452	
of which: public sector debt interest ⁽²⁾	40,108	37,418	38,006	40,153	44,528	
2. Defence ⁽³⁾	27,572	27,448	27,796	27,881	28,405	
3. Public order and safety	28,345	29,235	28,928	28,954	29,526	
4. Economic affairs	22,256	20,021	23,522	24,251	25,959	
of which: enterprise and economic development ⁽⁴⁾	5,544	5,409	6,428	6,297	6,827	
of which: science and technology	363	496	875	978	1,127	
of which: employment policies	3,718	2,806	2,363	2,340	2,509	
of which: agriculture, fisheries and forestry	4,966	4,692	4,090	4,769	4,770	
of which: transport ⁽⁵⁾	7,666	6,618	9,765	9,868	10,728	
5. Environment protection	7,637	7,839	7,938	7,264	7,391	
6. Housing and community amenities	3,137	3,062	2,986	2,943	3,013	
7. Health	121,968	127,651	132,663	136,978	139,619	
8. Recreation, culture and religion	9,754	10,427	9,327	9,381	9,399	
9. Education	75,859	75,604	75,595	77,319	78,167	
10. Social protection	254,228	261,150	264,506	264,890	267,748	
EU transactions	7,211	6,225	7,671	4,722	5,364	
Total public sector current expenditure on services	616,621	624,147	637,245	643,392	658,675	
Accounting adjustments	48,538	50,670	45,370	49,336	49,117	
Public sector current expenditure	665,159	674,817	682,615	692,727	707,792	
Public sector capital expenditure on services						
1. General public services	2,430	3,885	3,342	4,673	4,256	
of which: public and common services	1,809	1,752	1,358	2,755	3,011	
of which: international services	621	2,133	1,984	1,918	1,245	
2. Defence ⁽³⁾	8,834	9,249	8,832	9,250	10,252	
3. Public order and safety	1,258	1,252	1,279	1,116	2,033	
4. Economic affairs	18,628	20,562	22,967	24,214	26,579	
of which: enterprise and economic development ⁽⁴⁾	1,178	862	679	1,700	1,607	
of which: science and technology	3,831	3,976	3,944	3,510	3,920	
of which: employment policies	77	32	22	60	105	
of which: agriculture, fisheries and forestry	413	520	399	444	488	
of which: transport ^{(5), (6)}	13,129	15,172	17,924	18,501	20,459	
5. Environment protection	3,572	3,750	3,672	3,779	4,048	
6. Housing and community amenities	6,719	7,215	6,844	7,352	9,065	
7. Health	7,421	6,402	5,836	5,611	6,192	
8. Recreation, culture and religion	1,854	2,022	2,040	2,225	2,392	
9. Education	8,821	9,450	9,319	7,587	9,648	
10. Social protection	-283	-112	315	451	493	
Total public sector capital expenditure on services	59,253	63,673	64,444	66,259	74,957	
Accounting adjustments	9,401	11,955	9,708	13,000	6,746	
Public sector capital expenditure	68,654	75,628	74,152	79,259	81,703	
Total public sector expenditure on services	675,874	687,821	701,689	709,650	733,632	
Accounting adjustments	57,939	62,624	55,078	62,336	55,863	
Total Managed Expenditure⁽⁷⁾	733,813	750,445	756,767	771,986	789,495	

(1) Expenditure on services by function and sector is available in the appropriate sectoral chapter: for central government see Table 6.6; for local government see Table 7.4; for public corporations see Table 2.

(2) Debt interest figures include Bank of England public debt transactions in respect of the Asset Purchase Facility and Special Liquidity Scheme.

(3) The 2015 Spending Review continued the commitment to meet the NATO investment pledge to spend 2% of GDP on Defence for the rest of this decade. This is evaluated using the NATO definitions of Defence spending rather than the UN COFOG definitions that are used in this table. The UN COFOG and NATO measures of Defence use different definitions and are therefore not comparable. For example, the NATO Defence figures include pensions whereas in COFOG these are included in Social Protection. Details and figures on NATO Defence expenditures can be found at the following link: http://www.nato.int/cps/0n/natohq/topics_4938.htm

(4) Transactions from 2013-14 onwards have been affected by financial sector interventions. See chapter 5 Box 5.A for details.

(5) Following implementation of ESA 2010, Network Rail is now classified to Central Government. Consequently Total Managed Expenditure (TME) includes Network Rail spending in all years shown, however the actual expenditure of Network Rail only appears in the Department for Transport budget from 2015-16. The functional analysis shown includes Network Rail spending from 2015-16 and is therefore only included within 'Total Expenditure on services' from that year.

(6) In order to align with ONS data, the transport function now includes expenditure relating to the local government part of the TfL subsidiary, 'Transport Trading Limited'. This data has been obtained from the Office for National Statistics and currently includes expenditure of bodies such as Crossrail and Rail for London from 2011-12 onwards.

(7) This excludes the temporary effects of banks being classified to the public sector. See Box 5.A for details.

Table 5.5 Public sector gross current procurement expenditure on services by function, 2013-14 to 2017-18

	National Statistics					£ million
	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 outturn	
Public sector gross current procurement expenditure on services						
1. General public services	12,542	12,031	12,160	11,583	11,722	
<i>of which: public and common services</i>	9,591	9,063	9,083	8,594	8,692	
<i>of which: international services</i>	2,951	2,968	3,076	2,989	3,030	
2. Defence	16,374	16,838	16,453	15,948	16,476	
3. Public order and safety	12,358	12,589	12,832	12,876	13,217	
4. Economic affairs	11,593	10,624	12,111	12,144	12,334	
<i>of which: enterprise and economic development</i>	2,486	2,571	2,489	2,265	2,101	
<i>of which: science and technology</i>	219	152	92	35	23	
<i>of which: employment policies</i>	2,193	1,498	1,270	1,269	1,095	
<i>of which: agriculture, fisheries and forestry</i>	815	828	833	827	783	
<i>of which: transport ⁽¹⁾</i>	5,882	5,576	7,427	7,748	8,331	
5. Environment protection	7,596	7,710	7,688	7,623	7,758	
6. Housing and community amenities	2,821	2,802	2,701	2,645	2,552	
7. Health	74,523	78,588	80,511	86,631	89,927	
8. Recreation, culture and religion	7,485	7,554	6,857	6,744	6,438	
9. Education	23,821	24,975	24,189	23,804	24,723	
10. Social protection	29,850	31,946	32,922	33,835	33,984	
Total public sector gross current procurement expenditure on services	198,964	205,657	208,424	213,833	219,130	

(1) Following implementation of ESA2010, Network Rail is now classified to Central Government. Consequently Total Managed Expenditure (TME) includes Network Rail spending in all years shown, however the actual expenditure of Network Rail only appears in the Department for Transport budget from 2015-16. The functional analysis shown includes Network Rail spending from 2015-16 and is therefore only included within 'Gross Current Procurement' from that year.

Table 5.6 Public sector capital procurement expenditure on services by function, 2013-14 to 2017-18

	National Statistics					£ million
	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 outturn	
Public sector gross capital procurement expenditure on services						
1. General public services	2,671	2,403	2,391	3,462	3,802	
<i>of which: public and common services</i>	2,503	2,256	2,247	3,321	3,469	
<i>of which: international services</i>	168	147	144	141	333	
2. Defence	9,011	9,783	9,661	9,504	10,360	
3. Public order and safety	1,535	1,607	1,561	1,790	2,237	
4. Economic affairs	10,511	11,869	19,228	20,262	21,564	
<i>of which: enterprise and economic development</i>	715	493	612	1,308	1,637	
<i>of which: science and technology</i>	712	667	672	591	659	
<i>of which: employment policies</i>	76	32	25	62	112	
<i>of which: agriculture, fisheries and forestry</i>	292	385	362	353	396	
<i>of which: transport ⁽¹⁾</i>	8,716	10,292	17,557	17,948	18,760	
5. Environment protection	2,830	2,906	2,901	3,053	3,290	
6. Housing and community amenities	5,859	6,381	6,718	7,326	8,371	
7. Health	6,292	6,749	6,174	6,124	5,980	
8. Recreation, culture and religion	1,527	1,517	1,695	1,813	1,729	
9. Education	6,891	7,525	6,384	8,214	7,350	
10. Social protection	345	386	321	395	508	
Total public sector gross capital procurement expenditure on services	47,470	51,126	57,032	61,942	65,192	
Plus public sector receipts from sales of assets						
<i>Central government</i>						
Fixed assets	-665	-2,195	-2,777	-2,137	-921	
Intangible assets	-27	-107	-37	-12	42	
Total central government receipts	-692	-2,303	-2,814	-2,148	-879	
<i>Local government</i>						
Fixed assets	-1,454	-1,759	-2,358	-1,960	-1,555	
Intangible assets	-	-	-	-	-	
Total local government receipts	-1,454	-1,759	-2,358	-1,960	-1,555	
Total general government receipts	-2,146	-4,062	-5,172	-4,108	-2,433	
<i>Public corporations</i>						
Fixed assets	-1,724	-1,703	-1,962	-2,077	-1,873	
Intangible assets	-	-	-	-	-	
Total public corporations receipts	-1,724	-1,703	-1,962	-2,077	-1,873	
Total public sector income from sales of capital assets	-3,870	-5,765	-7,134	-6,186	-4,306	

(1) Following implementation of ESA2010, Network Rail is now classified to Central Government. Consequently Total Managed Expenditure (TME) includes Network Rail spending in all years shown, however the actual expenditure of Network Rail only appears in the Department for Transport budget from 2015-16. The functional analysis shown includes Network Rail spending from 2015-16 and is therefore only included within 'Capital Procurement' from that year.

BACKGROUND TO PUBLIC SECTOR SPENDING BY FUNCTION

5.1 The analyses in this chapter present public sector expenditure for the years 2013-14 onwards, adjusted so that figures for all years are based on current definitions. All data are National Statistics and are based on the expenditure on services framework (explained in **Annex E**).

WHAT'S NEW

5.2 Since PESA 2017 the layout of table 5.1 has changed to display local government separate of central government departments. In addition to this, current-only and capital-only versions of this table (5.1a and 5.1b respectively) are included within PESA for the first time. In past editions of PESA, table 5.1 showed local government spending allocated to the most relevant departmental group.

5.3 There have been a minor changes to the names of three departments: Health; Communities and Local Government; and Culture, Media and Sport have become Health and Social Care; Housing, Communities and Local Government and Digital, Culture, Media and Sport.

CLASSIFICATION CHANGES

5.4 For this year's publication there are no significant changes to classification to report.

RELATIONSHIP BETWEEN FUNCTIONAL SERIES AND DEPARTMENTS

5.5 **Tables 5.1, 5.1a** and **5.1b** show public sector expenditure on services by function split across the different government departmental groups for 2017-18. Departmental spending can be spread across a variety of functions, particularly in the case of the devolved administrations.

PUBLIC SECTOR EXPENDITURE ON SERVICES BY SUB-FUNCTION

5.6 **Table 5.2** provides the most detailed functional analysis of public sector expenditure on services. The tables are presented in a format generally consistent with the level 2 breakdown of the United Nations' Classification Of the Functions Of Government (UN COFOG). The table also shows, in italics, additional Treasury-defined sub-functional divisions that were used prior to the introduction of UN COFOG, but which do not map directly to COFOG level 2. Further information on UN COFOG is available from the United Nations' website¹.

5.7 The sub-function analysis of health is presented against HM Treasury's own sub-functional classification. This is because the NHS in England and Wales (not applicable to Scotland or Northern Ireland) is neither financed nor organised along the lines of COFOG level 2, so capturing the required additional information is not currently possible.

¹ <https://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=4>

PUBLIC SECTOR EXPENDITURE ON SERVICES BY ECONOMIC CATEGORY

5.8 The economic significance of public spending, such as its impact on GDP, depends on its nature; firstly whether it is current or capital, but also whether it is, for example, a transfer payment or expenditure on goods and services. **Table 5.3** breaks down expenditure on services into its component economic categories.

5.9 The presentation of economic categories in **Table 5.3** is broadly consistent with the economic categories used by the Office for National Statistics for the National Accounts. Brief descriptions of each category within expenditure on services are given below. Except where specifically stated, these categories are consistent with the definitions of the corresponding economic categories presented against the budgeting framework in **Table 2.1**:

- **pay** includes wages and salaries, employers' social contributions, payments of accruing superannuation liability charges for UK staff and locally engaged staff overseas, and amounts that finance employee contributions to pension schemes. It also includes income from the recovery of secondee costs. Unlike **Chapter 2**, it does not include payments for contract and agency staff which are treated as procurement instead;
- **gross current procurement** includes expenditure on goods and services, including payments for contract and agency staff, and payments for consultancy and audit services. Expenditure on hire and rentals under PFI and non-PFI operating leases, shown as **Rentals** in **Chapter 2**, are included here. **Income from the sales of goods and services** is now shown separately;
- **current grants to persons and non-profit bodies** are payments to these recipients that do not fund capital formation. They are mainly social security payments but also comprise grants to further and higher education institutions and other non-profit private sector bodies.
- **current grants abroad** are mainly foreign aid, such as programmes to reduce poverty. They also include the EU transactions set out in **Table 5.2**;
- **subsidies** are payments by government to trading businesses (both private sector and public corporations) to provide support for current costs, including payments to farmers under the EU's Common Agricultural Policy as well as subsidies to rail and bus operators. They are given with the objective of influencing their levels of production, their prices, or other factors;
- **net public service pensions** are the costs of pensions on a National Accounts basis; that is, payments to pensioners less receipts of contributions by employers and employees. More information on pensions is included in **Annex D**;
- **public sector debt interest** reflects the debt interest payments to the private sector, so it excludes intra-public sector payments. These payments do not form part of departmental budgets so are not included within **Table 2.1**;
- **capital grants** are transfer payments to the private sector that are usually made on the condition that the recipient uses the funds for capital projects;

- **gross capital procurement** comprises the acquisition of fixed assets (such as land, buildings and machinery) as well as any increases in stock. It is measured gross of depreciation; and
- **income from sales of capital assets** is the sale value of any assets, such as land, buildings and machinery, disposed of.

PUBLIC SECTOR EXPENDITURE ON SERVICES SPLIT BY CURRENT AND CAPITAL SPENDING

5.10 Table 5.4 gives a functional (COFOG level 1) breakdown of the current and capital expenditure of the public sector for the years from 2013-14. A functional split by sector is available in **Chapter 6** (central government), **Chapter 7** (local government) and **Chapter 8** (public corporations). The split between capital and current follows the National Accounts definition.

PUBLIC SECTOR GROSS PROCUREMENT BY FUNCTION

5.11 Table 5.5 shows public sector gross current procurement by COFOG level 1 function. This is a breakdown of the figure shown in **Table 5.3** and is defined on a National Accounts basis, as described above. Procurement of goods and services by one public sector body from another are included in this table.

5.12 Table 5.6 shows public sector gross capital procurement by COFOG level 1 function, and receipts from sales of fixed assets. These are defined on a National Accounts basis, as described above. Figures for asset sales are shown separately for central government, local government and public corporations, as well as for general government, which comprises central government and local government. Receipts, which are at sales value (i.e. book value plus profit or loss), are split between fixed and intangible asset classes, and exclude receipts from sales of financial assets, which are not included within expenditure on services. Sales of assets between public sector bodies are included in this table.

Box 5.A: Treatment of financial sector interventions in expenditure on services

In December 2009 the ONS created an alternative measure of Public Sector Net Borrowing (PSNBex). This treated the classification of banks to the public sector (Northern Rock, Bradford & Bingley, Dunfermline, Lloyds Banking Group and Royal Bank of Scotland) as temporary, reflecting the Government's intention to return these banks to the private sector. As a result, these institutions are treated as if they are outside the public sector.

The financial sector interventions are treated as follows in **Table 5.3**:

Current expenditure on services

- income from sales of goods and services: £0.03 billion in 2013-14, £0.2 billion in 2014-15, Nil in 2015-16, £0.06 billion in 2016-17 and £0.05 billion in 2017-18.

The other transactions shown in **Box 2.A** do not have an impact on the expenditure on services framework because they either take the form of financial transactions which do not constitute spending (as one asset is exchanged for another), or they are offset by imputed recoveries in the National Accounts (such as the liabilities borne by the Financial Services Compensation Scheme).

CHAPTER 6 CENTRAL GOVERNMENT OWN EXPENDITURE

OVERVIEW

The tables in chapter 6 of Public Spending Statistics (PSS) present analyses of central government own expenditure. This is spending by government departments and other central government bodies on their own activities. Central government support for local government and capital support for public corporations is not included.

Tables 6.1 to 6.3 show central government expenditure on a budgeting basis, consistent with the data shown in chapters 1 to 3.

Tables 6.4 to 6.6 show expenditure on services, consistent with chapters 4 and 5 of PSS.

EXPENDITURE IN BUDGETS

- Central government own expenditure within DEL reached £284.8bn in 2017-18, from £278.6bn in 2016-17, a rise of 2.2 per cent.
- Expenditure within AME stood at £414.9bn in 2017-18. This is a rise from £257.4bn in 2016-17, but this year has been affected by a change in the discount rate, which caused a one-off increase in non-cash costs in 2017-18 budgets.

EXPENDITURE ON SERVICES

- Central government's own current expenditure on services increased to £537.6bn in 2017-18, from £520.3bn the previous year. Capital expenditure on services increased from £42.7bn in 2016-17 to £49.1bn in 2017-18.
- It can be shown in **Table 6.4** that **Social protection** and **Health** account for more than half of all of central government own expenditure. In 2017-18 spending on **Social protection** increased to £213.3bn compared to £209.8bn in the previous year.
- Expenditure on **Central government debt interest** stood at £54.7bn in 2017-18, up 12.5 per cent from £48.7bn in 2016-17.
- Expenditure on **Current grants to persons and non-profit bodies**, which is mainly composed of social benefits, rose to £214.8bn in 2017-18 from £214.5bn in 2016-17.

Table 6.1 Central government own expenditure in budgets by departmental group⁽¹⁾, 2013-14 to 2017-18

	£million				
	National Statistics				
	2013-14	2014-15	2015-16	2016-17	2017-18
	outturn	outturn	outturn	outturn	outturn
Within DEL					
Defence	34,597	34,509	35,169	35,413	36,627
Single Intelligence Account	2,062	2,156	2,343	2,524	2,596
Home Office	2,327	2,475	2,236	2,332	2,344
Foreign and Commonwealth Office	2,110	1,866	1,889	1,997	1,808
International Development	10,020	9,650	9,250	9,992	10,262
Health and Social Care	107,128	110,921	114,022	116,821	121,939
Work and Pensions	6,752	6,495	5,951	5,788	5,830
Education	27,968	29,367	30,183	31,361	32,597
Business, Energy and Industrial Strategy	11,449	11,415	12,203	12,212	11,811
Transport	6,033	6,595	3,015	3,628	5,485
Exiting the European Union	7	7	7	23	57
Digital, Culture, Media and Sport	1,217	1,343	1,363	1,531	1,649
MHCLG - Housing and Communities	2,549	2,482	1,521	2,460	3,896
MHCLG - Local Government	0	-	-	-	-
Scotland	20,170	20,793	20,596	16,098	9,847
Wales	8,775	9,106	9,390	9,845	10,339
Northern Ireland	10,522	10,634	10,480	10,689	11,018
Justice	7,843	7,495	7,084	7,133	7,393
Law Officers' Departments	578	551	548	537	569
Environment, Food and Rural Affairs	2,074	2,036	1,850	1,970	2,019
HM Revenue and Customs	3,634	3,425	3,530	3,884	3,930
HM Treasury	-261	159	-539	150	140
Cabinet Office	261	403	323	443	715
Department for International Trade	206	279	341	349	396
Small and Independent Bodies	1,395	1,300	1,366	1,395	1,484
Total CG own expenditure within DEL	269,416	275,461	274,120	278,572	284,751
Within departmental AME					
Defence	6,249	8,361	12,049	5,125	16,682
Single Intelligence Account	19	41	135	13	19
Home Office	199	582	-521	48	27
Foreign and Commonwealth Office	66	-70	39	-53	142
International Development	109	151	656	473	721
Health and Social Care	18,124	21,948	48,539	27,796	39,664
Work and Pensions	139,235	143,775	149,652	149,954	155,528
Education	19,046	23,471	16,938	24,520	30,835
Business, Energy and Industrial Strategy	1,853	7,042	100,537	3,637	74,168
Transport ⁽²⁾	-5,195	6,432	12,920	13,821	14,673
Exiting the European Union	-	-	-	-	0
Digital, Culture, Media and Sport	5,051	5,465	4,956	5,380	5,256
MHCLG - Housing and Communities	-48	48	56	154	184
Scotland	3,005	4,298	4,694	9,996	18,057
Wales	287	367	51	629	654
Northern Ireland	7,888	8,821	8,976	8,746	9,207
Justice	-239	-144	483	549	653
Law Officers' Departments	7	13	-15	-1	11
Environment, Food and Rural Affairs	-93	79	391	87	-195
HM Revenue and Customs	42,575	42,931	43,194	42,329	41,845
HM Treasury ⁽³⁾	-5,431	-62,530	-42,737	-45,083	-4,311
Cabinet Office	8,641	10,573	10,366	9,140	10,545
Department for International Trade	0	-	0	-	-
Small and Independent Bodies	-30	-116	-274	170	556
Total CG own expenditure within dept AME	241,317	221,536	371,084	257,431	414,923
Locally financed expenditure in Northern Ireland	632	661	651	585	596
Net expenditure transfers to the EU	11,879	11,658	11,253	9,160	10,188
Central government debt interest	48,797	45,371	45,127	48,659	54,749
Accounting and other adjustments	-12,745	16,354	-123,934	-2,938	-153,960
Total CG own expenditure⁽⁴⁾	559,296	571,041	578,301	591,469	611,247

(1) Shown on a full resource budgeting basis, i.e. resource DEL less depreciation plus Capital DEL.

(2) Following implementation of ESA10, Network Rail is now classified to Central Government. Consequently from 2015-16 there is no longer a Central Government capital grant to Network Rail within DEL. The actual expenditure of Network Rail appears in the Department for Transport Resource departmental AME budget. In 2014-15 the Government put in place a loan arrangement in advance of Network Rail's formal reclassification to the Public Sector in September 2014. This is included in Capital departmental AME as lending to the private sector.

(3) Transactions have been affected by financial sector interventions. See Box 2.A for details.

(4) This excludes the temporary effects of banks being classified to the public sector. See Box 5.A for details.

Table 6.2 Central government own resource expenditure in budgets by departmental group, 2013-14 to 2017-18

	National Statistics					£million
	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 outturn	
Within resource DEL						
Defence	26,106	25,716	26,763	26,661	26,923	
Single Intelligence Account	1,564	1,606	1,768	1,920	2,020	
Home Office	2,047	2,199	1,963	1,952	1,851	
Foreign and Commonwealth Office	1,995	1,713	1,762	1,937	2,059	
International Development	7,769	7,000	6,817	7,404	7,549	
Health and Social Care	101,695	105,707	109,474	112,640	116,767	
Work and Pensions	6,515	6,245	5,830	5,576	5,482	
Education	26,084	27,128	26,805	28,740	30,095	
Business, Energy and Industrial Strategy	2,135	2,166	2,228	1,608	1,470	
Transport	853	15	598	601	1,236	
Exiting the European Union	7	7	7	23	57	
Digital, Culture, Media and Sport	1,235	1,380	1,217	1,338	1,390	
MHCLG - Housing and Communities	549	448	271	300	209	
MHCLG - Local Government	0	-	-	-	-	
Scotland	17,871	18,432	18,395	13,753	7,532	
Wales	8,017	8,148	8,469	8,879	9,083	
Northern Ireland	9,653	9,548	9,761	9,740	9,938	
Justice	7,569	7,200	6,818	6,730	6,986	
Law Officers' Departments	575	547	546	524	559	
Environment, Food and Rural Affairs	1,595	1,527	1,436	1,423	1,466	
HM Revenue and Customs	3,416	3,191	3,302	3,557	3,649	
HM Treasury	-255	123	122	152	218	
Cabinet Office	236	376	360	396	601	
Department for International Trade	204	277	339	342	380	
Small and Independent Bodies	1,319	1,217	1,276	1,292	1,307	
Total within resource DEL	228,752	231,917	236,326	237,491	238,828	
Within resource departmental AME						
Defence	6,377	8,311	12,020	5,125	16,637	
Single Intelligence Account	19	41	135	13	19	
Home Office	199	582	-612	48	27	
Foreign and Commonwealth Office	66	-70	39	-53	142	
International Development	109	151	206	188	326	
Health and Social Care	18,194	21,952	48,530	27,782	39,664	
Work and Pensions	139,370	143,899	149,800	150,041	155,565	
Education	10,563	12,908	5,296	11,448	15,034	
Business, Energy and Industrial Strategy	5,394	8,950	102,220	3,785	75,401	
Transport ⁽¹⁾	-5,207	-264	6,125	6,921	7,405	
Exiting the European Union	-	-	-	-	0	
Digital, Culture, Media and Sport	4,538	4,912	4,481	4,725	4,673	
MHCLG - Housing and Communities	-48	48	56	154	184	
Scotland	2,669	3,858	3,951	9,186	16,933	
Wales	-19	10	-331	207	149	
Northern Ireland	7,463	8,285	8,370	8,248	8,889	
Justice	-239	-144	483	549	653	
Law Officers' Departments	7	13	-15	-1	11	
Environment, Food and Rural Affairs	-92	78	391	86	-195	
HM Revenue and Customs	42,574	42,931	43,194	42,329	41,845	
HM Treasury ⁽²⁾	6,294	-49,816	-13,672	-25,351	-615	
Cabinet Office	8,641	10,573	10,366	9,140	10,545	
Department for International Trade	0	-	0	-	-	
Small and Independent Bodies	-30	-123	-332	-99	127	
Total within resource departmental AME	246,841	217,085	380,700	254,473	393,420	
Within resource other AME						
Locally financed expenditure in Northern Ireland	632	661	651	585	596	
Net expenditure transfers to the EU	11,879	11,658	11,253	9,160	10,188	
Central government debt interest	48,797	45,371	45,127	48,659	54,749	
Accounting and other adjustments	-16,184	22,880	-138,043	-2,732	-132,768	
Total CG own current expenditure	520,717	529,572	536,014	547,636	565,013	

(1) Following implementation of ESA10, Network Rail is now classified to Central Government. Consequently Central Government own current expenditure includes Network Rail spending in all years shown. However, the actual expenditure of Network Rail appears in the Department for Transport Resource departmental AME budget from 2015-16.

(2) Transactions have been affected by financial sector interventions. See Box 2.A for details.

Table 6.3 Central government own capital expenditure by departmental group, 2013-14 to 2017-18

	National Statistics					£million
	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 outturn	
Within capital DEL						
Defence	8,490	8,792	8,406	8,752	9,704	
Single Intelligence Account	499	550	575	603	576	
Home Office	280	276	273	380	493	
Foreign and Commonwealth Office	115	153	126	60	-252	
International Development	2,251	2,650	2,433	2,588	2,713	
Health and Social Care	5,433	5,213	4,548	4,180	5,172	
Work and Pensions	237	251	121	212	349	
Education	1,885	2,239	3,378	2,621	2,501	
Business, Energy and Industrial Strategy	9,314	9,248	9,974	10,603	10,341	
Transport	5,180	6,580	2,417	3,026	4,249	
Exiting the European Union	-	-	-	-	1	
Digital, Culture, Media and Sport	-18	-36	146	192	258	
MHCLG - Housing and Communities	2,000	2,034	1,250	2,159	3,688	
Scotland	2,299	2,361	2,201	2,345	2,316	
Wales	759	958	921	966	1,255	
Northern Ireland	869	1,086	719	949	1,080	
Justice	274	295	266	403	407	
Law Officers' Departments	3	4	3	13	10	
Environment, Food and Rural Affairs	479	508	414	546	553	
HM Revenue and Customs	218	234	228	326	281	
HM Treasury	-6	36	-660	-2	-78	
Cabinet Office	25	26	-37	48	114	
Department for International Trade	3	2	2	6	15	
Small and Independent Bodies	76	83	90	103	177	
Total within capital DEL	40,664	43,544	37,793	41,081	45,924	
Within capital departmental AME						
Defence	-129	51	29	-	44	
Home Office	-	-	91	-	-	
International Development	-	-	450	285	395	
Health and Social Care	-70	-5	9	13	-	
Work and Pensions	-134	-124	-148	-87	-37	
Education	8,483	10,563	11,642	13,072	15,801	
Business, Energy and Industrial Strategy	-3,541	-1,908	-1,683	-149	-1,233	
Transport ⁽¹⁾	13	6,695	6,795	6,900	7,269	
Digital, Culture, Media and Sport	513	554	475	655	583	
MHCLG - Housing and Communities	-	-	-	-	-	
Scotland	336	440	744	810	1,123	
Wales	306	357	382	422	505	
Northern Ireland	425	536	605	498	318	
Environment, Food and Rural Affairs	-1	2	0	1	0	
HM Revenue and Customs	0	0	-	-	-	
HM Treasury ⁽²⁾	-11,725	-12,714	-29,066	-19,731	-3,697	
Small and Independent Bodies	-	7	58	269	429	
Total within capital departmental AME	-5,524	4,452	-9,615	2,959	21,502	
Within capital other AME						
Accounting and other adjustments	3,439	-6,527	14,109	-207	-21,192	
Total CG own capital expenditure ⁽³⁾	38,579	41,469	42,287	43,833	46,234	

(1) In 2014-15 the Government put in place a loan arrangement in advance of Network Rail's formal reclassification to the Public Sector in September 2014. This is included in Capital departmental AME as lending to the private sector.

(2) Transactions have been affected by financial sector interventions. See Box 2.A for details.

(3) This excludes the temporary effects of banks being classified to the public sector. See Box 5.A for details.

Table 6.4 Central government own expenditure on services by sub-function, 2013-14 to 2017-8

	National Statistics				
	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 outturn
£ million					
1. General public services					
1.1 Executive and legislative organs, financial and fiscal affairs, external	7,942	7,937	8,269	8,257	8,494
1.2 Foreign economic aid ⁽¹⁾	7,586	8,542	8,173	8,729	8,613
1.3 General services	467	492	453	577	575
1.4 Basic research	-	-	-	-	-
1.5 R&D general public services	402	407	415	308	358
1.6 General public services n.e.c.	162	320	298	176	348
1.7 Public sector debt interest	48,797	45,371	45,127	48,659	54,749
<i>of which: central government debt interest ⁽²⁾</i>	<i>48,797</i>	<i>45,371</i>	<i>45,127</i>	<i>48,659</i>	<i>54,749</i>
Total general public services	65,355	63,068	62,735	66,705	73,137
2. Defence ⁽³⁾					
2.1 Military defence	33,021	33,749	34,012	34,995	36,409
2.2 Civil defence	-	-	-	-	-
2.3 Foreign military aid	1,412	688	382	602	801
2.4 R&D defence	1,673	1,950	1,922	1,268	1,231
2.5 Defence n.e.c	186	202	207	194	169
Total defence	36,293	36,589	36,523	37,059	38,609
3. Public order and safety					
3.1 Police services	4,474	4,778	4,656	4,642	4,877
<i>of which: immigration and citizenship</i>	<i>976</i>	<i>1,196</i>	<i>1,063</i>	<i>868</i>	<i>791</i>
<i>of which: other police services</i>	<i>3,498</i>	<i>3,582</i>	<i>3,593</i>	<i>3,774</i>	<i>4,087</i>
3.2 Fire-protection services	395	444	470	461	470
3.3 Law courts	5,465	6,244	5,654	5,713	6,000
3.4 Prisons	4,116	3,828	4,158	4,249	4,339
3.5 R&D public order and safety	38	38	35	38	31
3.6 Public order and safety n.e.c.	748	820	980	880	765
Total public order and safety	15,236	16,152	15,952	15,983	16,483
4. Economic affairs					
4.1 General economic, commercial and labour affairs ⁽⁴⁾	7,567	6,528	7,230	7,316	7,656
4.2 Agriculture, forestry, fishing and hunting	5,161	4,904	4,185	4,918	4,948
<i>of which: market support under CAP</i>	<i>2,959</i>	<i>2,773</i>	<i>2,278</i>	<i>2,973</i>	<i>2,899</i>
<i>of which: other agriculture, food and fisheries policy</i>	<i>2,088</i>	<i>2,005</i>	<i>1,754</i>	<i>1,780</i>	<i>1,917</i>
<i>of which: forestry</i>	<i>114</i>	<i>127</i>	<i>154</i>	<i>165</i>	<i>132</i>
4.3 Fuel and energy	464	450	463	480	761
4.4 Mining, manufacturing and construction	2	6	8	14	35
4.5 Transport	10,163	10,688	16,829	17,836	20,442
<i>of which: national roads</i>	<i>3,151</i>	<i>3,713</i>	<i>3,987</i>	<i>4,158</i>	<i>4,656</i>
<i>of which: local roads</i>	<i>370</i>	<i>349</i>	<i>246</i>	<i>315</i>	<i>310</i>
<i>of which: local public transport</i>	<i>588</i>	<i>511</i>	<i>533</i>	<i>498</i>	<i>530</i>
<i>of which: railway ⁽⁵⁾</i>	<i>5,227</i>	<i>5,331</i>	<i>10,880</i>	<i>11,709</i>	<i>13,660</i>
<i>of which: other transport</i>	<i>829</i>	<i>785</i>	<i>1,183</i>	<i>1,156</i>	<i>1,287</i>
4.6 Communication	645	436	438	271	198
4.7 Other industries	156	175	179	155	161
4.8 R&D economic affairs	4,194	4,472	4,819	4,488	5,047
4.9 Economic affairs n.e.c	459	480	427	432	412
Total economic affairs	28,811	28,138	34,578	35,910	39,659

Table 6.4 Central government own expenditure on services by sub-function, 2013-14 to 2017-8 (continued)

	National Statistics					£ million
	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 outturn	
5. Environment protection						
5.1 Waste management	2,259	2,344	2,277	2,314	2,483	
5.2 Waste water management	-	-	-	-	-	
5.3 Pollution abatement	142	501	470	78	84	
5.4 Protection of biodiversity and landscape	432	473	596	416	360	
5.5 R&D environment protection	496	466	456	424	509	
5.6 Environment protection n.e.c	1,608	1,603	1,537	1,632	1,542	
Total environment protection	4,937	5,388	5,335	4,864	4,977	
6. Housing and community amenities						
6.1 Housing development	1,078	1,000	966	1,046	1,570	
<i>of which: local authority housing</i>	89	66	152	166	231	
<i>of which: other social housing</i>	990	934	814	880	1,339	
6.2 Community development	587	639	455	540	522	
6.3 Water supply	274	265	256	261	292	
6.4 Street lighting	24	25	26	20	23	
6.5 R&D housing and community amenities	-	-	2	0	1	
6.6 Housing and community amenities n.e.c	162	186	213	181	131	
Total housing and community amenities	2,124	2,115	1,917	2,048	2,538	
7. Health⁽⁶⁾						
Medical services	120,303	125,853	129,604	133,839	137,797	
Medical research	1,970	1,876	2,179	1,872	1,941	
Central and other health services	4,550	3,526	3,499	3,325	2,603	
Total health	126,823	131,255	135,281	139,036	142,342	
8. Recreation, culture and religion						
8.1 Recreational and sporting services	721	1,196	553	629	477	
8.2 Cultural services	2,013	2,142	1,891	2,037	2,347	
8.3 Broadcasting and publishing services	3,903	4,088	4,005	4,232	4,316	
8.4 Religious and other community services	64	74	102	97	129	
8.5 R&D recreation, culture and religion	141	174	168	157	170	
8.6 Recreation, culture and religion n.e.c	46	58	65	69	87	
Total recreation, culture and religion	6,888	7,732	6,784	7,221	7,526	
9. Education						
9.1 Pre-primary and primary education	788	835	814	821	796	
<i>of which: under fives</i>	97	99	85	86	85	
<i>of which: primary education</i>	691	736	729	735	711	
9.2 Secondary education ⁽⁷⁾	23,948	26,978	27,371	27,653	30,474	
9.3 Post-secondary non-tertiary education	-	-	-	-	-	
9.4 Tertiary education	7,534	6,680	6,164	6,066	6,307	
9.5 Education not definable by level	408	560	473	655	746	
9.6 Subsidiary services to education	528	573	507	475	508	
9.7 R&D education	1,573	1,573	1,573	1,703	1,815	
9.8 Education n.e.c	2,204	1,837	2,328	2,342	2,086	
Total education	36,983	39,035	39,230	39,715	42,732	

Table 6.4 Central government own expenditure on services by sub-function, 2013-14 to 2017-8 (continued)

	National Statistics				
	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 outturn
£ million					
10. Social protection					
<i>of which: personal social services</i>	1,064	1,113	1,202	1,203	1,287
10.1 Sickness and disability	37,803	41,011	43,742	43,869	45,007
<i>of which: personal social services</i>	265	278	297	323	348
<i>of which: incapacity, disability and injury benefits</i>	37,538	40,733	43,445	43,546	44,659
10.2 Old age	103,878	107,679	109,813	111,049	113,318
<i>of which: personal social services</i>	449	467	489	495	514
<i>of which: pensions</i>	103,429	107,212	109,324	110,554	112,804
10.3 Survivors	1,135	1,153	1,167	1,157	1,019
10.4 Family and children	16,434	15,814	15,688	15,131	14,881
<i>of which: personal social services</i>	300	323	371	346	386
<i>of which: family benefits, income support and tax credits</i>	16,134	15,491	15,317	14,785	14,495
10.5 Unemployment	4,945	3,473	2,698	2,227	2,022
<i>of which: personal social services</i>	-	-	-	-	-
<i>of which: other unemployment benefits</i>	4,945	3,473	2,698	2,227	2,022
10.6 Housing	620	619	590	583	556
10.7 Social exclusion n.e.c. ⁽⁸⁾	31,537	31,596	31,581	31,692	32,509
<i>of which: personal social services</i>	50	44	46	39	39
<i>of which: family benefits, income support, Universal Credit and tax</i>	31,487	31,552	31,535	31,654	32,470
10.8 R&D Social protection	-	-	-	-	-
10.9 Social protection n.e.c.	3,124	3,800	3,791	4,054	4,001
Total social protection	199,477	205,146	209,069	209,762	213,313
EU transactions ⁽⁹⁾					
VAT-based and GNI-based contributions (net of abatement and collection derived as:	11,146	10,915	10,482	8,803	9,490
<i>EU gross contribution pre-abatement and after deduction of collection costs</i>	18,209	18,732	17,635	16,926	17,450
<i>Traditional Own Resources (without deduction of collection costs)</i>	-2,933	-3,006	-3,085	-3,366	-3,413
<i>UK abatement</i>	-4,130	-4,811	-4,068	-4,757	-4,547
EU receipts	-3,856	-4,690	-2,811	-4,081	-4,126
Attributed aid and Common Foreign and Security Policy	-79	-	-	-	-
Total EU transactions	7,211	6,225	7,671	4,722	5,364
Total central government own expenditure on services	530,138	540,843	555,075	563,025	586,680
Accounting adjustments	29,158	30,198	23,226	28,444	24,567
Total central government own expenditure ⁽¹⁰⁾	559,296	571,041	578,301	591,469	611,247

(1) Official Development Assistance (ODA) is the internationally-agreed classification of foreign aid financing and is measured in accordance with international standards agreed by the Organisation for Economic Co-operation and Development (OECD). The UN COFOG measure of Foreign economic aid presented in this table is quite different from the UK ODA measure and therefore not comparable. For example the UK ODA measure include financial transactions such as loans, whereas the UN COFOG measure does not. Also, the UK ODA <https://www.gov.uk/government/statistics/provisional-uk-official-development-assistance-as-a-proportion-of-gross-national-income-2016>.

(2) Central government debt interest figures show gross payments to the private sector and overseas.

(3) The 2015 Spending Review continued the commitment to meet the NATO investment pledge to spend 2% of GDP on Defence for the rest of this decade. This is evaluated using the NATO definitions of Defence spending rather than the UN COFOG definitions that are used in this table. The UN COFOG and NATO measures of Defence use different definitions and are therefore not comparable. For example, the NATO Defence figures include pensions whereas in COFOG these are included in Social Protection. Details and figures on NATO http://www.nato.int/cps/o/n/natohq/topics_4938.htm.

(4) Transactions from 2013-14 onwards have been affected by financial sector interventions. Details are provided in Box 5.A.

(5) Following implementation of ESA 2010, Network Rail is now classified to Central Government. Consequently Total Managed Expenditure (TME) includes Network Rail spending in all years shown however the actual expenditure of Network Rail only appears in the Department for Transport budget from 2015-16. The sub-functional analysis only includes Network Rail.

(6) The level of detail required for COFOG level 2 is not yet available in England and Wales. Health spending is therefore presented using HM Treasury's own sub-functional classification.

(7) The Department for Education is currently recording all central government academy expenditure as 'Secondary Education', across all years presented. While secondary schools currently account for the largest population in the academy sector, it is recognised that this will also cover some schools in primary and other functional categories. In future editions of

(8) Social exclusion n.e.c. includes Child and Working Tax Credits. Also included here are Universal Credit additional costs that were previously scored in 10.9 Social protection n.e.c.

(9) An explanation of why the EU transactions are defined in TES in this way is given in Annex E. Complete transactions with the institutions of the EU are shown in Table C.1

(10) This excludes the temporary effects of banks being classified to the public sector. See Box 5.A for details.

Table 6.5 Central government own expenditure on services by economic category, 2013-14 to 2017-18

	National Statistics					£million
	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 outturn	
Central government current expenditure on services						
Pay	99,015	103,412	109,578	115,549	121,934	
Gross current procurement	123,186	128,440	130,207	136,000	140,493	
Income from sales of goods and services	-18,867	-20,034	-18,389	-25,414	-27,780	
Current grants to persons and non-profit bodies	207,569	210,564	212,413	214,510	214,835	
Current grants abroad	14,067	12,402	13,694	11,382	12,320	
Subsidies to private sector companies	7,562	7,463	8,604	9,631	10,066	
Subsidies to public corporations	1,023	821	815	657	597	
Net public service pensions	9,081	10,182	9,649	8,891	9,327	
Central government debt interest	48,797	45,371	45,127	48,659	54,749	
Other	278	289	215	478	1,013	
Total central government own current expenditure on services	491,711	498,910	511,913	520,343	537,554	
Accounting adjustments	29,006	30,662	24,101	27,293	27,459	
Total central government own current expenditure	520,717	529,572	536,014	547,636	565,013	
Central government capital expenditure on services						
Capital grants to persons and non-profit bodies	6,499	6,923	7,369	4,417	7,474	
Capital grants to private sector companies ^{(1) (2)}	5,355	6,135	2,297	1,577	2,281	
Capital grants abroad	1,405	2,754	2,753	2,686	2,245	
Gross capital procurement ⁽²⁾	25,859	28,424	33,558	36,150	38,004	
Income from sales of capital assets	-692	-2,303	-2,814	-2,148	-879	
Total central government own capital expenditure on services	38,426	41,933	43,163	42,682	49,125	
Accounting adjustments	153	-464	-876	1,151	-2,891	
Total central government own capital expenditure	38,579	41,469	42,287	43,833	46,234	
Total central government own expenditure on services	530,137	540,843	555,076	563,025	586,679	
Accounting adjustments	29,159	30,198	23,225	28,444	24,568	
Total central government own expenditure ⁽³⁾	559,296	571,041	578,301	591,469	611,247	

(1) Transactions have been affected by financial sector interventions. See Box 5.A for details.

(2) Following implementation of ESA10, Network Rail is now classified to Central Government. Consequently from 2015-16 there is no longer a Central Government capital grant to Network Rail within DEL. The actual expenditure of Network Rail appears in the Department for Transport Resource departmental AME budget. In 2014-15 the Government put in place a loan arrangement in advance of Network Rail's formal reclassification to the Public Sector in September 2014.

(3) This excludes the temporary effects of banks being classified to the public sector. See Box 5.A for details.

Table 6.6 Central government own current and capital expenditure on services by function, 2013-14 to 2017-18

	National Statistics				
	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 outturn
£million					
Central government own current expenditure on services					
1. General public services	63,968	60,118	60,032	63,910	70,830
<i>of which: public and common services</i>	5,997	6,386	6,447	6,304	6,629
<i>of which: international services</i>	9,174	8,362	8,457	8,947	9,452
<i>of which: public sector debt interest</i>	48,797	45,371	45,127	48,659	54,749
2. Defence ⁽¹⁾	27,518	27,400	27,750	27,836	28,357
3. Public order and safety	14,490	15,420	15,172	15,089	15,448
4. Economic affairs	17,511	15,577	19,586	20,519	22,251
<i>of which: enterprise and economic development</i> ⁽²⁾	4,642	4,498	5,815	5,595	6,302
<i>of which: science and technology</i>	363	496	875	978	1,127
<i>of which: employment policies</i>	3,718	2,806	2,363	2,340	2,509
<i>of which: agriculture, fisheries and forestry</i>	4,880	4,604	3,988	4,668	4,679
<i>of which: transport</i> ⁽³⁾	3,909	3,172	6,545	6,939	7,635
5. Environment protection	1,988	2,211	2,252	1,581	1,510
6. Housing and community amenities	797	843	867	925	885
7. Health	119,408	124,863	129,458	133,444	136,165
8. Recreation, culture and religion	6,017	6,856	5,989	6,230	6,478
9. Education	32,766	33,887	34,139	36,446	37,188
10. Social protection	200,040	205,511	208,997	209,641	213,079
EU transactions	7,211	6,225	7,671	4,722	5,364
Total central government own current expenditure on services	491,712	498,910	511,912	520,343	537,555
Accounting adjustments	29,005	30,662	24,102	27,293	27,458
Total central government own current expenditure	520,717	529,572	536,014	547,636	565,013
Central government own capital expenditure on services					
1. General public services	1,388	2,950	2,703	2,796	2,307
<i>of which: public and common services</i>	783	833	724	909	1,062
<i>of which: international services</i>	604	2,117	1,979	1,887	1,245
2. Defence ⁽¹⁾	8,775	9,190	8,773	9,223	10,252
3. Public order and safety	746	733	780	894	1,036
4. Economic affairs	11,301	12,562	14,991	15,391	17,408
<i>of which: enterprise and economic development</i> ⁽²⁾	856	739	545	674	307
<i>of which: science and technology</i>	3,831	3,976	3,944	3,510	3,920
<i>of which: employment policies</i>	77	32	22	60	105
<i>of which: agriculture, fisheries and forestry</i>	281	300	197	250	270
<i>of which: transport</i> ⁽³⁾	6,255	7,515	10,284	10,897	12,807
5. Environment protection	2,948	3,177	3,083	3,283	3,467
6. Housing and community amenities	1,328	1,272	1,051	1,123	1,653
7. Health	7,415	6,392	5,823	5,592	6,177
8. Recreation, culture and religion	871	875	796	991	1,047
9. Education	4,217	5,148	5,091	3,269	5,545
10. Social protection	-563	-365	73	121	234
Total central government own capital expenditure on services	38,426	41,933	43,163	42,682	49,126
Accounting adjustments	153	-464	-876	1,151	-2,892
Total central government own capital expenditure ⁽⁴⁾	38,579	41,469	42,287	43,833	46,234

(1) The 2015 Spending Review continued the commitment to meet the NATO investment pledge to spend 2% of GDP on Defence for the rest of this decade. This is evaluated using the NATO definitions of Defence spending rather than the UN COFOG definitions that are used in this table. The UN COFOG and NATO measures of Defence use different definitions and are therefore not comparable. For example, the NATO Defence figures include pensions whereas in COFOG these are included in Social Protection. Details and figures on NATO Defence expenditures can be found at the following link:

http://www.nato.int/cps/on/natohq/topics_49198.htm

(2) Transactions from 2013-14 onwards have been affected by financial sector interventions. See Box 5.A for details.

(3) Following implementation of ESA2010, Network Rail is now classified to Central Government. Consequently Total Managed Expenditure (TME) includes Network Rail spending in all years shown however the actual expenditure of Network Rail only appears in the Department for Transport budget from 2015-16. The functional analysis only includes Network Rail spending from 2015-16 and is therefore only included within 'Total Expenditure on services' from that year onwards.

(4) This excludes the temporary effects of banks being classified to the public sector. See Box 5.A for details.

BACKGROUND TO CENTRAL GOVERNMENT OWN EXPENDITURE

6.1 This section provides summary analyses of central government own expenditure, which comprises the expenditure of government departments and other central government bodies on their own activities. Central government, as defined by the Office for National Statistics (ONS) for the National Accounts, includes the devolved administrations, executive agencies and Arms Length Bodies (ALBs), health trusts and academies.

6.2 In addition to staff pay and procurement, central government own expenditure includes grants and subsidies paid to individuals and enterprises in the private sector and subsidies to public corporations. It excludes central government support for local government and support for the capital expenditure of public corporations. These data are shown in **Chapters 7 and 8**.

6.3 Central government own expenditure accounts for about 75 per cent of Departmental Expenditure Limits (DEL) and about 90 per cent of departmental Annually Managed Expenditure (AME).

6.4 **Tables 6.1 to 6.3** are presented against the budgeting framework, **Tables 6.4 to 6.6** are presented against the expenditure on services framework.

WHAT'S NEW

6.5 There have been no significant changes since PSS July 2017 affecting tables in this chapter.

CENTRAL GOVERNMENT OWN EXPENDITURE BY DEPARTMENT

6.6 **Table 6.1** gives a departmental breakdown of central government own expenditure. Expenditure in DEL is shown separately from expenditure in departmental AME. DEL expenditure in this table is shown on a full resource budgeting basis, which is given by resource DEL plus capital DEL less depreciation (including impairments) in DEL. In a number of areas, for example education, transport, and law and order, a relatively large proportion of expenditure is by local government, with only a relatively small proportion spent directly by central government - some of which will be recorded by Scotland, Wales or Northern Ireland. Other AME includes locally financed expenditure in Northern Ireland that by convention is classified as central government.

CENTRAL GOVERNMENT OWN RESOURCE AND CAPITAL EXPENDITURE BY DEPARTMENT

6.7 **Tables 6.2 and 6.3** show the resource and capital elements of **Table 6.1**, respectively. Expenditure for each departmental group is therefore shown on a budgeting basis, while the final line in each table shows total central government own expenditure on a National Accounts basis. The lower section of each table shows the adjustments required to move from the budgeting framework to the National Accounts framework.

CENTRAL GOVERNMENT OWN EXPENDITURE ON SERVICES BY SUB-FUNCTION

6.8 Table 6.4 shows central government own expenditure by sub-function, within the expenditure on services framework. Expenditure on services is an overall measure of public spending that is close to TME, and so broadly represents total current and capital expenditure as in the National Accounts. Full details are available in **Annex E** of PESA 2018.

CENTRAL GOVERNMENT OWN EXPENDITURE ON SERVICES BY ECONOMIC CATEGORY

6.9 Table 6.5 shows central government own expenditure by economic category, set within the framework of expenditure on services. An explanation of the different economic categories is available in **Chapter 5**.

CENTRAL GOVERNMENT OWN CURRENT AND CAPITAL EXPENDITURE ON SERVICES BY FUNCTION

6.10 Table 6.6 shows central government own current and capital expenditure on services by function. This shows the capital and current split on a National Accounts basis.

CHAPTER 7 LOCAL GOVERNMENT FINANCING AND EXPENDITURE

OVERVIEW

Chapter 7 analyses central government support for local government within budgets (tables 7.1 to 7.3) and local government expenditure on services (tables 7.4 to 7.8). It deals primarily with Great Britain, as most equivalent spending in Northern Ireland is central government spending carried out by Northern Ireland departments.

CENTRAL GOVERNMENT SUPPORT FOR LOCAL GOVERNMENT

- Total central government support in DEL was £65.3bn in 2017-18, down from £69.4bn the year before. Support in AME increased to £47.3bn from £45.1bn over the same period.
- Capital support for local government decreased to £8.7bn in 2017-18, from £10.2bn the year before.

LOCAL GOVERNMENT EXPENDITURE ON SERVICES

- Total local government current expenditure on services was £132.0bn in 2017-18, marginally lower than £132.4bn in 2016-17. Total capital expenditure on services was up from £18.2bn to £19.5bn over the same period.
- As shown in table 7.4, local government current expenditure on social protection was £54.7bn in 2017-18, down from £55.2bn the year before. Over the same period, spending on education increased slightly to £41.0bn from £40.9bn.
- Local government capital expenditure on transport decreased to £5.6bn in 2017-18 from £6.2bn in 2016-17.
- A breakdown of local government expenditure by economic category is shown in table 7.8. Spending on pay, which amounted to £62.0bn in 2017-18, accounts for just under 41 per cent of all spending on services by local government. The majority of this was within the education and public order and safety functions.

Table 7.1 Financing of local government in the United Kingdom by country, 2013-14 to 2017-18

	£ million				
	National Statistics				
	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 outturn
Current finance in DEL					
England	66,330	63,070	58,811	55,695	52,816
Scotland	41	30	28	25	22
Wales	5,717	5,621	4,361	4,205	4,218
Northern Ireland	58	138	147	152	148
Total current finance in DEL	72,146	68,859	63,347	60,077	57,204
Capital support in DEL					
England	8,009	8,878	9,022	8,819	7,616
Scotland	-	-	-	-	-
Wales	569	535	555	481	509
Northern Ireland	2	6	46	5	3
Total capital support in DEL	8,580	9,419	9,623	9,305	8,128
Total central government support in DEL ⁽¹⁾	80,726	78,278	72,970	69,382	65,332
Current finance in departmental AME					
England	33,826	34,556	35,227	34,978	37,356
Scotland	9,374	9,035	8,551	8,187	8,299
Wales	1,003	1,025	1,023	1,026	1,006
Northern Ireland	-	-	-	-	-
Total current finance in departmental AME	44,203	44,616	44,801	44,191	46,661
Capital support in departmental AME					
England	132	310	333	110	-302
Scotland	565	829	880	817	912
Wales	-	-	5	-	-
Northern Ireland	-	-	-	-	-
Total capital support in departmental AME	697	1,139	1,218	927	610
Total central government support in departmental AME ⁽²⁾	44,900	45,755	46,019	45,118	47,271
Locally financed expenditure					
Local authority self-financed expenditure	26,996	28,928	33,699	38,604	42,051
Locally financed support in Scotland ⁽³⁾	2,435	2,650	2,789	2,769	2,666
Locally financed support in Wales ⁽⁴⁾	-	-	1,875	977	1,059
Total locally financed expenditure	29,431	31,578	38,363	42,350	45,776
Total financing of local government expenditure	155,057	155,611	157,352	156,850	158,379
Accounting and other adjustments	15,159	14,761	14,080	15,891	14,393
Total local government expenditure	170,216	170,372	171,432	172,741	172,772

(1) Receipts from the EU offset in budgets against the subsequent payment to local government.

(2) Includes lottery grants.

(3) By convention, non-domestic rates income (NDRI) in Scotland (equivalent to non-domestic rate payments in England and Wales) is shown in PESA as locally raised central government support, as it is finance raised in Scotland rather than funding from Whitehall.

(4) From 2015-16 national non-domestic rates in Wales became classified as locally raised, prior to that they formed part of departmental DEL. 2015-16 includes borrowing to reform the HRA.

Table 7.2 Central government current grants for local government in the United Kingdom by departmental group, 2013-14 to 2017-18

	£ million				
	National Statistics				
	2013-14	2014-15	2015-16	2016-17	2017-18
	outturn	outturn	outturn	outturn	outturn
England					
Home Office					
Police	9,943	10,300	9,952	10,267	10,399
Other	475	540	758	842	827
Total Home Office	10,418	10,840	10,710	11,109	11,226
Health and Social Care					
Social Care	42	80	56	-	-
Public Health	2,662	2,565	3,036	3,388	3,091
Other	9	21	26	-	59
Total Health and Social Care	2,713	2,666	3,118	3,388	3,150
Work and Pensions					
Housing benefits	20,992	20,989	20,866	20,194	19,085
Other	847	676	443	419	439
Total Work and Pensions	21,839	21,665	21,309	20,613	19,524
Education⁽¹⁾					
Schools Grant	29,167	28,254	27,551	25,168	24,128
Pupil Premium	1,365	1,768	1,668	1,563	1,432
Private finance initiative grant	715	744	749	751	751
Other	1,851	1,966	2,407	3,672	3,965
Total Education	33,098	32,732	32,375	31,154	30,276
Business, Energy and Industrial Strategy					
Business, Energy and Industrial Strategy	7	18	26	12	10
Total Business, Energy and Industrial Strategy	7	18	26	12	10
Transport					
GLA transport	1,988	1,777	591	474	255
Strategic rail authority	182	52	126	5	86
Other	677	627	639	541	495
Total Transport	2,847	2,456	1,356	1,020	836
MHCLG Housing and Communities					
New Homes Bonus	668	917	1,168	1,462	1,227
PFI special grant (Housing)	154	183	184	192	192
Troubled Families	161	153	141	171	214
City Deals	-	-	1	102	91
Other	427	351	409	245	460
Total MHCLG Housing and Communities	1,410	1,604	1,903	2,172	2,184
MHCLG Local Government					
Non-domestic rate payments/Revenue Support Grant	26,669	24,994	22,241	20,071	19,598
Independent Living Fund	-	-	140	177	171
PFI special grant	26	27	27	27	26
Other	909	298	524	367	2,671
Total MHCLG Local Government	27,604	25,319	22,932	20,642	22,466
Environment, Food and Rural Affairs					
Environment, Food and Rural Affairs	92	139	132	133	205
Total Environment, Food and Rural Affairs	92	139	132	133	205
Other government departments	128	188	176	430	295
Total England	100,156	97,627	94,037	90,673	90,172

Table 7.2 Central government current grants for local government in the United Kingdom by departmental group, 2013-14 to 2017-18 (continued)

	National Statistics				
	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 outturn
Scotland					
Work and Pensions					
Housing benefits	1,724	1,750	1,732	1,693	1,625
Other	41	30	27	25	22
Total Work and Pensions	1,765	1,780	1,759	1,718	1,647
Scottish Government					
Revenue Support Grant	7,529	7,165	7,151	6,839	6,799
Non-domestic rate income ⁽²⁾	2,435	2,650	2,789	2,769	2,666
Other	1,886	1,900	1,428	1,373	1,522
Total Scottish Government	11,850	11,715	11,368	10,981	10,987
Other government departments	-	-	-445	-464	-425
Total Scotland	13,615	13,495	12,682	12,235	12,209
Wales					
Home Office					
Police	-	-	-	-	-
Other	-	-	-	-	-
Total Home Office	-	-	-	-	-
Work and Pensions					
Housing benefits	984	1,003	1,002	992	977
Other	23	16	15	13	13
Total Work and Pensions	1,007	1,019	1,017	1,005	990
Welsh Assembly Government					
Non-domestic rate payments/Revenue Support Grant	4,681	4,439	4,293	4,263	4,309
Other	1,031	1,189	1,030	939	984
Total Welsh Assembly Government	5,712	5,628	5,323	5,202	5,293
Other government departments	0	-1	0	0	0
Total Wales	6,719	6,646	6,340	6,207	6,283
Northern Ireland					
Northern Ireland Executive					
	58	138	147	152	148
Total Northern Ireland	58	138	147	152	148
Total current finance	120,548	117,906	113,206	109,267	108,812

(1) Academies are now treated as part of central government, and so their expenditure falls within pay and procurement and is no longer recorded within grants for local government.

(2) By convention, non-domestic rates income (NDRI) in Scotland (equivalent to non-domestic rate payments in England and Wales) is shown in PESA as locally raised central government support, i.e. It is finance raised in Scotland rather than funding from Whitehall.

Table 7.3 Central government capital support for local government in the United Kingdom by country and departmental group, 2013-14 to 2017-18

	£ million				
	National Statistics				
	2013-14	2014-15	2015-16	2016-17	2017-18
	outturn	outturn	outturn	outturn	outturn
England					
Capital grants					
Home Office	238	244	548	130	131
Health and Social Care	247	227	221	621	69
Education	2,235	2,525	2,036	2,482	2,345
Business, Energy and Industrial Strategy	77	22	55	42	41
Transport	3,373	3,188	3,342	2,351	1,633
Digital, Culture, Media and Sport	183	409	225	232	94
MHCLG Housing and Communities	1,729	2,406	2,792	2,947	2,914
Justice	-	-	-	14	5
Environment, Food and Rural Affairs	54	164	137	109	79
Cabinet Office	5	3	-	-	2
Total capital grants	8,141	9,188	9,355	8,928	7,314
Total England	8,141	9,188	9,355	8,928	7,314
Scotland					
Supported borrowing					
Scottish Government	-	-	-	-	-
Total supported borrowing	-	-	-	-	-
Capital grants					
Scottish Government	565	829	880	817	912
Total capital grants	565	829	880	817	912
Total Scotland	565	829	880	817	912
Wales					
Supported Capital Expenditure (Revenue) ⁽¹⁾					
Welsh Assembly Government	89	89	89	89	89
Total Supported Capital Expenditure (Revenue)	89	89	89	89	89
Capital grants					
Welsh Assembly Government	480	446	471	392	421
Total capital grants	480	446	471	392	421
Total Wales	569	535	560	481	510
Northern Ireland capital grants					
Northern Ireland Executive	2	6	46	5	3
Total Northern Ireland	2	6	46	5	3
Total United Kingdom	9,277	10,558	10,841	10,231	8,739

(1) A full definition of Supported Capital expenditure (SCR) is given in Annex G. This is equivalent to supported borrowing in Scotland.

Table 7.4 Local government current and capital expenditure on services in the United Kingdom by function, 2013-14 to 2017-18

	£ million				
	2013-14	2014-15	2015-16	2016-17	2017-18
	outturn	outturn	outturn	outturn	plans
Current					
1. General public services	3,922	4,024	4,165	4,212	4,176
<i>of which: public and common services</i>	3,375	3,318	3,403	3,405	3,476
<i>of which: public sector debt interest ⁽¹⁾</i>	547	706	762	807	700
2. Defence	54	49	46	45	48
3. Public order and safety	13,855	13,815	13,756	13,865	14,078
4. Economic affairs	4,746	4,445	3,935	3,731	3,708
<i>of which: enterprise and economic development</i>	903	911	613	702	524
<i>of which: agriculture, fisheries and forestry</i>	86	88	102	101	91
<i>of which: transport</i>	3,757	3,446	3,220	2,928	3,093
5. Environment protection	5,649	5,629	5,686	5,683	5,880
6. Housing and community amenities	2,340	2,219	2,119	2,018	2,128
7. Health	2,560	2,788	3,205	3,534	3,455
8. Recreation, culture and religion	3,737	3,571	3,338	3,151	2,921
9. Education	43,094	41,717	41,455	40,873	40,979
10. Social protection	54,188	55,639	55,510	55,250	54,669
Total local government current expenditure on services	134,145	133,896	133,216	132,362	132,042
Accounting adjustments	19,533	20,008	21,268	22,042	21,658
Total local government current expenditure	153,678	153,904	154,484	154,404	153,700
Capital					
1. General public services	954	878	947	1,732	1,968
<i>of which: public and common services</i>	954	878	947	1,732	1,968
3. Public order and safety	512	519	499	223	998
4. Economic affairs	6,032	6,451	6,492	7,362	7,136
<i>of which: enterprise and economic development</i>	300	84	128	1,019	1,301
<i>of which: employment policies</i>	-	-	-	-	-
<i>of which: agriculture, fisheries and forestry</i>	127	219	200	191	213
<i>of which: transport</i>	5,605	6,148	6,164	6,152	5,622
5. Environment protection	624	573	589	496	581
6. Housing and community amenities	2,300	2,543	2,098	2,503	3,090
7. Health	6	10	13	19	15
8. Recreation, culture and religion	983	1,146	1,244	1,235	1,344
9. Education	4,604	4,302	4,228	4,318	4,103
10. Social protection	271	256	241	327	259
Total local government capital expenditure on services	16,286	16,679	16,351	18,214	19,493
Accounting adjustments	252	-211	597	123	-421
Total local government capital expenditure	16,538	16,468	16,948	18,337	19,072
Total local government expenditure	170,216	170,372	171,432	172,741	172,772

(1) This excludes all intra-public sector payments of debt interest.

Table 7.5 Local government current expenditure on services in the United Kingdom by country and function, 2013-14 to 2017-18

	£ million				
	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 plans
England					
1. General public services	2,690	2,682	2,744	2,789	2,901
<i>of which: public and common services</i>	2,690	2,682	2,744	2,789	2,901
2. Defence	47	43	39	39	42
3. Public order and safety	13,085	13,014	12,999	13,101	13,290
4. Economic affairs	3,714	3,458	3,012	2,850	2,805
<i>of which: enterprise and economic development</i>	544	559	312	411	226
<i>of which: agriculture, fisheries and forestry</i>	69	72	80	83	73
<i>of which: transport</i>	3,101	2,827	2,620	2,356	2,506
5. Environment protection	4,477	4,467	4,523	4,498	4,663
6. Housing and community amenities	2,003	1,892	1,799	1,729	1,711
7. Health	2,508	2,737	3,152	3,480	3,410
8. Recreation, culture and religion	2,670	2,505	2,322	2,149	2,006
9. Education	35,881	34,477	34,133	33,382	33,343
10. Social protection	46,301	47,623	47,402	47,362	46,531
Total England	113,376	112,898	112,127	111,379	110,701
Scotland					
1. General public services	503	455	468	428	347
<i>of which: public and common services</i>	503	455	468	428	347
2. Defence	3	3	4	4	3
3. Public order and safety	-	-	-	-	-
4. Economic affairs	711	701	673	630	653
<i>of which: enterprise and economic development</i>	241	247	226	216	231
<i>of which: agriculture, fisheries and forestry</i>	10	10	15	10	10
<i>of which: transport</i>	460	444	432	404	412
5. Environment protection	632	633	644	647	676
6. Housing and community amenities	72	74	97	43	130
8. Recreation, culture and religion	584	609	566	539	523
9. Education	4,590	4,624	4,745	4,875	5,037
10. Social protection	4,991	5,065	5,163	4,909	5,164
Total Scotland	12,086	12,164	12,359	12,076	12,534
Wales					
1. General public services	182	181	191	188	227
<i>of which: public and common services</i>	182	181	191	188	227
2. Defence	4	4	3	2	3
3. Public order and safety	770	801	756	764	789
4. Economic affairs	300	257	228	222	224
<i>of which: enterprise and economic development</i>	97	77	52	46	42
<i>of which: agriculture, fisheries and forestry</i>	7	6	8	8	8
<i>of which: transport</i>	196	174	168	168	174
5. Environment protection	360	343	329	336	358
6. Housing and community amenities	168	155	124	121	119
8. Recreation, culture and religion	262	245	220	210	199
9. Education	2,623	2,616	2,577	2,616	2,599
10. Social protection	2,896	2,951	2,945	2,979	2,974
Total Wales	7,564	7,553	7,373	7,438	7,491
Total Great Britain	133,026	132,615	131,859	130,893	130,726

Table 7.5 Local government current expenditure on services in the United Kingdom by country and function, 2013-14 to 2017-18 (continued)

	£ million				
	2013-14	2014-15	2015-16	2016-17	2017-18
	outturn	outturn	outturn	outturn	plans
Northern Ireland					
4. Economic affairs	21	27	23	29	25
<i>of which: enterprise and economic development</i>	21	27	23	29	25
5. Environment protection	180	186	190	203	185
6. Housing and community amenities	98	99	100	124	169
7. Health	52	52	53	54	44
8. Recreation, culture and religion	221	211	230	252	192
Total Northern Ireland	571	575	596	662	615
Debt interest ⁽¹⁾	547	706	762	807	700
Total local government current expenditure on services	134,144	133,896	133,217	132,362	132,041
Accounting adjustments	19,534	20,008	21,267	22,042	21,659
Total local government current expenditure	153,678	153,904	154,484	154,404	153,700

(1) Debt interest is not allocated to individual countries, so is only included in the total UK figures. It excludes all intra-public sector debt interest payments.

Table 7.6 Local government gross⁽¹⁾ capital expenditure on services in the United Kingdom by country and function, 2013-14 to 2017-18

	£ million				
	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 plans
England					
1. General public services	1,246	1,280	1,311	2,020	2,259
<i>of which: public and common services</i>	1,246	1,280	1,311	2,020	2,259
3. Public order and safety	660	740	785	813	1,065
4. Economic affairs	5,561	6,077	6,346	6,869	6,461
<i>of which: enterprise and economic development</i>	447	296	472	1,017	1,159
<i>of which: employment policies</i>	0	0	0	0	0
<i>of which: agriculture, fisheries and forestry</i>	87	147	184	170	204
<i>of which: transport</i>	5,027	5,634	5,690	5,682	5,098
5. Environment protection	474	491	492	378	463
6. Housing and community amenities	2,030	2,330	2,208	2,335	2,980
7. Health	4	7	10	18	8
8. Recreation, culture and religion	817	931	1,034	982	1,031
9. Education	3,913	3,647	3,367	3,216	2,981
10. Social protection	229	239	248	311	283
Total England	14,935	15,742	15,802	16,942	17,531
Scotland					
1. General public services	175	174	196	178	259
<i>of which: public and common services</i>	175	174	196	178	259
3. Public order and safety ⁽²⁾	-	-	-	-	-
4. Economic affairs	616	570	574	697	755
<i>of which: enterprise and economic development</i>	74	50	73	175	252
<i>of which: agriculture, fisheries and forestry</i>	69	85	65	47	33
<i>of which: transport</i>	473	435	436	475	470
5. Environment protection	130	56	64	87	71
6. Housing and community amenities	161	173	174	175	173
8. Recreation, culture and religion	155	128	171	229	193
9. Education	524	559	653	854	785
10. Social protection	81	74	63	65	43
Total Scotland	1,841	1,735	1,893	2,285	2,279
Wales					
1. General public services	50	44	39	40	77
<i>of which: public and common services</i>	50	44	39	40	77
3. Public order and safety	54	48	57	43	73
4. Economic affairs	198	189	133	145	136
<i>of which: enterprise and economic development</i>	22	25	18	22	23
<i>of which: agriculture, fisheries and forestry</i>	14	14	7	8	15
<i>of which: transport</i>	162	150	108	115	98
5. Environment protection	24	26	32	32	37
6. Housing and community amenities	201	194	195	155	144
8. Recreation, culture and religion	53	47	54	44	53
9. Education	274	246	335	374	483
10. Social protection	18	23	13	15	23
Total Wales	872	816	859	848	1,026
Total Great Britain	17,648	18,293	18,554	20,075	20,836
Northern Ireland					
4. Economic affairs	1	4	15	5	16
<i>of which: enterprise and economic development</i>	1	4	15	5	16
5. Environment protection	9	12	8	6	17
6. Housing and community amenities	21	25	37	34	28
7. Health	3	4	3	2	7
8. Recreation, culture and religion	57	100	93	52	144
Total Northern Ireland	91	145	155	100	212
Total United Kingdom	17,739	18,438	18,709	20,174	21,048
Memorandum					
United Kingdom gross capital expenditure, from above	17,739	18,438	18,709	20,174	21,048
United Kingdom capital receipts (see table 7.7)	-1,454	-1,759	-2,358	-1,960	-1,555
Total local government net capital expenditure on services	16,285	16,679	16,351	18,214	19,493
Accounting adjustments	253	-211	597	123	-421
Total local government net capital expenditure	16,538	16,468	16,948	18,337	19,072

(1) 'Gross' - before sales of capital assets and depreciation.

Table 7.7 Local government capital receipts within expenditure on services in the United Kingdom by country and function, 2013-14 to 2017-18

	£ million				
	2013-14	2014-15	2015-16	2016-17	2017-18
	outturn	outturn	outturn	outturn	plans
England					
1. General public services	477	574	562	463	594
<i>of which: public and common services</i>	477	574	562	463	594
3. Public order and safety	199	267	340	631	133
4. Economic affairs	277	337	433	309	184
<i>of which: enterprise and economic development</i>	179	262	317	159	104
<i>of which: employment policies</i>	-	-	-	-	-
<i>of which: agriculture, fisheries and forestry</i>	44	27	56	34	38
<i>of which: transport</i>	54	48	60	116	42
5. Environment protection	12	8	4	3	4
6. Housing and community amenities	97	147	495	177	216
8. Recreation, culture and religion	70	22	54	42	39
9. Education	89	120	107	108	118
10. Social protection	53	69	78	57	85
Total England	1,273	1,544	2,073	1,790	1,374
Scotland					
1. General public services	28	26	19	21	11
<i>of which: public and common services</i>	28	26	19	21	11
3. Public order and safety	-	-	-	-	-
4. Economic affairs	59	39	128	16	21
<i>of which: enterprise and economic development</i>	57	18	118	13	18
<i>of which: agriculture, fisheries and forestry</i>	0	0	0	0	0
<i>of which: transport</i>	2	21	10	3	3
5. Environment protection	1	1	1	2	2
6. Housing and community amenities	1	5	0	0	1
8. Recreation, culture and religion	4	2	3	14	16
9. Education	14	15	16	13	14
10. Social protection	3	6	1	4	6
Total Scotland	110	94	168	69	70
Wales					
1. General public services	12	20	18	23	22
<i>of which: public and common services</i>	12	20	18	23	22
3. Public order and safety	2	2	3	2	7
4. Economic affairs	8	11	8	27	26
<i>of which: enterprise and economic development</i>	7	10	7	27	26
<i>of which: agriculture, fisheries and forestry</i>	0	0	0	0	0
<i>of which: transport</i>	1	1	1	0	0
5. Environment protection	0	0	0	0	0
6. Housing and community amenities	12	15	13	15	15
8. Recreation, culture and religion	0	0	1	1	1
9. Education	5	15	4	6	14
10. Social protection	0	5	3	3	0
Total Wales	40	68	51	78	84
Total Great Britain	1,423	1,706	2,292	1,937	1,528
Northern Ireland					
4. Economic affairs	1	1	8	1	2
<i>of which: enterprise and economic development</i>	1	1	8	1	2
5. Environment protection	1	3	1	1	0
6. Housing and community amenities	3	13	7	3	3
7. Health	0	1	0	1	0
8. Recreation, culture and religion	25	35	49	16	21
Total Northern Ireland	30	53	66	23	27
Total United Kingdom capital receipts	1,454	1,759	2,358	1,960	1,555

Table 7.8 Local government expenditure on services in the United Kingdom by country and economic category, 2013-14 to 2017-18

	£ million				
	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 plans
England					
Pay	53,607	52,876	51,424	51,198	50,839
Gross current procurement	65,594	66,558	67,893	67,723	68,318
Income from sales of goods and services	-28,713	-29,436	-30,019	-29,526	-29,470
Subsidies to private sector companies	1,477	1,357	1,368	1,273	1,362
Subsidies to public corporations	15	14	14	12	13
Current grants to persons and non-profit bodies	21,396	21,529	21,447	20,699	19,640
Gross capital procurement	12,924	13,529	13,964	15,368	15,697
Income from sales of capital assets	-1,273	-1,544	-2,073	-1,790	-1,374
Capital grants	2,011	2,213	1,838	1,574	1,834
Total England	127,038	127,096	125,855	126,531	126,858
Scotland					
Pay	5,994	6,045	6,129	6,467	6,604
Gross current procurement	6,162	6,250	6,340	6,088	6,333
Income from sales of goods and services	-1,938	-2,001	-1,978	-2,309	-2,168
Subsidies to public corporations	98	93	95	97	94
Current grants to persons and non-profit bodies	1,770	1,776	1,772	1,733	1,671
Gross capital procurement	1,642	1,536	1,705	2,120	2,121
Income from sales of capital assets	-110	-94	-168	-69	-70
Capital grants	200	198	188	165	159
Total Scotland	13,818	13,804	14,083	14,291	14,743
Wales					
Pay	4,355	3,951	4,110	4,199	4,217
Gross current procurement	3,555	3,946	3,515	3,532	3,580
Income from sales of goods and services	-1,350	-1,355	-1,276	-1,302	-1,298
Current grants to persons and non-profit bodies	1,004	1,011	1,024	1,009	992
Gross capital procurement	778	728	765	766	950
Income from sales of capital assets	-40	-68	-51	-78	-84
Capital grants	94	88	94	82	76
Total Wales	8,396	8,301	8,181	8,208	8,433
Great Britain					
Pay	63,956	62,873	61,662	61,864	61,660
Gross current procurement	75,312	76,754	77,748	77,342	78,231
Income from sales of goods and services	-32,001	-32,793	-33,274	-33,136	-32,936
Subsidies to private sector companies	1,477	1,357	1,368	1,273	1,362
Subsidies to public corporations	113	107	109	109	107
Current grants to persons and non-profit bodies	24,170	24,317	24,244	23,441	22,303
Gross capital procurement	15,344	15,793	16,433	18,254	18,767
Income from sales of capital assets	-1,423	-1,707	-2,292	-1,937	-1,528
Capital grants	2,305	2,500	2,120	1,820	2,068
Total Great Britain	149,252	149,201	148,119	149,030	150,035
Northern Ireland					
Pay	302	321	348	346	367
Gross current procurement	466	463	469	491	406
Income from sales of goods and services	-197	-209	-220	-174	-158
Gross capital procurement	91	145	155	100	212
Income from sales of capital assets	-30	-53	-66	-23	-27
Total Northern Ireland	632	668	686	739	801
United Kingdom					
Pay	64,258	63,194	62,010	62,210	62,027
Gross current procurement	75,778	77,217	78,217	77,833	78,637
Income from sales of goods and services	-32,199	-33,001	-33,494	-33,311	-33,094
Subsidies to private sector companies	1,477	1,357	1,368	1,273	1,362
Subsidies to public corporations	113	107	109	109	107
Current grants to persons and non-profit bodies	24,170	24,317	24,244	23,441	22,303
Local government debt interest ⁽¹⁾	547	706	762	807	700
Gross capital procurement	15,435	15,938	16,589	18,354	18,980
Income from sales of capital assets	-1,454	-1,759	-2,358	-1,960	-1,555
Capital grants	2,305	2,500	2,120	1,820	2,068
Total local government expenditure on services	150,430	150,576	149,567	150,576	151,535
Accounting adjustments	19,786	19,796	21,865	22,165	21,237
Total local government expenditure	170,216	170,372	171,432	172,741	172,772

(1) Debt interest is not allocated to individual countries, so is only included in the total UK figures. It excludes all intra-public sector debt interest payments.

BACKGROUND TO LOCAL GOVERNMENT FINANCING AND EXPENDITURE

7.1 This chapter describes central government support for local government within budgets (**Tables 7.1 to 7.3**) and local government expenditure on services (**Tables 7.4 to 7.8**). It deals primarily with Great Britain - most equivalent spending in Northern Ireland is central government spending carried out by Northern Ireland departments. Where relevant, district council spending in Northern Ireland is included in this chapter.

7.2 All data are covered by National Statistics protocols.

7.3 Central government support data for all years are final outturn figures.

7.4 Local government spending data for all years up to 2016-17 are final outturn. Data for 2017-18 are based on provisional outturns and budget plans.

WHAT'S NEW

7.5 Since PSS July 2017, financing of the Scottish Government has been largely moved from DEL to AME, causing large changes to those totals in table 7.1. The net effect of this on total levels is zero.

THE FINANCING OF LOCAL GOVERNMENT EXPENDITURE

7.6 Central government support for local government expenditure is provided in two main forms: capital and current grants and the redistribution of non-domestic rate payments. Grant support may be non-specific, e.g. Revenue Support Grant, or related to specific services, e.g. schools grant. From April 2013 in England a non-domestic rates retention scheme was introduced allowing local authorities to keep a proportion of the rates they collect along with growth in the revenue that is generated in their area. Local government expenditure can also be financed by Supported Capital Expenditure (Revenue), equivalent to supported borrowing in Scotland. However, this was discontinued in England as of 31 March 2011.

7.7 Local authorities also raise finance locally, largely through council tax, receipts from sales of assets, contributions from developers, sales, fees and charges and borrowing. By convention, Scottish Non-Domestic Rates Income (NDRI) is shown in Public Spending Statistics (PSS) as locally financed central government support in other AME, as it is raised in Scotland rather than funded by Whitehall.

7.8 Funding provided to local government by the EU is channelled through departmental budgets but is not treated as central government support in PSS. This is because the receipts from the EU offset in budgets against the subsequent payment to local government, so this funding forms part of the accounting and other adjustments that are required to reconcile the departmental budgeting data to an aggregate drawn from the National Accounts.

7.9 **Table 7.1** shows current and capital support provided to local government within each country in the UK, according to whether support is in DEL or AME. As noted above, further adjustments are made to these budgeting aggregates to reconcile with total local government expenditure in the National Accounts.

SUPPORT FOR LOCAL GOVERNMENT CURRENT SPENDING

7.10 Central government support for current expenditure on local services is largely provided through:

- Revenue Support Grant (RSG) – a non ring-fenced grant paid to local government in England, Scotland and Wales;
- non-domestic (business) rate payments – the proceeds of National Non-Domestic Rates (NNDR) are pooled separately in England and Wales, and then redistributed. As noted above, equivalent payments in Scotland are considered to be locally financed rather than central government support. From 1 April 2013 local authorities in England will retain a proportion of this income; Also, from 2015-16 Welsh non-domestic rates move from central government DEL support to locally raised finance, and
- other specific and special grants such as the schools grant and police grant, which fund part of the current expenditure on a specific service or activity.

7.11 **Table 7.2** shows the above support by country, departmental group and grant.

SUPPORT FOR LOCAL GOVERNMENT CAPITAL PROGRAMMES

7.12 Central government support for local government capital expenditure comprises capital grants and Supported Capital Expenditure (Revenue) up to 31 March 2011 in England, equivalent to supported borrowing in Scotland. The latter enables local authorities to borrow or use other forms of credit to finance capital expenditure, with central government providing a revenue stream to support repayment of principal and interest. This is distinct from prudential borrowing where local authorities finance any additional borrowing from their own available resources. **Table 7.3** shows the components of central government capital support within the United Kingdom by country and department.

DATA SOURCES AND DATA QUALITY

7.13 The central government support for local government shown in **Tables 7.1 to 7.3** is taken from finance data loaded onto the Treasury spending database by departments, consistent with their resource accounts.

LOCAL GOVERNMENT EXPENDITURE

7.14 Total local government expenditure is defined as the contribution of local government to Total Managed Expenditure (TME). TME is a consolidated measure in the sense that most transactions between parts of the public sector are excluded. For example, total local government expenditure defined here excludes capital grants paid to public corporations and interest paid to central government. Local government expenditure accounts for around one quarter of TME.

7.15 Local government have considerable discretion to determine the level, pattern, and standard of the main services - subject to the financial resources available, including the implications for local taxation, and in some cases subject also to central government regulation and inspection of the service provided.

LOCAL GOVERNMENT EXPENDITURE ON SERVICES

7.16 The measure of local government spending that is analysed by function and economic category in PSS is local government expenditure on services. It is largely equivalent to the National Accounts measure of local government expenditure, which is also shown in the tables. **Annex E** gives more information on expenditure on services.

7.17 The functional categories in **Tables 7.4 to 7.7** are based on the UN Classification Of the Functions Of Government (COFOG) and are consistent with the functional categories used in other PSS chapters:

- **Table 7.4** presents total local government expenditure by function;
- **Table 7.5** shows local government current expenditure by country and function;
- **Table 7.6** shows gross capital expenditure, split by country and function. Gross indicates that it is before sales of capital assets and depreciation; and
- **Table 7.7** shows local government capital receipts within the United Kingdom, again by country and function.

7.18 **Table 7.8** shows local government expenditure by country and economic category. The economic categories are broadly consistent with those used by the ONS for the National Accounts. These are described in **Chapter 5**.

DATA SOURCES AND DATA QUALITY

7.19 The local government expenditure shown in **Tables 7.4 to 7.8** is based on revenue (current) and capital data collections completed by local authorities and sent to the Ministry of Housing, Communities and Local Government (MHCLG) and devolved administrations. These departments carry out quality assurance on the data received, produce aggregate results for publication, and supply this information to the Treasury.

7.20 Information is sought from all local authorities, who derive the material from the accounting records used to produce audited accounts. However, detailed expenditure breakdowns may be of lower quality because of inconsistencies of classification by respondents and resource constraints on quality assurance.

7.21 Spending information received from local government is described in terms of local authority services (education, roads etc). The Treasury assign spending to the COFOG functional categories used in PSS. In general the read-across from service categories to COFOG categories is relatively clear, but in some cases it is less straightforward and assumptions are applied.

7.22 Although the quality of the local government expenditure data in PSS is good enough to provide a broad picture of local government spending, the quality is likely to be lower than the quality of the central government data in PSS. Figures are shown to the nearest £1m so that users performing calculations on the numbers do not introduce errors due to working on rounded numbers.

7.23 The Treasury are working with MHCLG and the ONS to improve the quality and timeliness of local government spending data.

7.24 More information on local government finance and spending is available from the following sources:

England – Ministry of Housing, Communities and Local Government

- [<https://www.gov.uk/government/collections/local-authority-revenue-expenditure-and-financing>]
- [<https://www.gov.uk/government/collections/local-authority-capital-expenditure-receipts-and-financing>]

Scotland – Scottish Government

- [<http://www.gov.scot/Topics/Statistics/Browse/Local-Government-Finance>]

Wales – Welsh Government

- [<https://statswales.gov.wales/Catalogue/Local-Government/Finance>]

CHAPTER 8 PUBLIC CORPORATIONS**OVERVIEW**

Chapter 8 analyses the impact of public corporations on departmental budgets and expenditure on services.

Tables 8.1 and **8.2** examine the impact on departmental budgets (DEL and departmental AME), breaking this down by economic category and departmental group.

Tables 8.3 to **8.5** analyse capital spending by public corporations. They break the expenditure down by individual public corporations as well as by function and economic category. Debt interest payments to the private sector, which is the only public corporation current spending that forms part of Total Managed Expenditure (TME), is also included.

- Public corporations' capital expenditure was £16.3bn in 2017-18, down from £17.0bn the year before.
- Out of this total, expenditure by the Housing Revenue Account (for England, Scotland and Wales) was £3.8bn, up from £3.2bn the previous year.
- The other main contributors to public corporations' capital expenditure were Housing Associations, London Underground (as Transport Trading Limited) and Scottish Water.
- Public corporations' expenditure on debt interest was £2.6bn in 2017-18 compared with £3.8bn in 2016-17.

Table 8.1 Public corporations' contribution to budgets and Total Managed Expenditure ⁽¹⁾, 2013-14 to 2017-18

	£ million				
	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 outturn
Resource DEL					
CG dividends from PCs (-)	-84	-115	-135	-121	-99
CG interest from PCs (-)	-9	-6	-29	-31	-39
Subsidies to PCs	969	747	639	487	430
Loans written off - mutual consent	-	-	-	-	-
Total resource DEL	876	626	475	335	291
Resource departmental AME					
CG dividends from PCs (-)	-132	-101	-262	-194	-104
CG interest from PCs (-)	-157	-109	-109	-64	-106
Subsidies to PCs	54	74	175	170	167
Loans written off - mutual consent	-	-	-	-	-
Total resource departmental AME	-234	-136	-195	-87	-43
Total public corporations' contribution to resource budget	642	489	280	248	249
Capital DEL					
CG investment grants to PCs	295	320	277	252	208
Net lending to PCs	-412	-1,008	-49	-259	105
Market and overseas borrowing	-5	-9	-4	-12	36
Total capital DEL	-123	-697	224	-19	350
Capital departmental AME					
CG investment grants to PCs	22	28	12	20	13
Net lending to PCs	-762	335	90	175	439
Total capital departmental AME	-740	362	102	195	451
Total public corporations' contribution to capital budget	-863	-335	326	175	801
Other AME					
PC own-financed capital expenditure ⁽²⁾	14,400	18,027	14,594	16,682	15,486
Accounting adjustments	2,659	3,207	3,500	3,769	2,424
Public corporations' expenditure in TME ⁽³⁾	16,838	21,388	18,700	20,874	18,960
<i>of which:</i>					
PC current expenditure in TME	3,329	3,739	3,821	3,842	2,620
PC gross investment in TME	13,509	17,649	14,879	17,032	16,340

(1) Data in this table differ from those shown for public corporations in Table 1.15. Central government subsidies to public corporations are classified as central government own spending in National Accounts, and are shown as such in Table 1.15. In Table 8.1 subsidies are shown as part of public corporations' contribution to the resource budget. Subsidies are removed in the accounting adjustments and do not form part of public corporations' expenditure in TME.

(2) Includes capital expenditure by local authority public corporations.

(3) This excludes the temporary effects of banks being classified to the public sector. See Box 5.A for details.

Table 8.2 Public corporations' contribution to budgets by departmental group⁽¹⁾, 2013-14 to 2017-18

	£ million				
	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 plans
Resource DEL					
Defence	-51	-84	-67	-70	-22
Home Office	-	-1	-	-	-
Foreign and Commonwealth Office	157	150	157	159	173
Health and Social Care	92	82	94	-	-
Work and Pensions	120	111	16	17	8
Education	0	3	-	-	-
Business, Energy and Industrial Strategy	320	202	159	137	69
Transport	6	25	-42	-37	-53
Digital, Culture, Media and Sport	9	50	44	29	14
MHCLG - Housing and Communities and MHCLG - Local Government	-2	-2	-2	-1	-1
Wales	-1	0	-1	0	-
Northern Ireland	210	81	100	73	84
International Trade	-	-	0	-	-
Environment, Food and Rural Affairs	19	8	20	30	21
Cabinet Office	-3	-2	-2	-2	-2
Small and Independent Bodies	0	0	0	-	-
Total resource DEL	876	626	475	335	291
Resource departmental AME					
Business, Energy and Industrial Strategy	-46	-1	-2	-5	-5
Digital, Culture, Media and Sport	-55	-5	-150	-44	-38
Scotland	31	42	68	69	64
Wales	-73	-73	-	-	-
HM Treasury	-84	-97	-109	-107	-66
Small and Independent Bodies	-7	-4	-2	-1	2
Total resource departmental AME	-234	-136	-195	-87	-43
Total public corporations' contribution to resource budget	642	489	280	248	249
Capital DEL					
Defence	-6	-57	-3	-63	-
Foreign and Commonwealth Office	5	5	5	-	-
Health and Social Care	-313	-469	-117	-245	-4
Work and Pensions	-	-	67	80	84
Business, Energy and Industrial Strategy	119	90	170	147	82
Transport	-16	-378	1	3	33
Digital, Culture, Media and Sport	-	80	-	-	-1
MHCLG - Housing and Communities and MHCLG - Local Government	-	14	14	8	32
Wales	-3	7	67	2	60
Northern Ireland	74	-7	0	51	64
Environment, Food and Rural Affairs	17	19	19	-	-
Total capital DEL	-123	-697	224	-19	350
Capital departmental AME					
Business, Energy and Industrial Strategy	-764	292	53	134	36
Digital, Culture, Media and Sport	0	0	-	-	189
Scotland	57	99	73	79	226
Small and Independent Bodies	-34	-29	-24	-19	-
Total capital departmental AME	-740	362	102	195	451
Total public corporations' contribution to capital budget	-863	-335	326	175	801
Total public corporations' contribution to budgets	-221	155	606	423	1,050

(1) Data in this table differ from those shown for public corporations in Table 1.15. Central government subsidies to public corporations are classified as central government own spending in National Accounts, and are shown as such in Table 1.15. In Table 8.1 subsidies are shown as part of public corporations' contribution to the resource budget. Subsidies are removed in the accounting adjustments and do not form part of public corporations' expenditure in TME.

Table 8.3 Public corporations' capital expenditure on services, 2013-14 to 2017-18

	£ million				
	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 outturn
Defence					
Defence Support Group	7	7	7	#	#
Defence Aviation Repair Agency ⁽¹⁾	-	-	-	#	#
Defence Science and Technology Laboratory ⁽¹⁾	41	41	41	33	#
Hydrographic Office ⁽¹⁾	8	8	8	-6	#
Navy, Army and Air Force Institute	3	3	3	#	#
Total Defence	59	59	59	27	#
Foreign and Commonwealth Office					
British Council	17	16	5	31	#
Total Foreign and Commonwealth Office	17	16	5	31	#
International Development					
CDC Group ⁽⁵⁾	#	#	#	#	#
Actis ⁽⁵⁾	#	#	#	#	#
Total International Development	#	#	#	#	#
Health and Social Care					
Medicines and Healthcare Products Regulatory Agency ⁽¹⁾	#	#	#	#	#
NHS Estates ⁽¹⁾	#	#	#	#	#
NHS Blood and Transplant	#	#	#	#	#
Total Health and Social Care	#	#	#	#	#
Work and Pensions					
Remploy	#	#	#	#	#
Pension Protection Fund	9	-3	1	3	#
National Employment Savings Trust	2	3	4	1	#
Office for Nuclear Regulation	-	0	0	-	#
Total Work and Pensions	10	1	5	4	#
Business, Energy and Industrial Strategy					
UK Intellectual Property Office	2	1	#	#	#
British Nuclear Fuels Limited ⁽⁵⁾	-	-	#	#	#
Companies House ⁽¹⁾	-2	-	5	7	#
Royal Mail Holdings ⁽⁵⁾	-	-	#	#	#
Land Registry ⁽¹⁾	0	2	#	#	#
Ordnance Survey ⁽¹⁾	20	-	#	#	#
Meteorological Office ⁽¹⁾	21	38	#	#	#
Total Business, Energy and Industrial Strategy	41	41	5	7	#
Transport					
Civil Aviation Authority	#	#	#	#	#
Driving Standards Agency ⁽¹⁾	#	#	#	#	#
Vehicle and Operator Services Agency ⁽¹⁾	#	#	#	#	#
Total Transport	#	#	#	#	#
Digital, Culture Media and Sport					
Channel Four Television Corporation ⁽⁵⁾	#	#	#	#	#
Historic Royal Palaces Trust	#	#	#	#	#
Tote ⁽⁵⁾	#	#	#	#	#
Total Digital, Culture Media and Sport	#	#	#	#	#
MHCLG - Housing and Communities and MHCLG - Local Government					
Fire Service College ⁽¹⁾	-	-	-	#	#
QEII Conference Centre ⁽¹⁾	1	3	4	#	#
and MHCLG - Local Government	1	3	4	-	-
Scotland					
Caledonian MacBrayne	6	6	6	6	6
Forest Enterprise	5	2	2	2	2
Scottish Water	355	318	325	485	494
Total Scotland	365	325	333	492	501

Table 8.3 Public corporations' capital expenditure on services, 2013-14 to 2017-18 (continued)

	£ million				
	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 outturn
Northern Ireland					
Northern Ireland Driver and Vehicle Testing Agency ^(T)	1	0	0	2	4
Northern Ireland Housing Executive	110	21	-6	-4	-3
Northern Ireland Public Trust Port Authority	10	22	23	54	46
Northern Ireland Transport Holding Company	29	37	37	75	71
Northern Ireland Water	-	-	-	-	-
Total Northern Ireland	151	79	55	126	118
Environment Food and Rural Affairs					
Covent Garden Market Authority	-	-	-	1	3
Total Environment Food and Rural Affairs	-	-	-	1	3
HM Treasury					
Crown Estate ^(S)	47	33	-321	113	-20
Royal Mint ^{(S)(T)}	-	-	-	-	-
Total HM Treasury	47	33	-321	113	-20
Local Government					
Transport Trading Limited	1,223	1,444	1,410	1,316	1,904
England Housing Revenue Account	1,914	2,297	2,607	2,465	2,825
Scotland Housing Revenue Account	565	595	561	538	694
Wales Housing Revenue Account	147	169	207	242	313
Total Local Government	3,850	4,506	4,786	4,561	5,736
Housing Associations ⁽¹⁾	5,934	9,316	6,392	8,427	7,009
Total public corporations' capital expenditure on services	10,476	14,378	12,241	13,790	13,347
Accounting Adjustments	3,033	3,271	2,638	3,242	2,993
Total public corporations' capital expenditure ⁽²⁾	13,509	17,649	14,879	17,032	16,340

Data unavailable. Capital expenditure by public corporations in years where data are unavailable form part of the accounting adjustments.

(T) Denotes public corporation with trading fund status.

(S) Denotes self-financing public corporation (SFPC). The estimated outturn and plans for capital expenditure by SFPCs are not shown individually in this table but are represented by *. The figures are included in the overall total.

(1) The Office for National Statistics has concluded that registered providers of social housing in England are private, market producers and as such were re-classified to the private non-financial corporations sector. This classification took effect from 16 November 2017.

(2) This excludes the temporary effects of banks being classified to the public sector. See Box 5.A for details.

Table 8.4 Public corporations' current and capital expenditure on services by function, 2013-14 to 2017-18

	National Statistics					£ million
	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2017-18 outturn	
Public corporations' current expenditure on services						
1. General public services	3,329	3,739	3,821	3,842	2,620	
<i>of which: public sector debt interest</i>	3,329	3,739	3,821	3,842	2,620	
Total public corporations' current expenditure on services	3,329	3,739	3,821	3,842	2,620	
Accounting adjustments	-	-	-	-	-	
Total public corporations' current expenditure	3,308	3,232	3,301	3,428	3,930	
Public corporations' capital expenditure on services						
1. General public services	88	57	-308	146	-20	
<i>of which: public and common services</i>	71	41	-313	115	-20	
<i>of which: international services</i>	17	16	5	31	-	
2. Defence	59	59	59	27	-	
3. Public order and safety	-	-	-	-	-	
4. Economic affairs	1,295	1,549	1,483	1,461	2,035	
<i>of which: enterprise and economic development</i>	22	39	6	7	-	
<i>of which: employment policies</i>	-	-	-	-	-	
<i>of which: agriculture, fisheries and forestry</i>	5	2	2	3	4	
<i>of which: transport</i>	1,269	1,508	1,476	1,452	2,031	
5. Environment protection	-	-	-	-	-	
6. Housing and community amenities	3,092	3,400	3,695	3,726	4,322	
7. Health	-	-	-	-	-	
8. Recreation, culture and religion	-	-	-	-	-	
10. Social protection	9	-3	1	3	-	
Total public corporations' capital expenditure on services	4,542	5,062	4,930	5,363	6,338	
Accounting adjustments	8,967	12,587	9,949	11,669	10,002	
Total public corporations' capital expenditure	13,509	17,649	14,879	17,032	16,340	

Table 8.5 Public corporations' current and capital expenditure by economic category, 2013-14 to 2017-18

	£ million				
	2013-14	2014-15	2015-16	2016-17	2017-18
	outturn	outturn	outturn	outturn	outturn
Public corporations' current expenditure on services					
Public corporations' debt interest	3,329	3,739	3,821	3,842	2,620
Total public corporations' current expenditure on services	3,329	3,739	3,821	3,842	2,620
Accounting adjustments	0	0	0	0	0
Total public corporations' current expenditure	3,329	3,739	3,821	3,842	2,620
Public corporations' capital expenditure on services					
Gross capital procurement	6,176	6,764	6,886	7,438	8,208
Income from sales of assets	-1,724	-1,703	-1,962	-2,077	-1,873
Capital grants	90	2	6	3	3
Total public corporations' capital expenditure on services	4,542	5,062	4,930	5,363	6,338
Accounting adjustments	8,967	12,587	9,949	11,669	10,002
Total public corporations' capital expenditure	13,509	17,649	14,879	17,032	16,340
Total public corporations' expenditure on services	7,871	8,801	8,751	9,205	8,958
Accounting adjustments	8,967	12,587	9,949	11,669	10,002
Total public corporations' expenditure ⁽¹⁾	16,838	21,388	18,700	20,874	18,960

(1) This excludes the temporary effects of banks being classified to the public sector. See Box 5.A for details.

BACKGROUND TO PUBLIC CORPORATIONS

8.1 This chapter sets out what public corporations are, recent developments affecting them, how they are controlled, and how they are scored in public expenditure.

8.2 All data in this chapter to 2017-18 are National Statistics.

WHAT'S NEW

8.3 The Office for National Statistics has concluded that registered providers of social housing in England are private, market producers and as such were re-classified to the private non-financial corporations sector. This classification took effect from 16 November 2017. Prior to that date they were classified as public corporations. **Table 8.3** includes data for all Housing Associations before and after this classification change.

DEFINITION OF PUBLIC CORPORATIONS

8.4 Public corporation is a term from National Accounts, which are based on the European System of Accounts (ESA10). The Office for National Statistics (ONS) therefore determines which bodies are public corporations. A body will be classified as a public corporation where:

- it is classified as a *market body* - a body that derives more than 50% of its production cost from the sale of goods or services at economically significant prices. Some charge for regulatory activities, where these provide a significant benefit to the person paying the fee, for example through quality testing;
- it is controlled by central government, local government or other public corporations; and
- it has substantial day to day operating independence so that it should be seen as an institutional unit separate from its parent departments.

SELF FINANCING PUBLIC CORPORATIONS (SFPCS)

8.5 The Treasury has designated some public corporations SFPCs. To be classified as an SFPC, the public corporation must normally trade mainly with non-government customers and not perform regulatory functions. In other words, its income must be from selling goods and services into a competitive market rather than from regulatory fees. It must trade profitably and not require subsidies or other financial support from its parent department.

8.6 SFPCs normally score in departmental AME rather than in DEL – though any subsidies and grants exceptionally paid to them would score in DEL. They also have greater and more individually tailored financial flexibilities. Some SFPCs are also trading funds.

TRADING FUNDS

8.7 Where activities of a government department generate income from the supply of goods and services, those parts of the department may be designated trading funds by Parliament on the application of the Government. Trading funds may keep unspent funds from one year to the next without having to surrender surpluses to the Exchequer at the end of each year.

8.8 Most trading funds are classified by ONS as public corporations in the National Accounts. DVLA is the only trading fund that is treated as a central government body in the National Accounts, and therefore in PSS.

8.9 Trading funds are not directly subject to central government administration costs controls. The budgeting treatment of trading funds that are public corporations is normally the same as that of other public corporations.

THE BUDGETING CONTROL FRAMEWORK

8.10 The following transactions with and in respect of public corporations accountable to Ministers are normally included in departmental budgets:

- subsidies paid to the public corporation by the department (in resource DEL);
- capital grants paid to the public corporation by the department (in capital DEL);
- interest and dividends received from the public corporation (resource DEL, or resource AME if an SFPC);
- equity purchase in and withdrawals from public corporations (capital DEL, or capital AME if an SFPC) – included with net lending in **Table 8.1**;
- loans and public dividend capital (PDC) invested in the public corporation (capital DEL, or capital AME if an SFPC) – also included with net lending in **Table 8.1**;
- public corporations' market and overseas borrowing (PCMOB) where, exceptionally, it is permitted (capital DEL, or capital AME if an SFPC); and

8.11 The **Crown Estate** is an SFPC. Uniquely the routine subsidy that is paid to it to cover administration costs is in AME rather than DEL, and the dividends that the Treasury receives from it are recorded outside budgets.

8.12 When PCs are government departments in their own right, as is the case for some trading funds, they will normally be assigned a parent department for budgeting purposes, and the budgetary scoring described above will apply, including the cost of capital charge.

8.13 **Public corporations controlled by local government** include the businesses reporting to Transport for London and local authority airports such as Manchester. DEL and departmental AME include central government support to local government (in **Chapter 7**), some of which may be used by them to support public corporations. However, this is not identified in PSS as relating to public corporations. Therefore the whole of their capital expenditure is included in the public corporations' own-financed capital expenditure line in other AME. They are also included in the bottom line of **Tables 8.1, 8.3, 8.4** and **8.5**, which show the total contribution of all public corporations' own expenditure to Total Managed Expenditure (TME).

8.14 Table 8.1 shows the impact on departmental budgets (DEL and departmental AME) of public corporations accountable to Ministers. It also shows a reconciliation to the impact of all public corporations, including those accountable to local government, on TME. In this presentation PC gross investment in TME is shown to be the sum of:

- government capital support in budgets (investment grants and net lending to PCs);
- PCMOB in budgets; and
- public corporations' own-financed capital expenditure.

Grants and subsidies in budgets also include those paid to public corporations under schemes that are generally available to the private sector. Any loans between departments and their PCs that are written off by mutual consent will also be shown here.

8.15 Table 8.2 shows the budgetary information in **Table 8.1** split by department group.

THE NATIONAL ACCOUNTS

8.16 TME measures the current and capital expenditure of the public sector as a whole. It is taken from National Accounts compiled by the ONS. In relation to public corporations, TME includes:

- subsidies paid to public corporations;
- the capital expenditure of public corporations, net of sales of assets;
- changes in public corporations' stocks; and
- interest and dividends paid by public corporations to the private sector and abroad.

8.17 TME is a consolidated measure of public expenditure and so most transactions between different sectors are excluded. This applies to capital grants and net lending paid by central government to public corporations, and interest and dividend flows between general government and public corporations. However, payments of subsidies to, and purchases of goods and services from, public corporations form part of TME as the use of this funding feeds into the calculation of public corporations' gross trading surplus, which scores as an income (or revenue) item in the public sector accounts.

8.18 Grants and subsidies given by public corporations to the private sector and overseas, including debt write-offs by mutual consent, are imputed to general government expenditure in National Accounts, as grant-giving is not held to be a normal function of a commercial body.

8.19 Note that the impact of public corporations on departmental budgets differs from their impact on TME. Accounting adjustments are used to move from DEL *plus* departmental AME *plus* own-financed capital expenditure (other AME) to TME (see **Annex D** for a full explanation of the accounting adjustments).

8.20 Table 8.3 shows the capital expenditure of each major public corporation sponsored by a central government department, and of the biggest public corporations accountable to local government. It also identifies those that are self-financing public corporations or trading funds. The table does not identify separately small public corporations controlled by central government departments nor most public corporations under local authority control – their capital expenditure is included in the accounting adjustments. The figures include the purchase of assets, less sales, plus any capital grants paid by a public corporation net of any received from the private sector or abroad.

8.21 Tables 8.4 and 8.5 show the capital expenditure from **Table 8.3** broken down by function and economic category respectively. They also include the debt interest payments to the private sector, which is the only public corporation current spending that forms part of TME.

SOURCES OF DATA AND DATA QUALITY

8.22 Information in **Tables 8.1** and **8.2** forms part of departments' budgets and so should be of good quality. **Annex A** has more information.

8.23 Information on public corporations' capital expenditure is largely sourced from public corporations by departments who in turn supply the data to the Treasury. Our aim is to publish capital spending data for all public corporations accountable to Ministers. However, information is provided by departments primarily for PESA and the PSS and does not form part of a control total. The only appearance in a departmental publication will normally be within the regional expenditure tables in departmental reports. Information in **Tables 8.3 to 8.5** may therefore not be as up to date or accurate as the information in the other tables in this chapter.

FURTHER INFORMATION

8.24 More information is available in the departmental reports of government departments and in the annual reports and accounts of individual public corporations. A fuller list of public corporations is available on the ONS website² in *Sector classification for the National Accounts*.

² <http://www.ons.gov.uk/ons/rel/na-classification/national-accounts-sector-classification/index.html>

CHAPTER 9 PUBLIC EXPENDITURE BY COUNTRY AND ADDITIONAL TABLES

9.1 The Country and Regional Analysis (CRA) is published each autumn. As a result there are no new substantive data on regional spending for this PSS release. However, the four headline tables of the latest CRA release (CRA 2017) have been included below. To view the entire release please see link:

<https://www.gov.uk/government/statistics/country-and-regional-analysis-2017>

9.2 Additionally we have included several other tables which complement the tables shown in this release. In particular we have included the GDP deflators used to calculate the real terms tables through the rest of this document. The CRA-based tables in this chapter are based on GDP deflators that were current at their time of original publication.

Table 9.1 Total identifiable expenditure on services by country and region, 2012-13 to 2016-17

	£ million					as a per cent of identifiable expenditure				
	National Statistics					National Statistics				
	2012-13 outturn	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2012-13 outturn	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn
North East	24,159	24,480	24,749	25,157	25,525	4	4	4	4	4
North West	64,480	64,448	66,156	67,569	68,077	11	11	11	11	11
Yorkshire and The Humber	45,139	45,496	46,636	47,461	47,801	8	8	8	8	8
East Midlands	36,283	36,802	38,038	38,496	39,129	6	6	6	6	6
West Midlands	47,826	48,264	50,012	50,045	51,313	8	8	8	8	8
East	45,194	46,236	48,147	49,380	49,995	8	8	8	8	8
London	82,529	83,669	85,083	87,377	89,569	14	14	14	14	14
South East	65,712	67,499	69,001	70,801	73,211	11	11	11	12	12
South West	42,738	43,854	45,318	45,976	47,158	7	7	7	7	8
Total England	454,061	460,749	473,141	482,262	491,779	78	78	78	78	79
Scotland	53,959	54,177	55,121	56,297	57,563	9	9	9	9	9
Wales	29,553	30,114	30,636	30,974	31,367	5	5	5	5	5
Northern Ireland	19,645	19,981	20,333	20,222	20,562	3	3	3	3	3
UK identifiable expenditure	557,219	565,020	579,231	589,755	601,271	96	95	96	96	96
Outside UK	25,089	26,659	26,895	25,647	24,232	4	5	4	4	4
Total identifiable expenditure	582,308	591,679	606,126	615,402	625,503	100	100	100	100	100

	£ million					as a per cent of Total Managed Expenditure				
	National Statistics					National Statistics				
	2012-13 outturn	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2012-13 outturn	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn
Identifiable expenditure	582,308	591,679	606,126	615,402	625,503	80	81	81	81	81
Non-identifiable expenditure ⁽¹⁾	83,448	83,388	81,078	84,912	85,613	11	11	11	11	11
Public sector expenditure on services	665,756	675,067	687,204	700,314	711,116	91	92	91	93	92
Accounting adjustments	65,845	58,684	64,112	56,533	61,274	9	8	9	7	8
Total Managed Expenditure⁽²⁾	731,601	733,751	751,316	756,847	772,390	100	100	100	100	100

(1) Includes the effect of financial sector interventions. See PESA Box 5.A for details.

(2) This excludes the temporary effects of banks being classified to the public sector. See PESA Box 5.A for details.

Table 9.2 Total identifiable expenditure on services by country and region, per head 2012-13 to 2016-17 ⁽¹⁾

	£ per head					Index (UK identifiable expenditure = 100)				
	National Statistics					National Statistics				
	2012-13 outturn	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn	2012-13 outturn	2013-14 outturn	2014-15 outturn	2015-16 outturn	2016-17 outturn
North East	9,284	9,377	9,451	9,585	9,680	106	106	105	106	106
North West	9,102	9,073	9,275	9,419	9,429	104	103	103	104	103
Yorkshire and The Humber	8,490	8,523	8,701	8,804	8,810	97	97	97	97	96
East Midlands	7,943	8,003	8,202	8,231	8,282	91	91	91	91	90
West Midlands	8,476	8,505	8,754	8,702	8,846	97	96	98	96	97
East	7,651	7,765	8,000	8,126	8,155	87	88	89	90	89
London	9,933	9,941	9,964	10,074	10,192	114	113	111	111	111
South East	7,532	7,677	7,776	7,913	8,111	86	87	87	87	89
South West	8,004	8,155	8,356	8,403	8,549	92	93	93	93	93
England	8,488	8,554	8,711	8,803	8,898	97	97	97	97	97
Scotland	10,155	10,169	10,308	10,478	10,651	116	115	115	116	116
Wales	9,614	9,770	9,908	9,994	10,076	110	111	110	110	110
Northern Ireland	10,773	10,920	11,048	10,921	11,042	123	124	123	121	121
UK identifiable expenditure	8,747	8,814	8,967	9,058	9,159	100	100	100	100	100

(1) Per head figures calculated using the latest mid-year population estimates from the ONS. See Annex within the CRA 2017 release for details.

Table 9.3 Total identifiable expenditure on services by country and region in real terms⁽¹⁾, 2012-13 to 2016-17

	National Statistics					£ million
	2012-13	2013-14	2014-15	2015-16	2016-17	
	outturn	outturn	outturn	outturn	outturn	outturn
North East	25,662	25,566	25,478	25,724	25,525	
North West	68,491	67,308	68,104	69,093	68,077	
Yorkshire and The Humber	47,946	47,514	48,010	48,531	47,801	
East Midlands	38,540	38,435	39,158	39,364	39,129	
West Midlands	50,801	50,406	51,485	51,174	51,313	
East	48,006	48,288	49,565	50,494	49,995	
London	87,662	87,382	87,588	89,348	89,569	
South East	69,800	70,494	71,033	72,398	73,211	
South West	45,396	45,800	46,653	47,013	47,158	
England	482,306	481,191	487,073	493,140	491,779	
Scotland	57,316	56,580	56,744	57,566	57,563	
Wales	31,392	31,450	31,538	31,672	31,367	
Northern Ireland	20,867	20,867	20,932	20,679	20,562	
UK identifiable expenditure	591,880	590,089	596,286	603,058	601,271	
Outside UK	26,650	27,842	27,687	26,226	24,232	
Total identifiable expenditure	618,530	617,931	623,973	629,283	625,503	
Non-identifiable expenditure ⁽²⁾	88,639	87,087	83,465	86,827	85,613	
Total Expenditure on Services	707,169	705,018	707,439	716,110	711,116	
Accounting adjustments	69,941	61,288	66,000	57,809	61,274	
Total Managed Expenditure⁽³⁾	777,110	766,306	773,439	773,919	772,390	

(1) Real terms figures are the nominal figures adjusted to 2016-17 price levels using GDP deflators from the Office for National Statistics (released 29 September 2017).

(2) Includes the effect of financial sector interventions. See PESA Box 5.A for details.

(3) This excludes the temporary effects of banks being classified to the public sector. See PESA Box 5.A for details.

Table 9.4 Total identifiable expenditure on services by country and region per head⁽¹⁾ in real terms⁽²⁾, 2012-13 to 2016-17

	£ per head				
	National Statistics				
	2012-13	2013-14	2014-15	2015-16	2016-17
	outturn	outturn	outturn	outturn	outturn
North East	9,861	9,793	9,729	9,801	9,680
North West	9,668	9,476	9,548	9,631	9,429
Yorkshire and The Humber	9,018	8,902	8,957	9,003	8,810
East Midlands	8,438	8,358	8,444	8,417	8,282
West Midlands	9,003	8,883	9,011	8,898	8,846
East	8,126	8,110	8,236	8,310	8,155
London	10,551	10,382	10,258	10,301	10,192
South East	8,000	8,017	8,005	8,091	8,111
South West	8,502	8,517	8,602	8,593	8,549
England	9,016	8,933	8,967	9,001	8,898
Scotland	10,787	10,620	10,611	10,714	10,651
Wales	10,212	10,203	10,200	10,220	10,076
Northern Ireland	11,443	11,405	11,373	11,168	11,042
UK identifiable expenditure	9,291	9,205	9,231	9,262	9,159

(1) Per head figures calculated using the latest mid-year population estimates from the ONS. See Annex within the CRA 2017 release for details.

(2) Real terms figures are the nominal figures adjusted to 2016-17 price levels using GDP deflators from the Office for National Statistics (released 29 September 2017).

Table C.1 Transactions with the institutions of the EU, 2013-14 to 2017-18

	£ million				
	2013-14	2014-15	2015-16	2016-17	2017-18
	outturn	outturn	outturn	outturn	outturn
GNI based contribution	13,845	14,154	12,570	11,440	11,761
UK abatement	-4,130	-4,811	-4,068	-4,757	-4,547
VAT-based payments to the EU ⁽¹⁾	2,163	2,316	2,751	2,477	2,974
Net expenditure transfers to the EU	11,879	11,658	11,253	9,160	10,188
Receipts to cover collection costs in respect of collecting Traditional Own Resources (TOR) ⁽²⁾	-733	-743	-771	-357	-698
to give contribution to TME ⁽¹⁾	11,146	10,915	10,482	8,803	9,490
TOR ⁽²⁾	2,933	3,006	3,085	3,366	3,413
Gross contribution to the EU budget	14,079	13,921	13,567	12,169	12,903
Public sector EU receipts ⁽³⁾	-3,856	-4,690	-2,811	-4,081	-4,126
Net contributions to the EU budget	10,223	9,231	10,756	8,088	8,777
less Other attributed costs ⁽⁴⁾	79	-	-	-	-
Net payments to EU institutions	10,143	9,231	10,756	8,088	8,777

(1) VAT-based payments to the EU are included in the TME subtotal, reflecting changes in the European System of Accounts 2010.

(2) TOR comprises customs duties (including those on agricultural products) and sugar levies.

(3) Receipts are shown here on a cash basis. EU receipts in budgets are on an accruals basis.

(4) The UK's contribution to the cost of EU aid to states outside the EU is attributed to departmental budgets.

Table D.1 Pay-as-you-go public service pensions schemes in AME and in TME, 2013-14 to 2017-18

	£ million				
	2013-14	2014-15	2015-16	2016-17	2017-18
	outturn	outturn	outturn	outturn	outturn
Departmental AME (GAAP basis)					
Change in liability	29,087	34,769	37,596	36,245	53,592
Contributions received*	-23,313	-24,676	-25,934	-26,802	-27,417
Cash payments in OCS not covered by release of provision*	13	95	168	81	164
Net public service pensions (GAAP basis) ⁽¹⁾	5,787	10,188	11,830	9,524	26,340
Unwinding of discount rate (= contribution to non-cash items)	37,991	46,255	42,882	42,002	42,648
Total Departmental AME (GAAP basis)	43,778	56,443	54,712	51,526	68,988
Accounting adjustments					
Remove change in liability	-29,087	-34,769	-37,596	-36,245	-53,592
Remove increased liability due to unwinding of discount rate	-37,991	-46,255	-42,882	-42,002	-42,648
Add pensions in payment covered by release of provision* +	32,246	34,222	35,327	35,533	36,492
Accounting adjustments (Pensions)	-34,831	-46,802	-45,150	-42,714	-59,748
Contribution to TME (National Accounts basis)	8,947	9,641	9,561	8,812	9,240
of which:					
Pensions in payment*	32,260	34,318	35,496	35,614	36,656
Contributions received*	-23,313	-24,676	-25,934	-26,802	-27,417

* Includes bulk and individual transfers, including transfers of liabilities within government.

+ offsets change in gross liability.

(1) The change in 2017-18 is due to the reduction in the "discount rate net of CPI" used to measure the costs of public service pensions accruing over the year on an accounting basis.

Public Spending Statistics July 2018

Table E.1 Derivation of public sector expenditure on services from departmental groups' budgets, 2017-18

	Defence	Single Intelligence Account	Home Office	Foreign and Commonwealth Office	International Development	Health and Social care	Work and Pensions	Education	Business, Energy and Industrial Strategy	Transport	Exiting the European Union	Digital, Culture, Media and Sport	Housing, Communities and Local Government	Scotland	Wales	Northern Ireland	Justice	Law Officers' Departments	Environment, Food and Rural Affairs	HM Revenue and Customs	HM Treasury	Cabinet Office	International Trade	Small and Independent Bodies	Local Government Expenditure	Total for all departments
Departmental Budgets																										
Resource DEL	34,199	2,390	10,892	2,208	7,558	120,650	6,108	74,879	1,720	3,616	57	1,584	9,085	14,966	13,998	10,631	7,630	567	1,848	3,946	226	671	383	1,394	-	331,205
Capital DEL	9,704	576	624	-252	2,713	5,238	432	4,846	10,464	6,218	1	351	6,634	3,626	1,825	1,148	412	10	632	281	-78	116	15	177	-	55,711
Resource Departmental AME	16,637	19	2,510	142	326	39,664	177,252	15,034	75,396	6,979	-	4,671	15,936	17,282	177	8,889	653	11	-195	41,845	-681	10,545	-	127	-	433,221
Capital Departmental AME	44	-	-	-	395	-	-37	15,801	-1,197	6,960	-	773	-	958	505	318	-	-	-	-	-3,697	-	-	429	-	21,253
Remove																										
Grants to local government	-	-	-11,357	-	-	-3,219	-22,161	-32,621	-51	-2,037	-	-174	-12,977	-8,018	-4,744	-151	-181	-	-283	-	-	-40	-1	-	-	-98,015
Capital grants to public corporations	-	-	-	-	-	-	-	-	-50	-	-	-	-32	-13	-	-126	-	-	-	-	-	-	-	-	-	-221
Depreciation	-8,639	-381	-298	-139	-10	-1,446	14	-14,784	-4,664	-6,202	-	-346	-188	-731	-683	-799	-577	-8	-180	-299	-377	-33	-2	-82	-	-40,856
Provisions	-13,693	-8	-27	-5	-273	-39,176	-1,284	-12,873	-71,056	-245	-27	-12	-6	-4,560	-265	-2,379	-458	-15	36	-12	-104	-7,049	-	-72	-	-153,538
Financial transactions	-	-	-	-	-1,273	-139	-128	-15,925	1,327	224	-	-192	-3,528	-1,122	-775	-270	-	-	-2	-	3,887	-	-	-429	-	-18,345
Interest and dividends	-112	-29	-36	-	4	-1,189	19	2,839	220	-1,628	-	-23	39	-16	92	-34	-49	-	-	-	768	11	-	26	-	899
Items classified as revenue in National Accounts	85	-	788	40	-431	-2,416	-216	552	2,061	4,366	-	331	107	19	26	-	1,304	65	293	8	447	269	22	88	-	7,808
EU receipts	-	0	-1	-1	1	-	19	202	24	55	-	-	145	601	555	384	-	-	2,110	-	-	-	-	1	-	4,096
Other items not in TME	127	46	-163	1	-1	-754	-824	1,821	-2,865	-288	-1	779	-14,160	-444	-334	2	-3	1	27	-51	19	-150	0	-39	-	-17,253
Add																										
Local government current expenditure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	131,342	131,342
Local government capital expenditure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,493	19,493
Northern Ireland locally financed expenditure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	596	-	-	-	-	-	-	-	-	-	596
Public corporations' capital expenditure	-	-	-	-	-	-	-	-	-	1,904	-	-	2,825	1,195	313	118	-	-	3	-	-20	-	-	-	-	6,338
Public sector debt interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	43,828	-	-	-	700	44,528
EU transactions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,364	-	-	-	-	5,364
Loans written off by mutual consent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public sector expenditure on services	38,352	2,613	2,933	1,994	9,009	117,213	159,194	39,771	11,329	19,922	57	7,742	3,880	23,743	10,690	18,327	8,731	631	4,289	45,718	49,582	4,340	417	1,620	151,535	733,632

GDP DEFLATORS AND POPULATION NUMBERS

GDP DEFLATORS

F.1 A number of the tables in this publication give figures in real terms. Real terms figures are the current price outturns or plans adjusted to a constant price level by excluding the effect of general inflation as measured by the GDP deflator at market prices. The real terms figures in this publication are given in 2017-18 prices. The GDP deflators used in this publication are those given below. The most up to date deflators can be found on the GOV.UK website³.

Table F.1 GDP deflators and money GDP

Data are based on the June 2018 National Accounts figures from ONS			
Financial year	GDP deflator at market prices		Money GDP £ million
	2017-18 = 100	Per cent change on previous year	
1976-77	17.190	13.92	142,000
1977-78	19.556	13.77	165,996
1978-79	21.746	11.20	192,181
1979-80	25.416	16.88	232,495
1980-81	30.287	19.16	267,471
1981-82	33.469	10.51	297,954
1982-83	35.908	7.29	327,120
1983-84	37.615	4.75	357,828
1984-85	39.736	5.64	385,681
1985-86	41.919	5.49	423,462
1986-87	43.653	4.14	455,085
1987-88	46.094	5.59	510,371
1988-89	49.082	6.48	569,310
1989-90	52.863	7.70	627,117
1990-91	57.195	8.20	676,943
1991-92	60.480	5.74	712,877
1992-93	62.010	2.53	734,387
1993-94	63.518	2.43	778,018
1994-95	64.286	1.21	815,769
1995-96	66.261	3.07	859,841
1996-97	68.594	3.52	916,578
1997-98	69.048	0.66	959,331
1998-99	69.939	1.29	1,003,372
1999-00	70.206	0.38	1,045,091

³ <https://www.gov.uk>

Table F.1 GDP deflators and money GDP (cont.)

Financial year	GDP deflator at market prices		Money GDP £ million
	2017-18 = 100	Per cent change on previous year	
2000-01	71.789	2.25	1,099,246
2001-02	72.508	1.00	1,141,377
2002-03	74.306	2.48	1,200,616
2003-04	75.849	2.08	1,268,445
2004-05	77.892	2.69	1,327,919
2005-06	79.934	2.62	1,412,939
2006-07	82.310	2.97	1,487,530
2007-08	84.349	2.48	1,558,747
2008-09	86.639	2.71	1,563,555
2009-10	87.866	1.42	1,547,137
2010-11	89.501	1.86	1,606,602
2011-12	90.678	1.31	1,650,370
2012-13	92.503	2.01	1,710,685
2013-14	94.200	1.83	1,781,350
2014-15	95.411	1.28	1,855,049
2015-16	96.173	0.80	1,912,472
2016-17	98.323	2.24	1,989,162
2017-18	100	1.71	2,056,207
GDP Deflator:	Financial years taken from ONS series L8GG.		
Money GDP:	Taken from ONS series BKTL.		

F.2 Please note that these deflators do not apply to the real terms Country and Regional Analysis (CRA) tables 9.3 and 9.4 that were originally published in November 2017.

POPULATION NUMBERS BY COUNTRY AND REGION

F.3 The population numbers used in Chapters 9 are derived from ONS's mid-year estimates as used in the November 2017 Country and Regional Analysis release. This can be found at the link below:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/657987/Country_and_Regional_Analysis_November_2017.pdf

ONS's most recent mid-year population estimates for the UK are directly available from the link below:

<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/datasets/populationestimatesforukenglandandwalesscotlandandnorthernireland>