

PUBLIC SPENDING STATISTICS JULY 2012



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 2007-08 to 2011-12. This release contains the first estimate of 2011-12 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.

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

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 £340.7 billion in 2011-12, a fall of 3.8 per cent on the previous year. This is the only year to show a fall in spending in the period covered by this release, reflecting the Government's plans for fiscal consolidation as set out in the 2010 Spending Review.
- Total resource DEL less depreciation in real terms was £321.9 billion in 2011-12, a fall of 3.3 per cent on the previous year. This is the second successive fall in the period covered by this release, in 2010-11 spend fell by 1.0 per cent.
- Depreciation in resource DEL was £18.9 billion in real terms in 2011-12, a fall of 10.6 per cent on the previous year. This was mainly due to a decrease in the value of equipment written-off by the Ministry of Defence.
- Total capital DEL was £42.2 billion in real terms in 2011-12, a fall of 17.3 per cent on the previous year. This is the second successive fall in the period covered by this release, in 2010-11 spend fell by 15.0 per cent.
- Total DEL in real terms fell by 5.2 per cent in 2011-12 from £384.0 billion to £364.0bn. The departments with the largest falls were CLG Communities -£4.8 billion (46.2 per cent), Education -£3.5 billion (5.9per cent), BIS -£2.3 billion (11.8 per cent), Work and Pensions -£1.7 billion (18.0 per cent) and Scotland -£1.6 billion (5.6 per cent). Total DEL for NHS (Health), the largest department, fell slightly by £26 million to £104.2 billion in 2011-12.

ANNUALLY MANAGED EXPENDITURE

- Net public service pensions increased to £6.1 billion in real terms in 2011-12, from -£79.9 billion in 2010-11. The negative expenditure in 2010-11 was caused by the decision to use the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) for the indexation of public service pensions and the consequent reduction in the size of future liabilities. The effect of this on the major pension schemes (teachers, NHS, civil service and armed forces) is shown in the appropriate departmental budget in Table 3. As liabilities are not included in the calculation of TME, there is an offset within the accounting adjustments to remove them (see Table 10 for details).

LOCALLY FINANCED EXPENDITURE

- Capital locally financed expenditure rose to £13.6 billion in 2011-12 from £5.4 billion the year before. This reflects a one-off payment to central government by local government in respect of Housing Revenue Account reform. There is an offsetting receipt in the accounting adjustments as the transaction is neutral within the public sector.

CHART 1: 2011-12 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 minus depreciation plus Capital DEL.

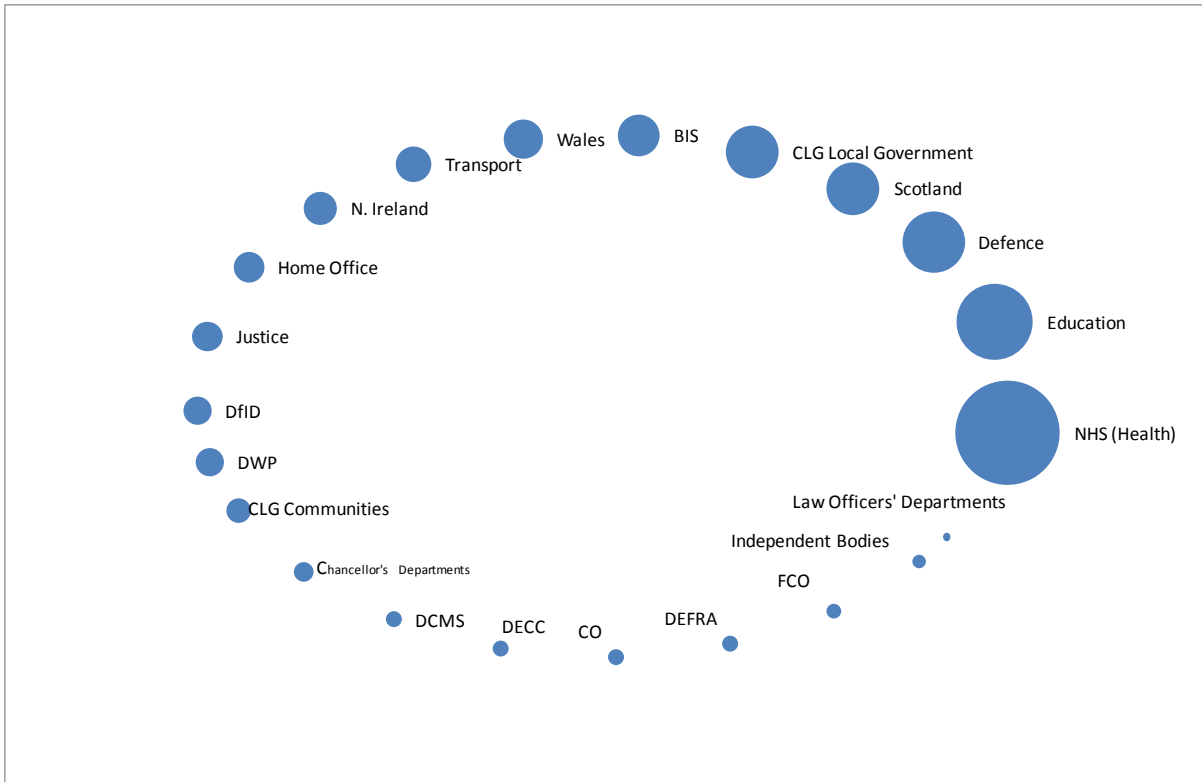


Table 1.1 Total Managed Expenditure, 2007-08 to 2011-12

	2007-08	2008-09	2009-10	2010-11	2011-12
	£ million				
CURRENT EXPENDITURE					
<i>Resource DEL</i>					
Resource DEL excluding depreciation ⁽¹⁾	288,321	300,885	319,329	325,246	321,859
Depreciation in resource DEL ⁽¹⁾	11,784	12,389	13,843	20,598	18,852
Total resource DEL	300,105	313,275	333,172	345,844	340,711
<i>Resource departmental AME</i>					
Social security benefits	140,109	150,817	164,048	169,960	176,029
Tax credits ⁽²⁾	20,114	24,154	27,651	28,924	29,967
Net public service pensions ⁽³⁾	5,325	5,416	1,532	-78,069	6,054
National lottery	882	1,011	1,001	995	1,399
BBC domestic services	3,430	3,316	3,464	3,303	3,690
Student loans	-820	-942	-233	-287	-624
Non-cash items	47,751	43,085	44,609	55,509	50,917
Financial sector interventions	-	41,551	-27,588	-14,579	-16,575
Other departmental expenditure	1,359	1,765	2,739	1,111	200
Total resource departmental AME	218,151	270,173	217,223	166,869	251,056
<i>Resource other AME</i>					
Net expenditure transfers to the EU	5,392	3,060	6,419	8,414	7,702
Locally financed expenditure	24,340	26,966	25,794	22,906	26,740
Central government gross debt interest	29,954	30,300	30,185	44,399	46,976
Accounting adjustments ⁽⁴⁾	-41,776	-79,045	-10,489	42,932	-27,497
Total resource other AME	17,910	-18,719	51,909	118,651	53,921
Total resource AME	236,060	251,453	269,132	285,520	304,977
Public sector current expenditure	536,165	564,728	602,304	631,364	645,688
CAPITAL EXPENDITURE					
<i>Capital DEL</i>					
Total capital DEL	44,821	48,511	56,959	49,815	42,156
<i>Capital departmental AME</i>					
National lottery	713	536	752	597	404
BBC domestic services	85	81	123	114	191
Student loans	4,346	4,330	4,408	4,778	5,646
Financial sector interventions	-	85,525	38,330	-2,984	-3,721
Other departmental expenditure	861	393	4,082	1,297	967
Total capital departmental AME	6,005	90,866	47,694	3,802	3,488
<i>Capital other AME</i>					
Locally financed expenditure	2,120	7,321	5,241	5,448	13,641
Public corporations' own-financed capital expenditure	5,439	7,294	7,983	8,137	6,115
Accounting adjustments ⁽⁴⁾	-11,613	-88,975	-50,032	-8,932	-16,201
Total capital other AME	-4,055	-74,359	-36,808	4,653	3,556
Total capital AME	1,951	16,506	10,887	8,455	7,044
Public sector gross investment⁽⁵⁾	46,772	65,017	67,846	58,270	49,200
less public sector depreciation ⁽⁵⁾	17,669	18,636	19,335	20,300	21,121
Public sector net investment⁽⁵⁾	29,103	46,381	48,511	37,970	28,079
TOTAL MANAGED EXPENDITURE⁽⁵⁾	582,937	629,745	670,150	689,634	694,888
<i>of which:</i>					
Total DEL ⁽⁶⁾	333,142	349,396	376,288	375,061	364,015
Departmental AME	224,156	361,039	264,918	170,671	254,544
Other AME	25,639	-80,690	28,944	143,902	76,329

(1) As part of the Spending Review 2010 DEL was presented less depreciation. This is continued in this table to allow comparison

(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, see Box 1.A.

(3) The main pension schemes are reported under FRS17 accounting requirements, the reconciliation to National Accounts is explained in Annex D. In the 2010 Budget Statement it was announced that the Government would use the CPI rather than the RPI for the indexation of public service pensions. This change has been recognised as a negative past service cost in 2010-11 in accordance with IAS19.

(4) Transactions in 2008-09 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 1.2 Total Managed Expenditure in real terms ⁽¹⁾, 2007-08 to 2011-12

	£ million				
	2007-08	2008-09	2009-10	2010-11	2011-12
CURRENT EXPENDITURE					
<i>Resource DEL</i>					
Resource DEL excluding depreciation ⁽²⁾	316,551	321,570	336,223	332,997	321,859
Depreciation in resource DEL ⁽²⁾	12,938	13,241	14,575	21,089	18,852
Total resource DEL	329,489	334,811	350,798	354,085	340,711
<i>Resource departmental AME</i>					
Social security benefits	153,828	161,185	172,726	174,010	176,029
Tax credits ⁽³⁾	22,084	25,814	29,114	29,614	29,967
Net public service pensions ⁽⁴⁾	5,846	5,788	1,613	-79,929	6,054
National lottery	969	1,080	1,054	1,019	1,399
BBC domestic services	3,766	3,544	3,647	3,382	3,690
Student loans	-901	-1,007	-245	-294	-624
Non-cash items	52,427	46,047	46,969	56,832	50,917
Financial sector interventions	-	44,408	-29,048	-14,926	-16,575
Other departmental expenditure	1,492	1,887	2,884	1,138	200
Total resource departmental AME	239,510	288,746	228,715	170,845	251,056
<i>Resource other AME</i>					
Net expenditure transfers to the EU	5,920	3,270	6,758	8,614	7,702
Locally financed expenditure	26,723	28,820	27,158	23,452	26,740
Central government gross debt interest	32,887	32,383	31,782	45,457	46,976
Accounting adjustments ⁽⁵⁾	-45,867	-84,479	-11,044	43,955	-27,497
Total resource other AME	19,663	-20,006	54,655	121,479	53,921
Total resource AME	259,174	268,740	283,370	292,324	304,977
Public sector current expenditure	588,662	603,550	634,168	646,409	645,688
CAPITAL EXPENDITURE					
<i>Capital DEL</i>					
Total capital DEL	49,210	51,845	59,973	51,002	42,156
<i>Capital departmental AME</i>					
National lottery	783	572	791	612	404
BBC domestic services	93	87	130	117	191
Student loans	4,771	4,628	4,641	4,892	5,646
Financial sector interventions	-	91,405	40,358	-3,055	-3,721
Other departmental expenditure	945	420	4,298	1,328	967
Total capital departmental AME	6,593	97,112	50,218	3,893	3,488
<i>Capital other AME</i>					
Locally financed expenditure	2,328	7,824	5,518	5,578	13,641
Public corporations' own-financed capital expenditure	5,971	7,796	8,406	8,331	6,115
Accounting adjustments ⁽⁵⁾	-12,751	-95,091	-52,679	-9,145	-16,201
Total capital other AME	-4,452	-79,471	-38,755	4,764	3,556
Total capital AME	2,142	17,641	11,463	8,657	7,044
Public sector gross investment ⁽⁶⁾	51,352	69,487	71,435	59,659	49,200
<i>less public sector depreciation ⁽⁶⁾</i>	19,399	19,917	20,358	20,784	21,121
Public sector net investment ⁽⁶⁾	31,953	49,569	51,077	38,875	28,079
TOTAL MANAGED EXPENDITURE ⁽⁶⁾	640,014	673,037	705,603	706,068	694,888
<i>of which:</i>					
Total DEL ⁽⁷⁾	365,760,794	373,415,390	396,195,333	383,998,637	364,014,805
Departmental AME	246,103,794	385,858,305	278,932,675	174,737,774	254,544,491
Other AME	28,149,318	-86,236,648	30,475,028	147,331,415	76,328,704

(1) Real terms figures are the cash figures adjusted to 2011-12 price levels using GDP deflators. The deflators are calculated from data released by the Office for National Statistics on 28 June 2012. The forecasts are consistent with the Financial Statement and Budget Report 2012.

(2) As part of the Spending Review 2010 DEL was presented less depreciation. This is continued in this table to allow comparison

(3) 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, see Box 1.A.

(4) The main pension schemes are reported under FRS17 accounting requirements, the reconciliation to National Accounts is explained in Annex D. In the 2010 Budget Statement it was announced that the Government would use the CPI rather than the RPI for the indexation of public service pensions. This change has been recognised as a negative past service cost in 2010-11 in accordance with IAS19.

(5) Transactions in 2008-09 onwards have been affected by financial sector interventions, see Box 2.A in Chapter 2.

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

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

Table 1.3 Resource budgets, 2007-08 to 2011-12

	£ million				
	2007-08	2008-09	2009-10	2010-11	2011-12
Resource DEL by departmental group					
Education	44,923	46,856	49,612	51,438	51,369
NHS (Health) ⁽¹⁾	82,559	88,986	95,798	98,955	101,638
Personal Social Services (Health) ⁽²⁾	1,782	1,295	1,395	1,522	-
Transport	6,492	5,833	6,548	5,806	5,576
CLG Communities	3,977	4,130	4,334	3,710	1,821
CLG Local Government	22,750	24,651	25,517	25,958	26,642
Business, Innovation and Skills	16,740	17,270	18,534	21,458	20,240
Home Office	8,923	9,263	9,541	9,325	8,834
Justice	8,898	9,104	9,028	9,014	9,131
Law Officers' Departments	714	722	709	669	621
Defence	31,797	32,714	34,917	39,035	37,683
Foreign and Commonwealth Office	1,808	2,027	2,127	2,194	2,202
International Development	4,461	4,758	5,250	5,930	6,184
Energy and Climate Change	680	293	1,228	1,154	1,145
Environment, Food and Rural Affairs	2,567	2,412	2,462	2,376	2,214
Culture, Media and Sport	1,503	1,461	1,503	1,516	1,567
Work and Pensions	8,022	7,910	8,770	8,848	7,488
Scotland	23,410	24,140	25,142	25,793	25,459
Wales	12,258	12,821	13,542	13,794	13,665
Northern Ireland	8,895	9,248	9,682	9,997	9,885
Chancellor's Departments	4,432	4,523	4,436	4,150	4,036
Cabinet Office	1,796	2,061	2,290	2,382	2,424
Independent Bodies	717	796	808	819	884
Total resource DEL	300,105	313,275	333,172	345,844	340,711
Resource departmental AME by departmental group					
Education ⁽³⁾	10,709	10,651	10,429	-10,461	11,699
NHS (Health) ⁽³⁾	13,863	14,984	16,226	-11,404	19,564
Transport	675	572	1,143	501	877
CLG Communities	323	613	255	-112	-350
CLG Local Government	842	661	284	1,107	732
Business, Innovation and Skills	-111	97	1,068	-1,030	-1,412
Home Office	373	714	682	918	1,061
Justice	-62	450	605	297	-33
Law Officers' Departments	7	11	17	-13	4
Defence ⁽³⁾	5,865	6,102	7,895	-878	7,854
Foreign and Commonwealth Office	24	-10	86	34	59
International Development	-11	213	331	303	104
Energy and Climate Change	7,274	2,404	734	5,219	3,709
Environment, Food and Rural Affairs	-17	-56	-73	-437	-51
Culture, Media and Sport	3,843	3,893	4,058	4,090	4,530
Work and Pensions	127,334	135,344	146,514	151,337	159,303
Scotland	2,163	2,486	2,323	3,055	3,069
Wales	-62	138	293	53	72
Northern Ireland	6,143	6,466	7,230	3,187	7,570
Chancellor's Departments	31,320	77,257	9,581	28,600	23,939
Cabinet Office ⁽³⁾	7,626	7,172	7,481	-7,467	8,738
Independent Bodies	28	9	60	-32	20
Total resource departmental AME	218,151	270,173	217,223	166,869	251,056
Total resource budget	518,255	583,447	550,395	512,713	591,767

(1) NHS (Health) includes Food Standards Agency, see Annex B.

(2) Personal Social Services (Health) are grants previously paid by the Department of Health that are now included in CLG Local Government's budget, see paragraph 1.7.

(3) The main pension schemes are reported under FRS17 accounting requirements, the reconciliation to National Accounts is explained in Annex D. In the 2010 Budget Statement it was announced that the Government would use the CPI rather than the RPI for the indexation of public service pensions. This change has been recognised as a negative past service cost in 2010-11 in accordance with IAS19.

Table 1.3a Resource DEL less depreciation⁽¹⁾, 2007-08 to 2011-12

	£ million				
	2007-08	2008-09	2009-10	2010-11	2011-12
Resource DEL less depreciation by departmental group					
Education	44,903	46,834	49,582	51,401	51,336
NHS (Health) ⁽²⁾	81,838	88,033	94,611	97,723	100,515
Personal Social Services (Health) ⁽³⁾	1,767	1,275	1,393	1,522	-
Transport	6,098	5,435	5,652	5,175	4,677
CLG Communities	3,948	4,084	4,299	3,649	1,745
CLG Local Government	22,750	24,650	25,515	25,956	26,640
Business, Innovation and Skills	15,865	16,501	17,497	17,192	16,415
Home Office	8,781	9,077	9,336	8,838	8,618
Justice	8,517	8,693	8,589	8,584	8,678
Law Officers' Departments	705	712	697	658	610
Defence	24,616	25,410	27,587	28,090	28,209
Foreign and Commonwealth Office	1,735	1,946	2,022	2,091	2,078
International Development	4,448	4,742	5,234	5,909	6,167
Energy and Climate Change	672	288	1,215	1,145	1,137
Environment, Food and Rural Affairs	2,356	2,219	2,261	2,175	1,997
Culture, Media and Sport	1,396	1,434	1,390	1,408	1,471
Work and Pensions	7,867	7,757	8,549	8,685	7,286
Scotland	22,912	23,560	24,505	25,229	24,835
Wales	11,955	12,420	13,078	13,386	13,239
Northern Ireland	8,635	8,951	9,336	9,625	9,463
Chancellor's Departments	4,246	4,312	4,226	3,927	3,810
Cabinet Office	1,647	1,802	1,992	2,052	2,068
Independent Bodies	665	751	765	827	863
Total resource DEL less depreciation	288,321	300,885	319,329	325,246	321,859

(1) As part of the Spending Review 2010 DEL was presented less depreciation. This is continued in this table to allow comparison.

(2) NHS (Health) includes Food Standards Agency, see Annex B.

(3) Personal Social Services (Health) are grants previously paid by the Department of Health that are now included in CLG Local Government's budget, see paragraph 1.7.

Table 1.4 Resource budgets in real terms ⁽¹⁾, 2007-08 to 2011-12

	£ million				
	2007-08	2008-09	2009-10	2010-11	2011-12
Resource DEL by departmental group					
Education	49,322	50,077	52,237	52,664	51,361
NHS (Health) ⁽²⁾	90,642	95,103	100,866	101,313	101,631
Personal Social Services (Health) ⁽³⁾	1,956	1,384	1,469	1,558	-
Transport	7,127	6,234	6,895	5,945	5,571
CLG Communities	4,367	4,414	4,563	3,798	1,821
CLG Local Government	24,978	26,346	26,867	26,576	26,641
Business, Innovation and Skills	18,379	18,457	19,514	21,970	20,241
Home Office	9,796	9,900	10,045	9,547	8,831
Justice	9,769	9,729	9,506	9,229	9,131
Law Officers' Departments	784	772	746	685	621
Defence	34,911	34,963	36,765	39,965	37,681
Foreign and Commonwealth Office	1,985	2,167	2,239	2,246	2,201
International Development	4,898	5,086	5,528	6,071	6,181
Energy and Climate Change	746	313	1,293	1,181	1,141
Environment, Food and Rural Affairs	2,818	2,578	2,592	2,432	2,211
Culture, Media and Sport	1,650	1,562	1,583	1,552	1,561
Work and Pensions	8,808	8,454	9,234	9,059	7,481
Scotland	25,702	25,800	26,472	26,408	25,451
Wales	13,459	13,703	14,258	14,123	13,661
Northern Ireland	9,766	9,884	10,194	10,235	9,881
Chancellor's Departments	4,866	4,834	4,671	4,249	4,031
Cabinet Office	1,972	2,203	2,411	2,439	2,421
Independent Bodies	787	851	851	839	881
Total resource DEL	329,489	334,811	350,798	354,085	340,711
Resource departmental AME by departmental group					
Education ⁽⁴⁾	11,757	11,383	10,981	-10,710	11,691
NHS (Health) ⁽⁴⁾	15,220	16,014	17,085	-11,676	19,561
Transport	741	611	1,204	513	871
CLG Communities	355	655	269	-114	-351
CLG Local Government	925	707	299	1,133	731
Business, Innovation and Skills	-122	104	1,124	-1,055	-1,411
Home Office	410	763	718	940	1,061
Justice	-68	481	638	304	-311
Law Officers' Departments	8	12	18	-13	-11
Defence ⁽⁴⁾	6,440	6,521	8,313	-899	7,851
Foreign and Commonwealth Office	27	-10	90	35	51
International Development	-12	228	349	310	101
Energy and Climate Change	7,986	2,569	773	5,344	3,701
Environment, Food and Rural Affairs	-18	-60	-77	-448	-51
Culture, Media and Sport	4,219	4,161	4,272	4,188	4,531
Work and Pensions	139,801	144,648	154,265	154,943	159,301
Scotland	2,374	2,657	2,446	3,128	3,061
Wales	-68	147	308	54	71
Northern Ireland	6,745	6,911	7,613	3,263	7,571
Chancellor's Departments	34,387	82,568	10,088	29,282	23,931
Cabinet Office ⁽⁴⁾	8,372	7,666	7,877	-7,645	8,731
Independent Bodies	30	10	63	-33	211
Total resource departmental AME	239,510	288,746	228,715	170,845	251,051
Total resource budget	568,999	623,557	579,513	524,931	591,761

(1) Real terms figures are the cash figures adjusted to 2011-12 price levels using GDP deflators. The deflators are calculated from data released by the Office for National Statistics on 28 June 2012. The forecasts are consistent with the Financial Statement and Budget Report 2012.

(2) NHS (Health) includes Food standards Agency, see Annex B.

(3) Personal Social Services (Health) are grants previously paid by the Department of Health that are now included in CLG Local Government's budget, see paragraph 1.7.

(4) The main pension schemes are reported under FRS17 accounting requirements, the reconciliation to National Accounts is explained in Annex D. In the 2010 Budget Statement it was announced that the Government would use the CPI rather than the RPI for the indexation of public service pensions. This change has been recognised as a negative past service cost in 2010-11 in accordance with IAS19.

Table 1.5 Administration budgets⁽¹⁾, 2007-08 to 2011-12

	£ million				
	2007-08	2008-09	2009-10	2010-11	2011-12
Education	382	425	423	430	406
NHS (Health)	4,520	4,800	5,080	5,471	3,551
Transport	302	295	298	276	216
CLG Communities	449	500	484	426	339
Business, Innovation and Skills	789	854	901	509	848
Home Office	693	668	765	679	533
Justice	453	454	431	430	651
Law Officers' Departments	98	66	66	48	41
Defence ⁽²⁾	2,709	2,684	2,666	2,026	2,471
Foreign and Commonwealth Office	242	269	318	352	195
International Development	156	166	158	148	123
Energy and Climate Change	182	199	202	199	158
Environment, Food and Rural Affairs	790	757	740	741	596
Culture, Media and Sport	51	53	54	50	195
Work and Pensions ⁽³⁾	5,723	5,667	6,063	5,610	1,333
Scotland	7	7	8	8	7
Wales	5	5	6	5	5
Northern Ireland	19	18	15	16	15
Chancellor's Departments ⁽³⁾	3,963	3,948	3,868	3,575	1,263
Cabinet Office	269	325	304	305	287
<i>of which: Security and Intelligence Agencies⁽²⁾</i>	<i>74</i>	<i>81</i>	<i>80</i>	<i>74</i>	<i>73</i>
Total administration budgets	21,802	22,161	22,851	21,303	13,232
<i>of which: administration costs paybill</i>	<i>14,049</i>	<i>14,114</i>	<i>14,658</i>	<i>13,537</i>	<i>8,460</i>
Administration budgets as a percentage of Total					
Managed Expenditure⁽³⁾	3.7%	3.5%	3.4%	3.1%	1.9%

(1) Administration budgets now include Non-Departmental Public Bodies, see paragraph 1.20.

(2) The historical data for Defence and Security and Intelligence Agencies are estimates. The former joined the administration budgets regime in the 2007 Comprehensive Spending Review, the latter have estimated the historical impact of reclassifications at the 2007 CSR.

(3) As part of SR2010, the elements of HM Revenue and Customs and Work and Pensions directly involved in service delivery have been reclassified as programme rather than administration spending from 2011-12, to better reflect central government administration costs.

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

Table 1.6 Capital budgets, 2007-08 to 2011-12

	£ million				
	2007-08	2008-09	2009-10	2010-11	2011-12
Capital DEL by departmental group					
Education	5,226	5,525	7,443	7,127	5,055
NHS (Health)	3,969	4,370	5,183	4,202	3,818
Transport	6,740	7,252	8,254	7,299	7,687
CLG Communities	6,291	7,167	8,992	6,459	3,821
CLG Local Government	32	122	260	-67	-8
Business, Innovation and Skills	2,112	2,136	3,035	2,106	1,014
Home Office	751	837	999	740	494
Justice	755	904	853	538	349
Law Officers' Departments	11	9	12	8	0
Defence	8,547	8,918	9,148	9,265	9,008
Foreign and Commonwealth Office	228	227	201	156	117
International Development	738	875	1,353	1,559	1,646
Energy and Climate Change	1,486	1,667	1,807	2,015	1,454
Environment, Food and Rural Affairs	557	610	693	569	383
Culture, Media and Sport	537	823	519	580	1,212
Work and Pensions	79	86	272	323	280
Scotland	3,563	3,333	3,927	3,284	2,732
Wales	1,462	1,627	1,932	1,751	1,386
Northern Ireland	1,118	1,308	1,277	1,200	1,002
Chancellor's Departments	240	282	290	213	258
Cabinet Office	320	397	455	433	405
Independent Bodies	60	37	55	56	42
Total capital DEL	44,821	48,511	56,959	49,815	42,156
Capital departmental AME by departmental group					
NHS (Health)	37	14	6	8	-
CLG Communities	1,213	516	171	843	153
Business, Innovation and Skills	3,469	3,254	4,144	4,059	5,415
Defence	-	76	5	-	-
Energy and Climate Change	-419	-279	-337	-78	-58
Environment, Food and Rural Affairs	0	1	1	1	0
Culture, Media and Sport	808	572	875	711	596
Work and Pensions	140	136	171	177	35
Scotland	149	180	160	151	167
Wales	165	168	202	209	244
Northern Ireland	230	407	430	396	588
Chancellor's Departments ⁽¹⁾	212	85,822	41,868	-2,674	-3,653
Total capital departmental AME	6,005	90,866	47,694	3,802	3,488
Total capital budget	50,827	139,376	104,654	53,617	45,644

(1) Transactions from 2008-09 onwards have been affected by financial sector interventions, see Box 2.A in Chapter 2.

Table 1.7 Capital budgets in real terms ⁽¹⁾, 2007-08 to 2011-12

	£ million				
	2007-08	2008-09	2009-10	2010-11	2011-12
Capital DEL by departmental group					
Education	5,737	5,904	7,837	7,297	5,055
NHS (Health)	4,357	4,670	5,457	4,302	3,818
Transport	7,400	7,751	8,690	7,473	7,687
CLG Communities	6,907	7,660	9,468	6,613	3,821
CLG Local Government	35	130	274	-68	-8
Business, Innovation and Skills	2,319	2,282	3,196	2,156	1,014
Home Office	825	895	1,052	757	494
Justice	829	966	898	551	349
Law Officers' Departments	12	9	12	8	0
Defence	9,384	9,531	9,632	9,486	9,008
Foreign and Commonwealth Office	250	242	211	159	117
International Development	810	936	1,424	1,596	1,646
Energy and Climate Change	1,631	1,782	1,902	2,063	1,454
Environment, Food and Rural Affairs	612	652	730	582	383
Culture, Media and Sport	589	879	546	593	1,212
Work and Pensions	86	92	287	331	280
Scotland	3,912	3,562	4,134	3,362	2,732
Wales	1,605	1,738	2,034	1,793	1,386
Northern Ireland	1,228	1,398	1,345	1,229	1,002
Chancellor's Departments	263	302	306	218	258
Cabinet Office	351	424	479	443	405
Independent Bodies	66	39	58	57	42
Total capital DEL	49,210	51,845	59,973	51,002	42,156
Capital departmental AME by departmental group					
NHS (Health)	41	15	7	8	-
CLG Communities	1,332	552	180	863	153
Business, Innovation and Skills	3,809	3,477	4,364	4,155	5,415
Defence	-	81	5	-	-
Energy and Climate Change	-460	-298	-355	-80	-58
Environment, Food and Rural Affairs	0	1	1	1	0
Culture, Media and Sport	888	611	921	728	596
Work and Pensions	154	145	180	181	35
Scotland	164	192	169	155	167
Wales	181	180	212	214	244
Northern Ireland	253	435	452	405	588
Chancellor's Departments ⁽²⁾	233	91,722	44,083	-2,738	-3,653
Total capital departmental AME	6,593	97,112	50,218	3,893	3,488
Total capital budget	55,803	148,958	110,190	54,895	45,644

(1) Real terms figures are the cash figures adjusted to 2011-12 price levels using GDP deflators. The deflators are calculated from data released by the Office for National Statistics on 28 June 2012. The forecasts are consistent with the Financial Statement and Budget Report 2012.

(2) Transactions from 2008-09 onwards have been affected by financial sector interventions, see Box 2.A in Chapter 2.

Table 1.8 Total Departmental Expenditure Limits ⁽¹⁾, 2007-08 to 2011-12

	£ million				
	2007-08	2008-09	2009-10	2010-11	2011-12
Total DEL by departmental group⁽¹⁾					
Education	50,128	52,359	57,025	58,528	56,391
NHS (Health) ⁽²⁾	85,807	92,403	99,794	101,924	104,333
Personal Social Services (Health) ⁽³⁾	1,767	1,275	1,393	1,522	-
Transport	12,838	12,687	13,905	12,474	12,364
CLG Communities	10,239	11,251	13,291	10,108	5,566
CLG Local Government	22,782	24,772	25,776	25,889	26,633
Business, Innovation and Skills	17,977	18,636	20,532	19,298	17,430
Home Office	9,533	9,914	10,335	9,578	9,113
Justice	9,272	9,596	9,441	9,121	9,026
Law Officers' Departments	716	720	709	666	610
Defence	33,163	34,328	36,734	37,355	37,217
Foreign and Commonwealth Office	1,963	2,173	2,223	2,246	2,195
International Development	5,186	5,617	6,587	7,467	7,813
Energy and Climate Change	2,158	1,955	3,022	3,161	2,591
Environment, Food and Rural Affairs	2,913	2,829	2,954	2,743	2,380
Culture, Media and Sport	1,933	2,257	1,909	1,988	2,683
Work and Pensions	7,945	7,844	8,821	9,009	7,567
Scotland	26,475	26,893	28,431	28,512	27,567
Wales	13,417	14,047	15,010	15,138	14,625
Northern Ireland	9,753	10,259	10,614	10,825	10,465
Chancellor's Departments	4,486	4,594	4,516	4,140	4,068
Cabinet Office	1,967	2,198	2,447	2,485	2,473
Independent Bodies	725	788	820	882	905
Total DEL	333,142	349,396	376,288	375,061	364,015

(1) Total DEL is given by Resource DEL excluding depreciation (Table 1.3a) plus Capital DEL (Table 1.6).

(2) NHS (Health) includes Food standards Agency, see Annex B.

(3) Personal Social Services (Health) are grants previously paid by the Department of Health that are now included in CLG Local Government's budget, see paragraph 1.7.

Table 1.9 Total Departmental Expenditure Limits ⁽¹⁾ in real terms ⁽²⁾, 2007-08 to 2011-12

	£ million				
	2007-08	2008-09	2009-10	2010-11	2011-12
Total DEL by departmental group⁽¹⁾					
Education	55,037	55,958	60,042	59,923	56,391
NHS (Health) ⁽³⁾	94,208	98,756	105,073	104,353	104,333
Personal Social Services (Health) ⁽⁴⁾	1,940	1,363	1,467	1,558	-
Transport	14,095	13,559	14,641	12,771	12,364
CLG Communities	11,242	12,024	13,995	10,349	5,566
CLG Local Government	25,012	26,475	27,139	26,506	26,633
Business, Innovation and Skills	19,737	19,918	21,618	19,758	17,430
Home Office	10,466	10,595	10,882	9,806	9,113
Justice	10,180	10,256	9,941	9,339	9,026
Law Officers' Departments	786	770	746	682	610
Defence	36,410	36,688	38,678	38,245	37,217
Foreign and Commonwealth Office	2,155	2,322	2,340	2,300	2,195
International Development	5,694	6,003	6,936	7,645	7,813
Energy and Climate Change	2,369	2,089	3,182	3,236	2,591
Environment, Food and Rural Affairs	3,198	3,023	3,110	2,809	2,380
Culture, Media and Sport	2,122	2,412	2,010	2,035	2,683
Work and Pensions	8,723	8,383	9,288	9,224	7,567
Scotland	29,067	28,742	29,936	29,192	27,567
Wales	14,730	15,012	15,804	15,498	14,625
Northern Ireland	10,708	10,965	11,175	11,083	10,465
Chancellor's Departments	4,925	4,910	4,755	4,238	4,068
Cabinet Office	2,160	2,350	2,576	2,544	2,473
Independent Bodies	796	842	864	903	905
Total DEL	365,761	373,415	396,195	383,999	364,015

(1) Total DEL is given by Resource DEL excluding depreciation (Table 1.3a) plus Capital DEL (Table 1.6).

(2) Real terms figures are the cash figures adjusted to 2011-12 price levels using GDP deflators. The deflators are calculated from data released by the Office for National Statistics on 28 June 2012. The forecasts are consistent with the Financial Statement and Budget Report 2012.

(3) NHS (Health) includes Food standards Agency, see Annex B.

(4) Personal Social Services (Health) are grants previously paid by the Department of Health that are now included in CLG Local Government's budget, see paragraph 1.7.

Table 1.10 Accounting adjustments⁽¹⁾, 2007-08 to 2011-12

	£ billion				
	2007-08	2008-09	2009-10	2010-11	2011-12
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)	-10.0	-10.6	-13.4	-7.6	-13.4
NHS capital consumption	-1.7	-1.8	-1.8	-1.8	-1.7
Interest	0.1	0.1	-0.1	-0.1	-0.1
Other	0.0	0.0	0.0	-0.1	0.0
Total resource DEL	-11.6	-12.2	-15.3	-9.6	-15.2
Resource departmental AME					
Capital consumption	-1.1	-1.7	-2.5	-1.7	-1.5
Interest	1.3	2.4	2.2	1.3	1.4
Subsidy element of renewable obligation certificates	0.0	0.0	0.0	0.0	0.0
Subsidy element of other environmental levies	0.0	0.0	0.0	0.0	0.0
NNDR outturn adjustment	-0.5	-0.6	-0.3	-1.1	-0.7
Other	0.0	0.1	0.1	0.1	2.4
Total resource departmental AME	-0.2	0.2	-0.5	-1.4	1.5
Adjustment for different data used by OBR in PSCE forecast	0.0	0.0	0.0	0.0	-0.8
<i>of which DEL</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.3</i>
<i>of which AME</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-1.1</i>
Total resource budget data replaced by different source data	-11.8	-12.0	-15.8	-11.0	-14.6
Remove data in budgets which do not form part of public sector current expenditure					
Resource DEL					
Impairments	-1.0	-1.0	0.5	-8.7	-3.2
Receipts treated as negative DEL but revenue in National Accounts	0.5	0.6	0.6	0.7	0.5
Fees, levies and charges	0.1	0.1	0.1	0.1	0.1
Grant equivalent element of student lending	-0.8	-0.7	-0.9	-4.2	-2.3
Stock write-offs	-0.6	0.5	-1.0	0.0	0.0
Change in pension scheme liabilities	-0.1	-0.2	-0.2	-0.1	0.0
Miscellaneous current transfers	0.7	0.6	1.0	1.6	1.7
Northern Ireland Executive transfers between DEL and AME ⁽²⁾	0.5	0.6	0.5	0.6	0.6
Profit or loss - sale of company securities	0.0	0.0	0.4	0.0	0.0
Profit or loss - sale of other assets (capital in National Accounts)	0.8	0.3	0.1	0.0	0.2
Green Investment Bank	0.0	0.0	0.0	0.0	0.0
Other	0.1	0.0	0.2	0.0	-0.5
Total resource DEL	0.2	0.8	1.3	-10.2	-2.9
Resource departmental AME					
Impairments	-1.6	-19.4	-3.5	3.3	12.3
Bad debts	-0.4	-0.5	-0.5	-0.6	-0.5
Grant equivalent element of student lending	-0.6	-0.1	-0.5	0.0	1.6
Provisions	-11.5	-28.9	23.5	-7.2	-5.3
Change in pension scheme liabilities	-24.5	-24.8	-22.1	56.8	-27.1
Unwinding of discount rate on pension scheme liabilities	-32.8	-36.5	-39.2	-37.6	-43.4
Release of provisions covering payments of pension benefits	21.3	22.5	24.3	25.9	27.7
Fees, levies and charges	0.2	0.5	0.2	0.2	0.6
Profit or loss - sale of other assets (capital in National Accounts)	0.7	0.0	0.0	0.0	0.0
Fee income treated as capital in National Accounts	0.0	0.0	3.2	0.0	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	-4.7	-5.6	-5.6	-5.6	-4.6
Other	-0.1	0.0	-0.5	1.1	-0.8
Total resource departmental AME	-53.9	-92.8	-20.8	36.4	-39.4
Total resource budget data not in public sector current expenditure	-53.6	-92.0	-19.5	26.2	-42.3

Table 1.10 Accounting adjustments, 2007-08 to 2011-12 (continued)

	£ billion				
	2007-08	2008-09	2009-10	2010-11	2011-12
Central government adjustments in National Accounts					
Expenditure on goods and services	12.8	15.5	13.5	16.7	21.9
<i>of which: VAT refunds</i>	3.7	3.9	3.8	4.8	4.9
<i>of which: Single Use Military Equipment</i>	5.1	5.7	5.3	5.4	5.5
<i>of which: payment from EU for tax collection costs</i>	-0.6	-0.7	-0.7	-0.7	-0.7
<i>of which: capital consumption</i>	6.1	6.5	6.7	7.2	7.6
<i>of which: other</i>	-1.5	0.2	-1.7	0.1	4.5
Net social benefits	2.0	1.8	1.6	0.2	1.1
<i>of which: switch between benefits and other current grants</i>	6.4	6.9	6.9	0.4	0.4
<i>of which: public service pensions contributions uprate</i>	0.0	0.0	0.0	0.0	0.0
<i>of which: other</i>	-4.5	-5.1	-5.3	-0.2	0.7
Net current grants abroad	2.2	3.1	4.0	4.0	4.4
<i>of which: attributed aid</i>	-0.7	-0.8	-0.9	-0.9	-1.0
<i>of which: DfID funding for capital projects scored in resource DEL</i>	-0.5	-0.5	0.0	0.0	0.0
<i>of which: EU receipts</i>	3.9	3.9	5.0	4.8	4.8
<i>of which: other</i>	-0.5	0.5	0.0	0.1	0.6
Other current grants	-2.6	-3.8	-3.4	-3.2	-8.4
<i>of which: switch between other current grants and benefits</i>	-6.4	-6.9	-6.9	-0.4	-0.4
<i>of which: other</i>	3.9	3.1	3.4	-2.8	-8.0
Subsidies	-0.1	-1.1	-0.6	-0.7	-0.7
<i>of which: Renewable Obligation Certificates</i>	0.5	0.5	0.5	0.5	0.6
<i>of which: other environmental levies</i>	0.0	0.0	0.0	0.0	0.2
<i>of which: company tax credits outside departmental AME</i>	0.8	0.9	1.1	1.0	0.9
<i>of which: other</i>	-1.4	-2.4	-2.2	-2.3	-2.3
Total central government resource adjustments	14.3	15.5	15.0	17.1	18.2
Local government adjustments in National Accounts					
Remove data which do not form part of public sector current expenditure	-4.2	-4.7	-4.4	-5.2	-4.2
<i>of which: Northern Ireland regional rates</i>	-0.5	-0.6	-0.5	-0.5	-0.6
<i>of which: retirement benefits</i>	-0.5	-0.6	-0.5	-0.4	0.0
<i>of which: debt interest payments to central government</i>	-3.1	-3.2	-2.9	-3.0	-3.0
<i>of which: other</i>	-0.1	-0.2	-0.4	-1.3	-0.7
Adjustments to reconcile use of different data sources	-0.4	-0.2	0.2	0.4	-0.3
<i>of which: central government support</i>	-0.7	-0.2	0.6	1.0	0.0
<i>of which: debt interest</i>	0.3	0.0	-0.4	-0.7	-0.4
<i>of which: other</i>	-0.1	0.0	-0.1	0.1	0.0
Expenditure on goods and services	12.2	12.7	12.9	14.3	15.7
<i>of which: VAT refunds</i>	6.0	6.1	5.6	6.4	7.1
<i>of which: capital consumption</i>	6.8	7.2	7.6	8.0	8.5
<i>of which: rates</i>	-1.1	-1.2	-1.2	-1.2	-1.3
<i>of which: other</i>	0.6	0.6	0.9	1.1	1.4
Subsidies	1.6	1.7	1.4	1.2	0.3
<i>of which: equity injection into Housing Revenue Account</i>	1.5	1.5	1.2	1.0	0.2
<i>of which: other</i>	0.1	0.2	0.2	0.2	0.1
Net social benefits	-0.4	-0.4	-0.5	-0.5	-0.9
<i>of which: housing benefits and rent rebates</i>	0.4	0.4	0.4	0.4	0.0
<i>of which: other</i>	-0.8	-0.8	-0.9	-0.9	-0.9
Other current grants and current grants abroad	-0.1	-0.1	-0.1	-0.1	0.0
Total local government resource adjustments	8.6	9.0	9.5	10.1	10.5
Other resource adjustments					
Public corporations	0.7	0.6	0.4	0.4	0.4
Other	0.0	0.0	-0.1	0.1	0.3
Total other resource adjustments	0.7	0.5	0.3	0.5	0.6
Total resource adjustments	-41.8	-79.0	-10.5	42.9	-27.5
<i>of which:</i>					
Timing adjustments ⁽³⁾					
Central government	-0.4	1.6	-0.5	0.2	1.0
Local government	-0.1	0.2	0.3	0.4	0.0

Table 1.10 Accounting adjustments, 2007-08 to 2011-12 (continued)

	£ billion				
	2007-08	2008-09	2009-10	2010-11	2011-12
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	-0.3	-0.4	0.0	0.1	0.0
Acquisitions less disposals of valuables	-0.1	-0.2	0.0	0.0	-0.1
Total capital DEL	-0.4	-0.6	-0.1	0.0	-0.2
Adjustment for different data used by OBR in PSGI forecast	0.0	0.0	0.0	0.0	0.9
<i>of which DEL</i>	0.0	0.0	0.0	0.0	-0.2
<i>of which AME</i>	0.0	0.0	0.0	0.0	1.1
Total capital budget data replaced by different source data	-0.4	-0.6	-0.1	0.0	0.7
Remove data in budgets which do not form part of public sector gross investment					
Capital DEL					
Single Use Military Equipment	-5.1	-5.7	-5.3	-5.4	-5.5
Net lending to private sector	-0.4	-0.6	-1.4	-1.1	-1.6
Capital support for public corporations	-0.7	-0.1	-0.1	0.2	0.1
Local government supported capital expenditure	0.0	0.0	0.0	0.0	0.0
Northern Ireland Executive transfers between DEL and AME	0.1	0.3	0.2	0.2	0.4
Green Investment Bank	0.0	0.0	0.0	0.0	0.0
Other	0.1	0.0	0.1	0.0	-0.2
Total Capital DEL	-5.9	-6.1	-6.5	-6.0	-6.8
Capital departmental AME					
Net lending to private sector	-4.4	-49.8	-13.2	-2.1	-2.1
Capital support for public corporations	0.6	0.7	-0.1	0.4	-0.2
Purchase of company securities	0.0	-30.8	-32.1	0.0	0.0
Sale of company securities	0.1	0.1	7.1	0.0	0.0
Northern Ireland Executive transfers between DEL and AME	-0.1	-0.3	-0.2	-0.2	-0.4
Other	-0.1	-0.1	-0.2	-0.2	0.0
Total capital departmental AME	-3.8	-80.1	-38.8	-2.1	-2.6
Total capital budget data not in public sector gross investment	-9.8	-86.2	-45.3	-8.2	-9.4
Central government adjustments in National Accounts					
Gross fixed capital formation	-1.6	-0.6	0.0	-0.1	-0.5
<i>of which: profit or loss - sale of other assets (from resource budgets)</i>	-1.5	-0.3	-0.1	0.0	-0.2
<i>of which: other</i>	-0.1	-0.3	0.1	-0.1	-0.3
Capital grants to and from the private sector	0.5	0.6	-2.6	0.4	0.6
<i>of which: VAT refunds</i>	0.1	0.1	0.1	0.1	0.1
<i>of which: fee income (from resource budgets)</i>	0.0	0.0	-3.2	0.0	0.0
<i>of which: DfID funding for capital projects scored in resource DEL</i>	0.5	0.5	0.0	0.0	0.0
<i>of which: other</i>	-0.1	0.0	0.5	0.3	0.5
Total central government capital adjustments	-1.1	0.0	-2.6	0.3	0.1
Local government adjustments in National Accounts					
Adjustments to reconcile use of different data sources	-3.2	-4.0	-5.1	-3.4	-2.0
<i>of which: overhanging debt</i>	-1.2	-0.5	-0.2	-0.8	-0.2
<i>of which: central government support</i>	-0.1	-1.3	-2.5	-0.3	0.0
<i>of which: financial transactions</i>	-1.1	-1.3	-1.6	-1.4	-1.1
<i>of which: capital grants from private sector</i>	-0.8	-0.8	-0.9	-0.8	-0.8
Gross fixed capital formation	2.6	3.1	2.4	2.5	2.2
<i>of which: VAT refunds</i>	1.9	1.8	1.7	2.0	2.2
<i>of which: roads de-trunking</i>	0.8	1.0	0.0	0.1	0.0
<i>of which: other</i>	-0.1	0.2	0.7	0.4	0.0
Capital grants	0.0	-0.5	0.4	0.5	0.2
<i>of which: grants to public corporations</i>	0.0	0.0	0.0	0.0	0.0
<i>of which: other</i>	0.0	-0.5	0.4	0.5	0.2
Total local government capital adjustments	-0.6	-1.4	-2.3	-0.4	0.4
Other capital adjustments					
Public corporations	0.4	0.0	0.2	-0.5	0.1
Housing Revenue Account reform receipts	0.0	0.0	0.0	0.0	-8.1
Other	0.0	-0.9	0.0	-0.1	0.0
Total other capital adjustments	0.4	-0.9	0.2	-0.6	-8.0
Total capital adjustments	-11.6	-89.0	-50.0	-8.9	-16.2
<i>of which:</i>					
Timing adjustments ⁽³⁾					
Central government	0.2	0.6	0.3	0.1	0.0
Local government	-0.1	0.3	-0.2	0.5	0.0

(1) The accounting adjustments are described in Annex D

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

(3) Reflects timing difference between the latest COINS 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 COINS data in the early years.

Table 1.11 Total Managed Expenditure by spending sector, 2007-08 to 2011-12

	2007-08	2008-09	2009-10	2010-11	2011-12
	£ million				
Central government own expenditure					
DEL ⁽¹⁾	233,484	246,801	266,941	265,953	262,163
Departmental AME ⁽¹⁾⁽²⁾	203,096	339,402	239,089	142,019	224,813
Locally financed support in Northern Ireland	520	607	547	538	595
Net expenditure transfers to the EU	5,392	3,060	6,419	8,414	7,702
Central government debt interest	29,954	30,300	30,185	44,399	46,976
Accounting and other adjustments ⁽²⁾	-51,639	-165,548	-55,136	44,904	-28,464
Total central government own expenditure	420,807	454,623	488,045	506,226	513,784
Local government expenditure					
Central government support in DEL ⁽¹⁾	98,676	102,191	108,689	109,104	101,783
Central government support in departmental AME ⁽¹⁾	22,093	23,107	25,928	29,119	29,668
Locally financed support in Scotland	1,860	1,963	2,165	2,068	2,182
Local authority self-financed expenditure	24,081	31,717	28,322	25,748	37,604
Accounting and other adjustments	8,453	7,802	7,662	9,064	2,935
Total local government expenditure	155,163	166,780	172,767	175,104	174,173
Public corporations' expenditure					
DEL ⁽¹⁾	982	404	659	4	69
Departmental AME ⁽¹⁾	-1,033	-1,471	-100	-467	64
Public corporations' own-financed capital expenditure	5,439	7,294	7,983	8,137	6,115
Accounting and other adjustments	1,580	2,115	796	630	683
Total public corporations' expenditure	6,967	8,342	9,338	8,304	6,931
Total Managed Expenditure	582,937	629,745	670,150	689,634	694,888

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

(2) Transactions from 2008-09 onwards have been affected by financial sector interventions. See Box 2.A in Chapter 2.

Table 1.12 Spending Review 2010 presentation ⁽¹⁾ of Departmental Expenditure Limits, 2007-08 to 2011-

	£ million				
	2007-08	2008-09	2009-10	2010-11	2011-12
Resource DEL excluding depreciation ⁽²⁾					
Education	44,689	46,637	49,385	51,225	51,165
NHS (Health)	81,707	87,910	94,495	97,638	100,424
Personal Social Services (Health)	1,767	1,275	1,393	1,522	-
Transport	6,099	5,436	5,652	5,176	4,678
CLG Communities	3,948	4,084	4,299	3,649	1,745
CLG Local Government	22,750	24,650	25,515	25,956	26,640
Business, Innovation and Skills	15,677	16,329	17,321	17,029	16,259
Home Office	8,781	9,077	9,336	8,838	8,618
Justice	8,465	8,638	8,534	8,531	8,458
Law Officers' Departments	705	712	697	658	610
Defence	24,616	25,410	27,587	28,090	28,209
Foreign and Commonwealth Office	1,735	1,946	2,022	2,091	2,078
International Development	4,448	4,742	5,234	5,909	6,167
Energy and Climate Change	672	288	1,216	1,146	1,137
Environment, Food and Rural Affairs	2,356	2,219	2,261	2,175	2,002
Culture, Media and Sport	1,396	1,434	1,390	1,408	1,471
Work and Pensions	7,787	7,689	8,549	8,685	7,286
Scotland	22,912	23,560	24,505	25,229	24,835
Wales	11,950	12,415	13,072	13,382	13,234
Northern Ireland	8,584	8,891	9,291	9,594	9,438
Chancellor's Departments	4,095	4,132	4,048	3,758	3,642
Cabinet Office	1,616	1,772	1,962	2,024	2,043
Small and Independent Bodies	1,565	1,640	1,566	1,533	1,718
Total resource DEL excluding depreciation ⁽²⁾	288,321	300,885	319,329	325,246	321,859
Capital DEL					
Education	5,226	5,524	7,442	7,127	5,055
NHS (Health)	3,966	4,369	5,182	4,202	3,817
Transport	6,739	7,252	8,253	7,299	7,686
CLG Communities	6,291	7,167	8,992	6,459	3,821
CLG Local Government	32	122	260	-67	-8
Business, Innovation and Skills	2,109	2,134	3,027	2,104	1,011
Home Office	751	837	999	740	494
Justice	749	899	848	530	344
Law Officers' Departments	11	9	12	8	0
Defence	8,547	8,918	9,148	9,265	9,008
Foreign and Commonwealth Office	228	227	201	156	117
International Development	738	875	1,353	1,559	1,646
Energy and Climate Change	1,485	1,666	1,806	2,014	1,453
Environment, Food and Rural Affairs	557	610	693	568	383
Culture, Media and Sport	537	823	519	580	1,212
Work and Pensions	72	85	272	323	280
Scotland	3,563	3,333	3,927	3,284	2,732
Wales	1,461	1,627	1,932	1,751	1,385
Northern Ireland	1,117	1,307	1,277	1,192	1,002
Chancellor's Departments	240	281	285	211	257
Cabinet Office	319	396	454	432	405
Small and Independent Bodies	82	51	78	78	55
Total capital DEL	44,821	48,511	56,959	49,815	42,156
Total DEL ⁽³⁾	333,142	349,396	376,288	375,061	364,015

(1) The departmental breakdown in this table is consistent with the Budget 2012 presentation not the PESA departmental groups in Annex B.

(2) As part of the Spending Review 2010 DEL was presented less depreciation. This is continued in this table to allow comparison.

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

Table 1.13 Spending Review 2010 presentation ⁽¹⁾ of Total DEL ⁽²⁾, 2007-08 to 2011-12

	£ million				
	2007-08	2008-09	2009-10	2010-11	2011-12
Total DEL					
Education	49,915	52,160	56,827	58,352	56,220
NHS (Health)	85,673	92,279	99,677	101,840	104,241
Personal Social Services (Health)	1,767	1,275	1,393	1,522	-
Transport	12,839	12,687	13,905	12,474	12,364
CLG Communities	10,239	11,251	13,291	10,108	5,566
CLG Local Government	22,782	24,772	25,776	25,889	26,633
Business, Innovation and Skills	17,786	18,462	20,349	19,133	17,270
Home Office	9,533	9,914	10,335	9,578	9,113
Justice	9,214	9,537	9,382	9,062	8,802
Law Officers' Departments	716	720	709	666	610
Defence	33,163	34,328	36,734	37,355	37,217
Foreign and Commonwealth Office	1,963	2,173	2,223	2,246	2,195
International Development	5,186	5,617	6,587	7,467	7,813
Energy and Climate Change	2,157	1,954	3,021	3,160	2,590
Environment, Food and Rural Affairs	2,913	2,828	2,954	2,743	2,385
Culture, Media and Sport	1,933	2,257	1,909	1,988	2,683
Work and Pensions	7,859	7,775	8,821	9,009	7,567
Scotland	26,475	26,893	28,431	28,512	27,567
Wales	13,411	14,042	15,004	15,133	14,619
Northern Ireland	9,701	10,198	10,568	10,786	10,441
Chancellor's Departments	4,335	4,413	4,332	3,970	3,898
Cabinet Office	1,935	2,168	2,416	2,456	2,447
Small and Independent Bodies	1,647	1,691	1,644	1,611	1,772
Total DEL ⁽²⁾	333,142	349,396	376,288	375,061	364,015

(1) The departmental breakdown in this table is consistent with the Budget 2012 presentation not the PESA departmental groups in Annex B.

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

Table 1.14 Spending Review 2010 presentation ⁽¹⁾ of Total DEL ⁽²⁾ in real terms ⁽³⁾, 2007-08 to 2011-12

	£ million				
	2007-08	2008-09	2009-10	2010-11	2011-12
Total DEL					
Education	54,802	55,746	59,833	59,742	56,220
NHS (Health)	94,062	98,623	104,950	104,267	104,241
Personal Social Services (Health)	1,940	1,363	1,467	1,558	-
Transport	14,096	13,560	14,641	12,771	12,364
CLG Communities	11,242	12,024	13,995	10,349	5,566
CLG Local Government	25,012	26,475	27,139	26,506	26,633
Business, Innovation and Skills	19,528	19,731	21,425	19,589	17,270
Home Office	10,466	10,595	10,882	9,806	9,113
Justice	10,116	10,193	9,879	9,278	8,802
Law Officers' Departments	786	770	746	682	610
Defence	36,410	36,688	38,678	38,245	37,217
Foreign and Commonwealth Office	2,155	2,322	2,340	2,300	2,195
International Development	5,694	6,003	6,936	7,645	7,813
Energy and Climate Change	2,368	2,089	3,181	3,236	2,590
Environment, Food and Rural Affairs	3,198	3,023	3,110	2,809	2,385
Culture, Media and Sport	2,122	2,412	2,010	2,035	2,683
Work and Pensions	8,628	8,309	9,288	9,224	7,567
Scotland	29,067	28,742	29,936	29,192	27,567
Wales	14,725	15,007	15,798	15,493	14,619
Northern Ireland	10,651	10,899	11,127	11,043	10,441
Chancellor's Departments	4,759	4,717	4,562	4,064	3,898
Cabinet Office	2,124	2,317	2,543	2,515	2,447
Small and Independent Bodies	1,808	1,807	1,731	1,649	1,772
Total DEL ⁽²⁾	365,761	373,415	396,195	383,999	364,015

(1) The departmental breakdown in this table is consistent with the Budget 2012 presentation not the PESA departmental groups in Annex B.

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

(3) Real terms figures are the cash figures adjusted to 2011-12 price levels using GDP deflators. The deflators are calculated from data released by the Office for National Statistics on 28 June 2012.

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 based on National Accounts definitions.

WHAT'S NEW

1.2 Since last year's publication we consulted users on their views on Public Spending Statistics and the PESA command paper and a number of respondents requested further underlying data. We propose to meet this need by releasing a series of interactive tables on the HM treasury website after the publication of the statistical release but before the parliamentary recess.

1.3 The new interactive tables will allow users access to detailed data. This will enable them to view, for example, the Public Sector Current Expenditure (PSCE) and Public Sector Gross Investment (PSGI) components of departmental DEL and AME spend.

THE BUDGETING AND REPORTING FRAMEWORK

1.4 **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.

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

1.6 A clear distinction is made for budgeting between current and capital spending, with departments having separate resource and capital budgets largely based on IFRS components. 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.

1.7 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 set out in **Table 1.1**. 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.

RECONCILIATION OF BUDGETING AND NATIONAL ACCOUNTS AGGREGATES

¹ http://www.hm-treasury.gov.uk/d/consolidated_budgeting_guidance201112.pdf

1.8 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.

1.9 **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.

1.10 A breakdown of the accounting adjustments used for this reconciliation is shown in **Table 1.10** and **Annex D**. Resource and capital budgets.

1.11 **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.

1.12 **Table 1.3a** 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.

1.13 **Table 1.6** shows the capital budget for each departmental group, with **Table 1.7** presenting the same information in real terms. Capital DEL is a control total.

1.A Scotland, Wales and Northern Ireland Offices

In PESA 2011 the Scotland Office and Wales Office were included in a departmental group alongside the relevant devolved administration to align to the Northern Ireland Office treatment. The tables in this publication continue with that presentation. See Annex B for the departmental group structure.

ADMINISTRATION BUDGETS

1.14 **Table 1.5** 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 60 per cent of administration costs are accounted for by civil service pay, a further 35 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**.

1.15 As part of the Spending Review 2010 some elements of HM Revenue and Customs and Work and Pensions directly involved in service delivery were reclassified as programme rather than administration spending from 2011-12, to better reflect central government

administration costs. The departmental administration budget within resource DEL is a control total.

TOTAL DEL

1.16 **Table 1.8** shows Total DEL by departmental group. Total DEL is made up of resource DEL excluding depreciation plus capital DEL. **Table 1.8** is consistent with **Table 1.3a** plus **Table 1.6**. Note that Total DEL is not a control total. **Table 1.9** presents the same information as **Table 1.8** in real terms.

PUBLIC EXPENDITURE BY SPENDING SECTOR

1.17 **Table 1.11** 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).

1.18 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).

1.19 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 PESA records only the 'own' expenditure components that relate to an individual sector.

CENTRAL GOVERNMENT OWN EXPENDITURE

1.20 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.

1.21 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 NDPBs classified to central government; and
- spending of the devolved administrations in Scotland, Wales and Northern Ireland.

1.22 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

1.23 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

1.24 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.

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

1.26 Subsidies to public corporations are included in central government own expenditure as they impact on 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**.

ECONOMIC ANALYSES OF BUDGETS

OVERVIEW

The tables in chapter 2 of PESA 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 PESA.

RESOURCE DEL

- Total resource DEL was £340.7 billion in 2011-12, a fall of 1.5 per cent on the previous year. This is the only year to show a fall in spending in the period covered by this release, reflecting the Governments' plans for fiscal consolidation as set out in the 2010 Spending Review.
- Pay fell by 0.8 per cent in 2011-12, with most departments showing reductions.
- Expenditure on grants to local government totalled £91 billion in 2011-12, a fall of 5.8 per cent on 2010-11. The financing of local government expenditure is examined in more detail in chapter 7 of PESA.
- Expenditure on gross current procurement and grants to persons and non-profit bodies increased in 2011-12. 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 £13.2 billion in 2011-12. As part of the 2010 Spending Review, elements of HM Revenue and Customs and the Department for Work and Pensions which were directly involved in service delivery were reclassified as programme rather than administrative spending from 2011-12 onwards. This makes it difficult to compare spending in 2011-12 with earlier years.

RESOURCE AME

- Total resource AME stood at £251.1 billion in 2011-12, an increase of 50.5 per cent on 2010-11. Expenditure in 2010-11 was reduced by a large fall in pension scheme liabilities, caused by the decision to use the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) for the indexation of public service pensions.
- 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 to £180.1 billion in 2011-12 from £174.1 billion in the previous year. This mainly reflects higher spending on retirement pensions and tax credits.

-
- Depreciation fell to -£12.4 billion from -£1.6 billion in 2010-11. This is mainly due to an increase in the value of the Bank of England Asset Purchase Facility Fund and a reduction in Ministry of Defence depreciation.

CAPITAL BUDGETS

- Capital spending within budgets was £45.6 billion in 2011-12, a fall of 14.9 per cent on the previous year. As with resource DEL, this reflects decisions set out in the 2010 Spending Review. The majority of capital spending occurred within DEL. Spending in AME was boosted in 2008-09 and 2009-10 by government intervention in the financial sector (see Box 2.A for more detail).
-
- Within capital DEL, support for local government fell by 14.1 per cent in 2011-12. Table 7.3 of PESA breaks this down by country and department. In the same year gross capital procurement was down by 11.1 per cent, with most departments showing reductions in spending as illustrated in table 2.3.

Table 2.1 Budgets by economic category of spending, 2007-08 to 2011-12

	£ million				
	2007-08	2008-09	2009-10	2010-11	2011-12
Resource DEL					
Pay	80,518	84,719	87,153	89,637	88,886
Gross current procurement	105,041	112,146	118,920	114,746	115,046
Income from sales of goods and services	-20,337	-22,470	-21,632	-16,538	-16,109
Current grants to local government	86,447	89,982	93,570	96,509	90,964
Current grants to persons and non-profit bodies	29,130	29,961	33,153	33,203	35,176
Current grants abroad	1,733	1,242	1,205	1,888	1,908
Subsidies to private sector companies	4,837	5,073	5,887	5,647	5,995
Subsidies to public corporations	1,401	1,254	1,058	1,244	1,108
Net public service pensions ⁽¹⁾	11	16	-47	33	23
Depreciation ⁽²⁾	11,784	12,389	13,843	20,598	18,852
Take up of provisions	1	2	3	25	-8
Release of provisions	-1	-1	-6	-8	5
Change in pension scheme liabilities	130	186	153	74	42
Unwinding of the discount rate on pension scheme liabilities	16	19	21	-20	54
Release of provisions covering payments of pensions benefits ⁽³⁾	0	0	-2	0	0
Other ⁽⁴⁾	-607	-1,244	-107	-1,194	-1,230
Plus unallocated funds	-	-	-	-	-
Total resource DEL	300,105	313,275	333,172	345,844	340,711
Of which: administration budgets in resource DEL					
Pay	14,049	14,114	14,658	13,537	8,460
Gross current procurement	8,303	8,632	8,772	8,127	5,192
Income from sales of goods and services	-1,260	-1,311	-1,441	-1,343	-1,229
Depreciation	844	824	951	1,056	830
Other ⁽⁴⁾	-135	-97	-89	-74	-19
Total administration budgets in resource DEL	21,802	22,161	22,851	21,303	13,232
Resource departmental AME					
Pay	1,179	1,060	1,369	1,264	1,365
Gross current procurement	2,663	2,718	2,585	2,451	2,859
Income from sales of goods and services ⁽⁵⁾	-383	-1,247	-574	-1,751	-1,593
Current grants to local government	20,587	22,314	25,526	28,126	29,366
Current grants to persons and non-profit bodies	142,619	155,716	169,050	174,145	180,083
Subsidies to private sector companies	268	288	273	332	445
Subsidies to public corporations	-36	-312	-177	-658	-702
Net public service pensions ⁽¹⁾	2,190	3,116	3,681	4,610	6,654
Depreciation ⁽⁵⁾	3,302	21,129	6,552	-1,620	-12,417
Take up of provisions ⁽⁵⁾	18,174	35,522	-17,270	13,187	12,717
Release of provisions	-6,558	-6,514	-6,192	-6,000	-7,438
Change in pension scheme liabilities ⁽⁶⁾	24,462	24,779	22,124	-56,752	27,114
Unwinding of the discount rate on pension scheme liabilities	32,805	36,510	39,154	37,615	43,414
Release of provisions covering payments of pensions benefits ⁽³⁾	-21,327	-22,479	-24,272	-25,928	-27,715
Other ⁽⁴⁾⁽⁵⁾	-1,795	-2,425	-4,603	-2,152	-3,097
Total resource departmental AME	218,151	270,173	217,223	166,869	251,056

Table 2.1 Budgets by economic category of spending, 2007-08 to 2011-12 (cont)

	2007-08	2008-09	2009-10	2010-11	2011-12
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Table 2.1 Budgets by economic category of spending, 2007-08 to 2011-12 (cont)

	2007-08	2008-09	2009-10	2010-11	2011-12
Resource budgets					
Pay	81,697	85,779	88,523	90,901	90,251
Gross current procurement	107,704	114,864	121,505	117,197	117,905
Income from sales of goods and services ⁽⁵⁾	-20,720	-23,717	-22,206	-18,289	-17,702
Current grants to local government	107,034	112,295	119,096	124,635	120,330
Current grants to persons and non-profit bodies	171,749	185,677	202,203	207,347	215,259
Current grants abroad	1,733	1,242	1,205	1,888	1,908
Subsidies to private sector companies	5,106	5,361	6,160	5,979	6,440
Subsidies to public corporations	1,366	942	880	585	406
Net public service pensions	2,201	3,132	3,634	4,644	6,677
Depreciation ⁽⁵⁾	15,086	33,518	20,394	18,978	6,435
Take up of provisions ⁽⁵⁾	18,175	35,524	-17,267	13,212	12,709
Release of provisions	-6,558	-6,515	-6,198	-6,008	-7,433
Change in pension scheme liabilities ⁽⁶⁾	24,592	24,965	22,277	-56,678	27,156
Unwinding of the discount rate on pension scheme liabilities	32,820	36,528	39,175	37,594	43,468
Release of provisions covering payments of pensions benefits ⁽³⁾	-21,327	-22,479	-24,274	-25,928	-27,715
Other ⁽⁴⁾⁽⁵⁾	-2,402	-3,669	-4,711	-3,346	-4,327
Plus unallocated funds	-	-	-	-	-
Total resource budgets	518,255	583,447	550,395	512,713	591,767
Capital DEL					
Capital support for local government	12,229	12,209	15,119	12,596	10,819
Capital grants to persons and non-profit bodies	4,354	4,579	6,612	5,039	3,150
Capital grants to private sector companies	7,215	8,335	8,839	7,683	6,380
Capital grants abroad	-160	8	-18	583	226
Capital support for public corporations	1,126	590	817	190	265
Gross capital procurement	20,995	23,236	25,183	23,744	21,098
Income from sales of assets	-1,124	-759	-701	-963	-1,290
Net lending to the private sector and abroad	372	607	1,440	1,083	1,570
Other ⁽⁴⁾	-186	-295	-332	-139	-61
Plus unallocated funds in capital DEL	-	-	-	-	-
Total capital DEL	44,821	48,511	56,959	49,815	42,156
Capital departmental AME					
Capital support for local government	1,506	793	402	993	302
Capital grants to persons and non-profit bodies	565	554	664	549	351
Capital grants to private sector companies	-	-	-	-	-
Capital grants abroad	-	-	-	-	-
Capital support for public corporations	-566	-735	97	-361	187
Gross capital procurement	99	88	124	132	211
Income from sales of assets	-	-45	0	0	-
Net lending to the private sector and abroad ⁽⁵⁾	4,379	53,085	13,170	2,105	2,122
Other ⁽⁴⁾⁽⁵⁾	22	37,126	33,236	383	315
Total capital departmental AME	6,005	90,866	47,694	3,802	3,488
Capital budgets					
Capital support for local government	13,736	13,003	15,521	13,589	11,121
Capital grants to persons and non-profit bodies	4,920	5,133	7,276	5,588	3,500
Capital grants to private sector companies	7,215	8,335	8,839	7,683	6,379
Capital grants abroad	-160	8	-18	583	226
Capital support for public corporations	559	-144	914	-171	452
Gross capital procurement	21,094	23,324	25,307	23,876	21,309
Income from sales of assets	-1,124	-805	-701	-963	-1,290
Net lending to the private sector and abroad ⁽⁵⁾	4,751	53,692	14,610	3,188	3,692
Other ⁽⁴⁾⁽⁵⁾	-165	36,831	32,904	244	255
Plus unallocated funds in capital DEL	-	-	-	-	-
Total capital budgets	50,827	139,376	104,654	53,617	45,644

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

(4) Other includes items too small or too uncommon to warrant an individual line.

(5) Transactions from 2008-09 onwards have been affected by financial sector interventions. See Box 2.A for details.

(6) in the June 2010 Budget Statement it was announced that the Government would use the CPI rather than the RPI for the indexation of public service pensions. This change has been recognised as a negative past service cost in 2010-11 in accordance with IAS19.

Table 2.2 Gross current procurement in budgets⁽¹⁾, 2007-08 to 2011-12

	National Statistics				
	2007-08 outturn	2008-09 outturn	2009-10 outturn	2010-11 outturn	2011-12 outturn
£ million					
Gross current procurement in budgets					
Education	795	922	1,399	986	667
Health	51,859	55,585	61,008	57,142	58,205
Transport	2,135	2,454	2,144	1,908	2,001
CLG Communities	449	495	509	350	222
CLG Local Government	266	261	262	241	256
Business, Innovation and Skills	1,543	1,862	1,776	1,527	1,735
Home Office	2,506	2,710	2,533	2,414	2,570
Justice	5,703	5,652	5,758	5,579	6,202
Law Officers' Departments	426	412	412	382	336
Defence	13,938	15,579	15,702	16,515	16,441
Foreign and Commonwealth Office	621	1,078	953	975	970
International Development	641	689	595	621	751
Energy and Climate Change	1,963	2,095	2,195	1,991	1,950
Environment, Food and Rural Affairs	1,392	1,262	1,221	1,099	1,110
Culture, Media and Sport	3,152	3,238	3,046	2,918	3,663
Work and Pensions	3,494	3,606	3,945	4,102	3,115
Scotland	6,607	6,669	6,899	7,023	6,467
Wales	3,239	3,118	3,608	3,932	3,923
Northern Ireland	3,717	3,588	3,782	4,010	3,810
Chancellor's Departments	1,887	2,062	2,087	1,762	1,787
Cabinet Office	1,006	1,069	1,221	1,263	1,308
Independent Bodies	364	457	451	455	414
Total gross current procurement in budgets	107,704	114,864	121,505	117,197	117,905

(1) Budgeting definition of current procurement, so excludes defence spending on Single Use Military Equipment (SUME). Chapter 5 presents spending according to National Accounts definitions, where SUME is classified as current procurement.

Table 2.3 Gross capital procurement in budgets⁽¹⁾, 2007-08 to 2011-12

	National Statistics					£ million
	2007-08 outturn	2008-09 outturn	2009-10 outturn	2010-11 outturn	2011-12 outturn	
Gross capital procurement in budgets						
Education	24	45	75	27	16	
Health	4,025	4,304	4,862	4,133	3,463	
Transport	1,175	1,203	2,003	1,654	1,362	
CLG Communities	379	263	266	217	76	
CLG Local Government	0	0	2	1	0	
Business, Innovation and Skills	444	473	491	472	324	
Home Office	385	490	587	338	270	
Justice	796	924	880	599	425	
Law Officers' Departments	11	9	12	8	0	
Defence	8,619	9,154	9,019	9,369	9,139	
Foreign and Commonwealth Office	192	235	162	128	104	
International Development	66	19	15	11	17	
Energy and Climate Change	1,077	1,141	1,198	1,326	1,444	
Environment, Food and Rural Affairs	200	216	212	196	132	
Culture, Media and Sport	669	1,417	1,578	1,708	1,371	
Work and Pensions	85	95	254	233	229	
Scotland	857	942	1,144	1,107	910	
Wales	495	516	658	624	471	
Northern Ireland	965	1,177	1,177	1,070	850	
Chancellor's Departments	254	294	248	189	242	
Cabinet Office	317	368	411	413	421	
Independent Bodies	60	37	55	53	42	
Total gross capital procurement in budgets	21,094	23,324	25,307	23,876	21,309	

(1) Budgeting definition of capital procurement, so includes Defence spending on Single Use Military Equipment (SUME). Chapter 5 presents spending according to National Accounts definitions, where SUME is classified as current procurement.

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 There have been no significant changes to the presentation of data within this chapter since PESA 2011.

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 1.5**; and capital budgets with **Table 1.6**.

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 **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, but does not include payments for contract and agency staff that are treated as procurement expenditure.

2.6 **Gross current procurement** shows expenditure on goods and services, including hire and rentals under PFI and non-PFI operating leases, payments for contract and agency staff, and payments for consultancy and audit services. It also includes the purchase of services from GPs. Spending on Single Use Military Equipment (SUME), shown as current procurement in the National Accounts presentations in **Chapters 5 and 6**, is treated as capital procurement in budgets.

2.7 **Current grants** include all transfer payments other than subsidies (see 2.10 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.

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: £1.0 billion in 2008-09, £0.4 billion in 2009-10, £1.5 billion in 2010-11 and £1.3 billion in 2011-12. This is mainly underwriting commission and guarantee fee income.
- Depreciation: £18.3 billion in 2008-09, which is mainly the mark to market impairment cost of RBS and LBG shares at the end of March 2009, and -£12.0 billion in 2010-11 for the change in fair value of the Asset Protection Scheme (APS) and Bank of England Asset Purchase Facility Fund (BEAPFF). In 2011-12 the impairment cost of RBS and LBG shares was £14.1 billion, offset by £28.4 billion receipt for the BEAPFF.
- Take up of provisions: £25.4 billion of provisions in 2008-09 and -£25.4 billion in 2009-10, for potential APS losses which were subsequently not realised.
- Other: income of £1.1 billion in 2008-09, £1.9 billion in 2009-10, £1.1 billion in 2010-11 and £0.9 billion in 2011-12, comprised mainly of interest paid to government.

Capital budget

- Net lending to the private sector: £48.6 billion in 2008-09, £8.5 billion in 2009-10, -£3.0 billion in 2010-11 and -£5.0 billion in 2011-12. This is mainly lending to banks and the Financial Services Compensation Scheme and subsequent repayments together with income from the sale of Northern Rock in 2011-12.
- Other: £36.9 billion of share purchases in 2008-09 and a further £29.8 billion in 2009-10. In 2011-12 loans to Ireland totalled £1.2 billion.

These transactions score within the HM Treasury AME budget and so are presented as part of the Chancellor's Departments group in **Chapter 1**.

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 Depreciation, also termed capital consumption, represents the amount of capital used up in respect of fixed assets measured on the basis of 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.

2.10 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).

2.11 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 a 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**.

2.12 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).

2.13 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**.

2.14 Capital support for public corporations comprises capital grants, net lending (see paragraph 2.17) and public corporations' market and overseas borrowing where this scores in the parent departments' budget.

2.15 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. It also includes expenditure on Single Use Military Equipment (SUME) that is classified as current procurement in the National

Accounts. The expenditure on services presentations in **Chapters 5 and 6** follow the National Accounts treatment of SUME.

2.16 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.

2.17 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.

2.18 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, write-offs of stock, loans written-off, and certain financial transactions.

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

2.20 Table 2.3 shows central government own capital procurement, gross of depreciation and before deduction of sales, broken down by departmental group. It also includes asset sales by sector (central government, local government and public corporations).

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.

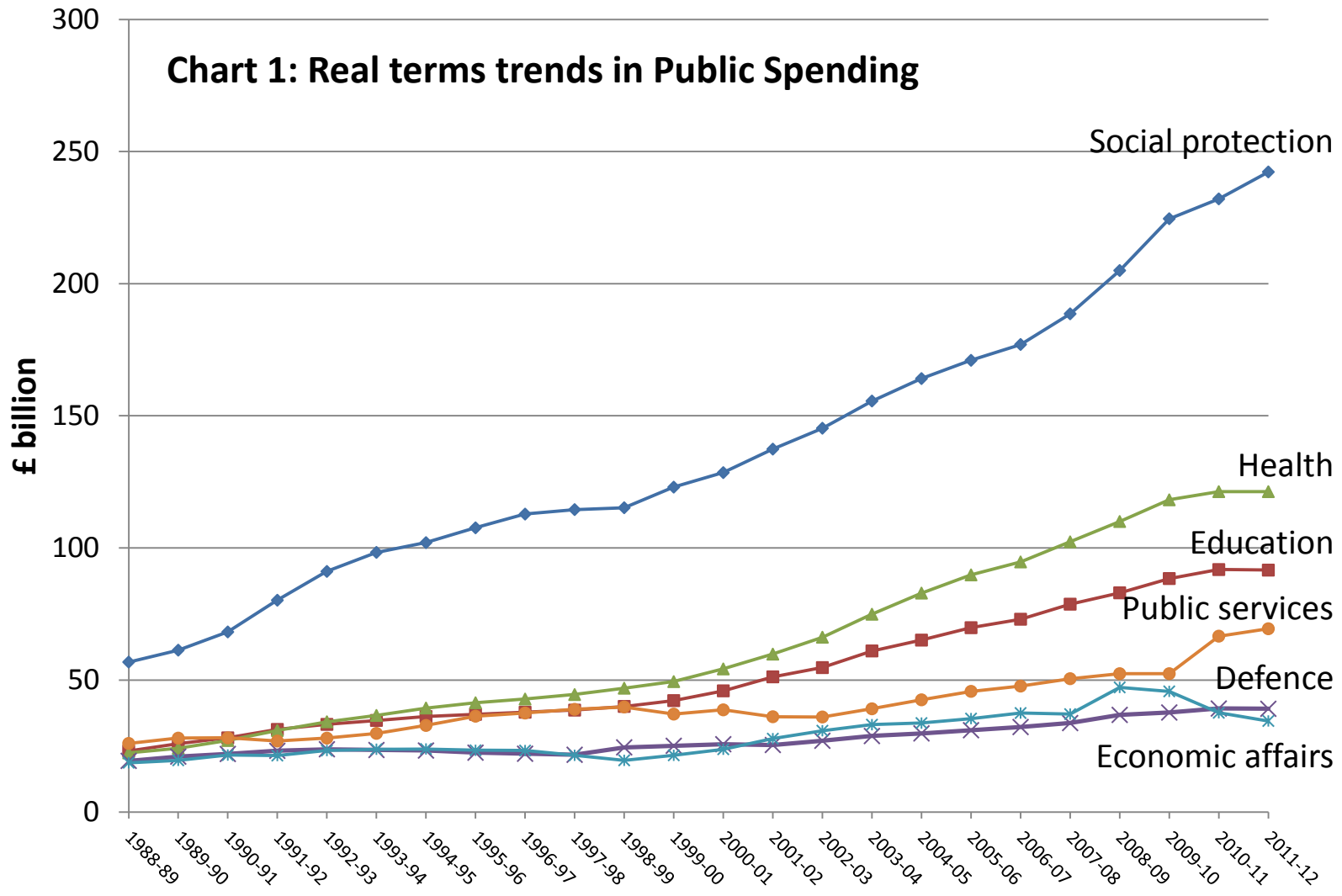
Table 4.1 shows long run trends in Total Managed Expenditure (TME) and its Public Sector Current Expenditure (PSCE) and Public Sector Net Investment (PSNI) components back to 1971-72. Tables 4.2 to 4.4 show total expenditure on services split by high level spending function (health, education, social protection, etc) back to 1988-89.

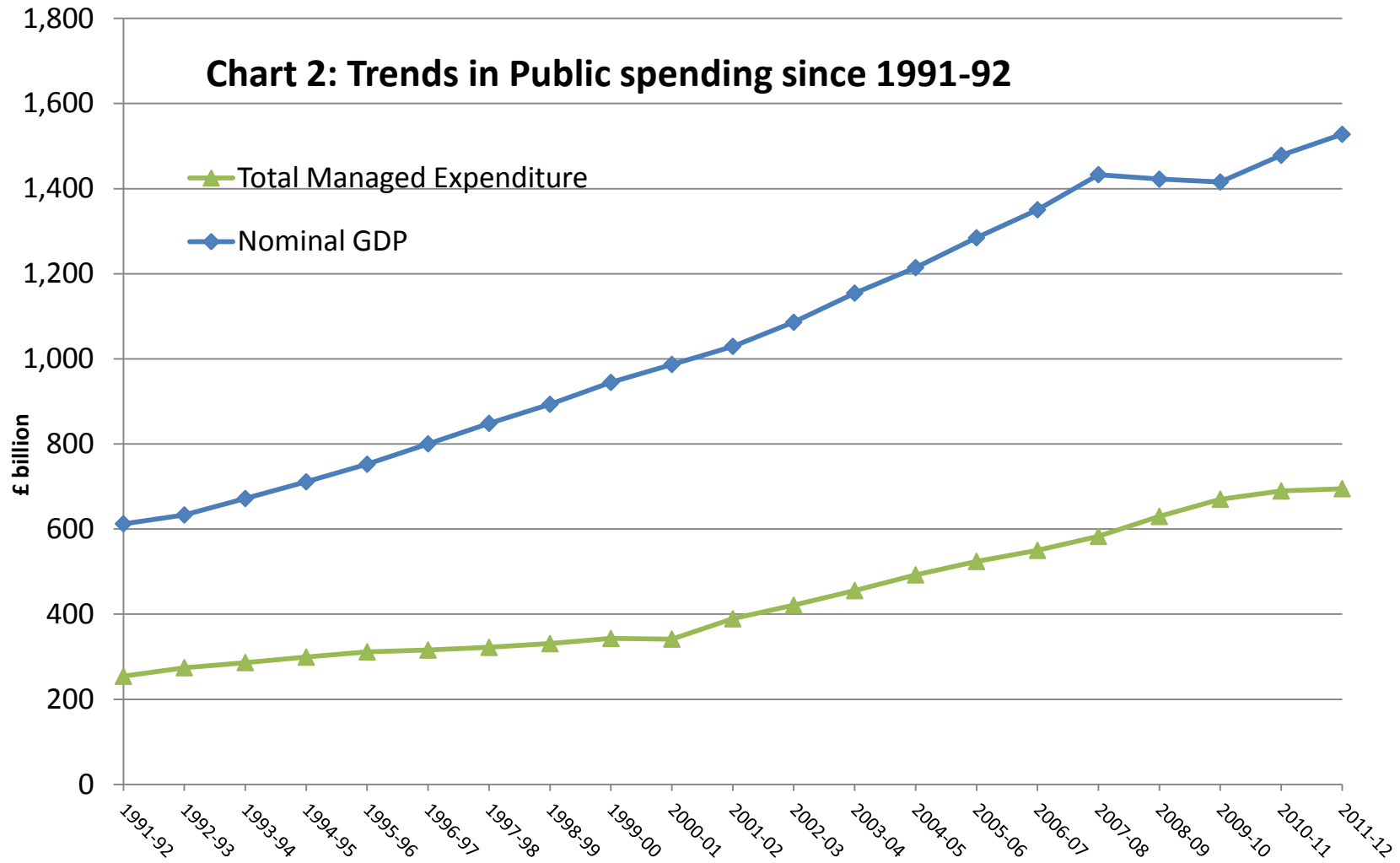
TRENDS IN TME, PSCE AND PSNI (TABLE 4.1)

- Although Total Managed Expenditure increased by £5.3 billion in nominal terms in 2011-12, this represents a year-on-year fall of 1.6 per cent in real (inflation-adjusted) terms.
- This is only the seventh year since 1971-72 that TME has fallen in real terms. The other years were 1977-78, 1985-86, 1988-89, 1996-97, 1997-98 and 2000-01.
- The real terms decrease in TME in 2011-12 was driven by a sharp fall in Public Sector Net Investment (-28.7 per cent year-on-year in real terms). Public Sector Current Expenditure fell only slightly (-0.1 per cent year-on-year in real terms).
- TME as a percentage of GDP, which shows the size of the public sector relative to the size of the whole economy, fell for the second year running to 45.5 per cent.

TRENDS IN FUNCTIONAL EXPENDITURE (TABLE 4.2 TO 4.4)

- In real terms, spending on most functions fell in 2011-12. The exceptions are General public services (a 1.8 per cent real increase, due to increased public sector debt interest payments) and Social Protection spending (a 2.0 per cent real increase).
- The largest real terms falls in spending were in Housing and community amenities (-21.4 per cent) and Economic Affairs spending (-10.3 per cent, driven by falls in transport and employment policies spending).
- Spending on health and education fell in both nominal and real terms in 2011-12. The real terms decrease in health spending was -2.3 per cent, and the real terms decrease in education spending was -2.6 per cent.





Public Spending Statistics July 2012

Table 4.1 Public expenditure aggregates, 1971-72 to 2011-12

	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	Per cent of GDP
1971-72	19.8	200.6	33.4	2.3	3.1	31.7	5.3	25.2	255.4	42.6
1972-73	22.4	209.2	33.2	2.6	3.3	30.6	4.9	28.3	263.9	41.9
1973-74	26.4	230.4	35.0	3.1	3.9	34.5	5.2	33.4	291.9	44.4
1974-75	34.8	254.5	38.7	3.9	5.1	37.0	5.6	43.7	319.9	48.7
1975-76	44.6	260.1	39.8	4.9	6.2	36.3	5.6	55.7	325.0	49.7
1976-77	52.0	267.0	39.7	5.8	5.8	29.8	4.4	63.6	326.4	48.6
1977-78	58.3	263.3	38.3	6.6	4.5	20.4	3.0	69.5	313.6	45.6
1978-79	66.7	271.5	38.3	7.5	4.4	17.8	2.5	78.6	319.8	45.1
1979-80	79.9	278.7	38.1	8.9	4.8	16.6	2.3	93.6	326.4	44.6
1980-81	97.2	286.9	40.7	10.7	4.5	13.3	1.9	112.5	331.8	47.0
1981-82	111.3	299.6	42.3	11.7	2.6	7.1	1.0	125.6	338.1	47.7
1982-83	121.7	306.9	42.3	12.1	4.5	11.3	1.6	138.3	348.7	48.1
1983-84	131.4	317.2	41.9	12.6	5.7	13.8	1.8	149.7	361.5	47.8
1984-85	142.0	326.5	42.2	12.7	5.3	12.1	1.6	160.0	367.8	47.5
1985-86	150.0	327.5	40.6	12.3	4.3	9.4	1.2	166.6	363.7	45.0
1986-87	157.3	333.7	39.7	12.7	2.7	5.8	0.7	172.8	366.5	43.6
1987-88	168.0	338.3	38.0	12.7	2.6	5.2	0.6	183.3	369.1	41.5
1988-89	175.4	331.7	35.6	13.6	1.7	3.1	0.3	190.7	360.5	38.7
1989-90	189.3	335.2	35.1	14.3	6.6	11.7	1.2	210.2	372.3	38.9
1990-91	205.6	339.8	35.4	14.1	7.8	12.9	1.3	227.5	376.1	39.2
1991-92	230.8	358.3	37.7	12.6	10.8	16.7	1.8	254.2	394.5	41.5
1992-93	249.9	379.6	39.5	12.7	11.6	17.6	1.8	274.2	416.5	43.3
1993-94	263.9	392.4	39.3	13.0	9.4	14.0	1.4	286.3	425.7	42.6
1994-95	276.3	404.9	38.9	13.1	9.8	14.4	1.4	299.2	438.5	42.1
1995-96	288.1	411.0	38.3	13.1	10.1	14.4	1.3	311.4	444.2	41.4
1996-97	298.0	412.5	37.2	12.4	5.4	7.5	0.7	315.8	437.2	39.5
1997-98	305.0	413.8	35.9	12.2	4.8	6.6	0.6	322.0	437.0	38.0
1998-99	312.8	415.9	35.0	12.1	6.0	7.9	0.7	330.9	439.9	37.0
1999-00	325.1	424.7	34.4	12.4	5.4	7.1	0.6	342.9	447.9	36.3
2000-01	346.3	449.8	35.1	12.6	-17.4	-22.5	-1.8	341.5	443.7	34.6
2001-02	364.2	464.3	35.4	13.1	11.9	15.2	1.2	389.2	496.1	37.8
2002-03	393.4	489.2	36.2	14.0	13.8	17.2	1.3	421.2	523.8	38.8
2003-04	425.3	517.5	36.8	14.6	15.6	19.0	1.4	455.5	554.2	39.5
2004-05	456.6	539.7	37.6	15.2	20.6	24.3	1.7	492.4	582.0	40.5
2005-06	484.5	559.8	37.7	16.1	23.5	27.1	1.8	524.0	605.5	40.8
2006-07	507.2	570.8	37.6	17.0	25.8	29.1	1.9	550.0	619.0	40.7
2007-08	536.2	588.7	37.4	17.7	29.1	31.9	2.0	582.9	640.0	40.7
2008-09	564.7	603.5	39.7	18.6	46.4	49.6	3.3	629.7	673.0	44.3
2009-10	602.3	634.2	42.5	19.3	48.5	51.1	3.4	670.2	705.6	47.3
2010-11	631.4	646.4	42.7	20.3	38.0	38.9	2.6	689.6	706.1	46.6
2011-12	645.7	645.7	42.3	21.1	28.1	28.1	1.8	694.9	694.9	45.5

(1) Real terms figures are the nominal figures adjusted to 2011-12 price levels using GDP deflators from the Office for National Statistics (released 28 June 2012).

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

Public Spending Statistics July 2012

Table 4.2 Public sector expenditure on services by function, 1988-89 to 2011-12

	cash, £billion																						accruals, £billion	
	National Statistics																							
	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	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
	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	26.0	28.0	28.1	26.9	28.0	29.8	32.8	36.3	37.5	38.9	39.8	37.1	38.7	36.1	36.0	39.1	42.5	45.7	47.7	50.5	52.4	52.4	66.6	69.4
of which: public and common services	3.8	4.7	5.1	5.7	5.8	5.8	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	13.9	13.6	12.7	12.7
of which: international services	2.1	2.3	2.5	2.9	3.1	3.2	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	7.2	7.9	8.9	9.1
of which: public sector debt interest	20.2	20.9	20.5	18.3	19.0	20.8	23.5	26.8	28.1	29.7	29.4	25.4	26.6	22.7	21.7	23.0	24.9	26.7	28.7	31.4	31.3	30.8	45.0	47.6
2. Defence	19.4	21.0	22.0	23.2	23.8	23.5	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	39.2	39.1
3. Public order and safety	9.0	10.3	11.7	13.2	14.4	15.0	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	34.2	32.9	32.3
4. Economic affairs	18.7	19.6	21.6	21.4	23.3	23.8	23.9	23.4	23.3	21.5	19.6	21.5	23.8	27.8	30.8	33.1	33.7	35.4	37.5	37.1	47.2	45.7	37.6	34.5
of which: enterprise and economic development ⁽¹⁾	6.7	7.0	6.9	5.4	5.4	5.5	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	6.8	15.4	11.6	4.8	3.5
of which: science and technology	1.1	1.1	1.2	1.3	1.4	1.5	1.1	1.2	1.4	1.4	1.4	1.4	1.7	2.1	2.3	2.5	3.0	2.9	3.3	3.2	3.5	3.3	3.6	3.6
of which: employment policies	2.7	2.3	2.4	2.7	2.9	3.1	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	1.9	2.4	3.1	1.8
of which: agriculture, fisheries and forestry	2.0	1.9	2.7	2.8	2.9	3.8	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	5.5	5.2	5.6
of which: transport	6.3	7.3	8.3	9.2	10.8	10.0	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	20.5	20.9	22.7	21.2	20.0
5. Environment protection	2.6	2.9	3.2	3.4	3.6	3.4	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	9.7	11.0	11.4	11.2
6. Housing and community amenities	3.6	5.3	6.0	6.8	7.1	6.2	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	15.1	16.2	12.7	10.2
7. Health	22.4	24.2	27.1	30.9	34.2	36.6	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	102.3	110.0	118.2	121.3	121.3
8. Recreation, culture and religion	3.8	4.3	4.8	5.0	5.1	5.1	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	12.2	13.1	14.0	13.5	13.6
9. Education	23.1	25.9	28.1	31.3	33.2	34.7	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	88.4	91.8	91.6
10. Social protection	56.8	61.3	68.2	80.2	91.1	98.3	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	205.0	224.6	232.1	242.3
EU transactions	-2.5	-1.5	-2.3	-4.1	-3.4	-4.7	-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	0.1	2.8	1.2
Public sector expenditure on services	183.0	201.1	218.4	238.2	260.5	271.6	284.1	295.8	302.5	308.5	318.5	331.2	353.1	376.2	403.4	439.5	470.8	501.3	523.1	555.8	603.1	642.5	661.9	666.8
Accounting adjustments	7.7	9.1	9.1	16.0	13.7	14.7	15.1	15.6	13.3	13.5	12.4	11.7	-11.6	13.0	17.8	16.0	21.6	22.7	26.9	27.2	26.7	27.7	27.8	28.1
Total Managed Expenditure⁽²⁾	190.7	210.2	227.5	254.2	274.2	286.3	299.2	311.4	315.8	322.0	330.9	342.9	341.5	389.2	421.2	455.5	492.4	524.0	550.0	582.9	629.7	670.2	689.6	694.9

(1) Transactions in 2008-09 onwards have been affected by financial sector interventions. See Box 5.A for details.

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

Public Spending Statistics July 2012

Table 4.3 Public sector expenditure on services by function in real terms⁽¹⁾, 1988-89 to 2011-12

	cash, £billion																					accrual	
	National Statistics																						
	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	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
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	49.2	49.6	46.5	41.8	42.5	44.3	48.1	51.8	51.9	52.8	52.9	48.5	50.3	46.0	44.8	47.6	50.2	52.8	53.7	55.5	56.1	55.1	68.2
of which: public and common services	7.2	8.3	8.4	8.8	8.8	8.6	8.6	8.7	8.6	8.4	9.6	10.4	10.3	11.7	12.2	13.3	14.3	14.8	14.3	13.7	14.9	14.4	13.0
of which: international services	4.0	4.1	4.1	4.5	4.7	4.8	4.8	4.9	4.3	4.2	4.3	4.8	5.5	5.5	5.6	6.2	6.5	7.2	7.1	7.3	7.7	8.4	9.1
of which: public sector debt interest	38.2	37.0	33.9	28.4	28.9	30.9	34.4	38.2	38.9	40.3	39.1	33.2	34.6	28.9	27.0	28.0	29.4	30.9	32.3	34.4	33.5	32.4	46.1
2. Defence	36.7	37.2	36.4	36.0	36.2	34.9	34.2	32.1	30.6	29.4	32.6	32.8	33.4	32.4	33.6	35.0	35.2	35.8	36.2	37.0	39.3	39.7	40.1
3. Public order and safety	17.0	18.2	19.3	20.5	21.9	22.3	22.9	22.8	22.7	23.2	23.9	24.0	26.5	29.4	30.3	32.1	33.7	33.9	34.2	34.8	36.0	36.0	33.7
4. Economic affairs	35.4	34.7	35.7	33.2	35.4	35.4	35.0	33.4	32.3	29.2	26.1	28.1	30.9	35.4	38.3	40.3	39.8	40.9	42.4	41.0	51.1	48.7	38.9
of which: enterprise and economic development ⁽²⁾	12.7	12.4	11.4	8.4	8.2	8.2	6.9	6.4	6.0	5.8	4.1	5.7	6.4	6.5	7.3	7.3	7.7	7.4	7.2	7.8	16.9	12.5	5.1
of which: science and technology	2.1	1.9	2.0	2.0	2.1	2.2	1.6	1.7	1.9	1.9	1.8	1.8	2.2	2.6	2.8	3.0	3.5	3.3	3.6	3.4	3.7	3.3	3.3
of which: employment policies	5.1	4.1	4.0	4.2	4.4	4.6	4.7	4.4	3.9	3.4	3.9	4.6	4.9	4.2	3.7	3.9	3.8	3.8	3.7	2.3	2.1	2.5	3.2
of which: agriculture, fisheries and forestry	3.8	3.4	4.5	4.3	4.4	5.7	5.0	5.6	7.5	6.4	5.8	5.6	6.1	8.0	6.1	6.4	6.4	6.5	5.7	4.7	6.2	5.8	5.3
of which: transport	11.9	12.9	13.7	14.3	16.4	14.9	16.9	15.6	13.2	11.8	10.4	10.3	11.7	14.4	18.4	19.8	18.9	19.6	22.4	22.5	22.6	24.2	22.0
5. Environment protection	4.9	5.1	5.3	5.3	5.5	5.1	5.6	5.8	5.1	5.4	5.7	6.4	6.6	6.9	7.5	7.5	8.3	9.8	10.6	10.5	10.4	11.6	11.7
6. Housing and community amenities	6.8	9.4	9.9	10.6	10.8	9.2	9.1	8.6	7.9	6.6	7.3	6.1	7.1	7.9	6.7	8.2	9.5	12.4	12.9	14.3	16.2	17.2	13.1
7. Health	42.3	42.9	44.8	48.0	52.0	54.4	57.8	59.1	59.2	60.4	62.4	64.5	70.4	76.2	82.3	91.1	98.0	103.8	106.6	112.4	117.5	124.5	124.2
8. Recreation, culture and religion	7.2	7.6	7.9	7.8	7.7	7.6	7.6	7.8	7.9	8.7	9.6	10.1	10.1	11.0	11.6	11.8	11.8	12.5	12.7	13.1	13.2	14.1	13.3
9. Education	43.7	45.9	46.5	48.6	50.4	51.6	53.1	52.8	52.3	52.4	53.2	55.1	59.6	65.3	68.0	74.2	76.9	80.7	82.1	86.4	88.7	93.1	94.0
10. Social protection	107.4	108.6	112.7	124.5	138.4	146.2	149.5	153.5	156.1	155.4	153.2	160.7	166.9	175.2	180.7	189.3	194.0	197.6	199.2	207.1	219.1	236.5	237.6
EU transactions	-4.7	-2.7	-3.8	-6.4	-5.2	-7.0	-6.3	-5.8	-7.2	-5.0	-3.5	-3.5	-3.4	-6.1	-2.4	-2.6	-1.1	-0.7	-2.0	-1.7	-3.1	0.1	2.8
Public sector expenditure on services	346.0	356.2	361.0	369.7	395.7	403.9	416.4	422.0	418.7	418.6	423.4	432.6	458.7	479.6	501.7	534.8	556.4	579.3	588.6	610.2	644.5	676.5	677.6
Accounting adjustments	14.5	16.1	15.0	24.8	20.8	21.8	22.1	22.2	18.5	18.3	16.4	15.3	-15.0	16.6	22.1	19.4	25.5	26.2	30.3	29.8	28.5	29.1	28.4
Total Managed Expenditure⁽³⁾	360.5	372.3	376.1	394.5	416.5	425.7	438.5	444.2	437.2	437.0	439.9	447.9	443.7	496.1	523.8	554.2	582.0	605.5	619.0	640.0	673.0	705.6	706.1

(1) Real terms figures are the nominal figures adjusted to 2011-12 price levels using outturn GDP deflators from the Office for National Statistics (released 28 June 2012), and using the 2011-12 GDP deflator forecast by the Office for Budget Responsibility.

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

(3) 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⁾, 1988-89 to 2011-12

	cash, £billion																					accruals, £billion		
	National Statistics																							
	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	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
	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	5.3	5.2	4.8	4.4	4.4	4.4	4.6	4.8	4.7	4.6	4.5	3.9	3.9	3.5	3.3	3.4	3.5	3.6	3.5	3.5	3.7	3.7	4.5	4.5
of which: public and common services	0.8	0.9	0.9	0.9	0.9	0.9	0.8	0.8	0.8	0.7	0.8	0.8	0.8	0.9	0.9	0.9	1.0	1.0	0.9	0.9	1.0	1.0	0.9	0.8
of which: international services	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6
of which: public sector debt interest	4.1	3.9	3.5	3.0	3.0	3.1	3.3	3.6	3.5	3.5	3.3	2.7	2.7	2.2	2.0	2.0	2.1	2.1	2.1	2.2	2.2	2.2	3.0	3.1
2. Defence	3.9	3.9	3.8	3.8	3.8	3.5	3.3	3.0	2.8	2.6	2.7	2.7	2.6	2.5	2.5	2.5	2.5	2.4	2.4	2.3	2.6	2.7	2.7	2.6
3. Public order and safety	1.8	1.9	2.0	2.2	2.3	2.2	2.2	2.1	2.0	2.0	2.0	1.9	2.1	2.2	2.2	2.3	2.3	2.3	2.3	2.2	2.4	2.4	2.2	2.1
4. Economic affairs	3.8	3.6	3.7	3.5	3.7	3.5	3.4	3.1	2.9	2.5	2.2	2.3	2.4	2.7	2.8	2.9	2.8	2.8	2.8	2.6	3.4	3.3	2.6	2.3
of which: enterprise and economic development ⁽²⁾	1.4	1.3	1.2	0.9	0.9	0.8	0.7	0.6	0.5	0.5	0.3	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	1.1	0.8	0.3	0.2
of which: science and technology	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
of which: employment policies	0.5	0.4	0.4	0.4	0.5	0.5	0.5	0.4	0.3	0.3	0.3	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.2	0.1	0.1	0.2	0.2	0.1
of which: agriculture, fisheries and forestry	0.4	0.4	0.5	0.5	0.5	0.6	0.5	0.5	0.7	0.6	0.5	0.5	0.5	0.6	0.5	0.5	0.4	0.4	0.4	0.3	0.4	0.4	0.4	0.4
of which: transport	1.3	1.4	1.4	1.5	1.7	1.5	1.6	1.4	1.2	1.0	0.9	0.8	0.9	1.1	1.4	1.4	1.3	1.3	1.5	1.4	1.5	1.6	1.5	1.3
5. Environment protection	0.5	0.5	0.6	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.5	0.6	0.7	0.7	0.7	0.7	0.8	0.8	0.7
6. Housing and community amenities	0.7	1.0	1.0	1.1	1.1	0.9	0.9	0.8	0.7	0.6	0.6	0.5	0.6	0.6	0.5	0.6	0.7	0.8	0.9	0.9	1.1	1.2	0.9	0.7
7. Health	4.6	4.5	4.7	5.0	5.4	5.4	5.5	5.5	5.3	5.2	5.3	5.2	5.5	5.8	6.1	6.5	6.8	7.0	7.0	7.1	7.7	8.4	8.2	7.9
8. Recreation, culture and religion	0.8	0.8	0.8	0.8	0.8	0.8	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.8	0.9	0.8	0.8	0.8	0.8	0.8	0.9	0.9	0.9	0.9
9. Education	4.7	4.8	4.8	5.1	5.2	5.2	5.1	4.9	4.7	4.5	4.5	4.5	4.7	5.0	5.0	5.3	5.4	5.4	5.4	5.5	5.8	6.2	6.2	6.0
10. Social protection	11.5	11.4	11.7	13.1	14.4	14.6	14.3	14.3	14.1	13.5	12.9	13.0	13.0	13.3	13.4	13.5	13.5	13.3	13.1	13.2	14.4	15.9	15.7	15.9
EU transactions	-0.5	-0.3	-0.4	-0.7	-0.5	-0.7	-0.6	-0.5	-0.6	-0.4	-0.3	-0.3	-0.3	-0.5	-0.2	-0.2	-0.1	0.0	-0.1	-0.1	-0.2	0.0	0.2	0.1
Public sector expenditure on services	37.2	37.2	37.6	38.9	41.1	40.4	40.0	39.3	37.8	36.4	35.7	35.1	35.8	36.5	37.1	38.1	38.8	39.0	38.7	38.8	42.4	45.4	44.8	43.6
Accounting adjustments	1.6	1.7	1.6	2.6	2.2	2.2	2.1	2.1	1.7	1.6	1.4	1.2	-1.2	1.3	1.6	1.4	1.8	1.8	2.0	1.9	1.9	2.0	1.9	1.8
Total Managed Expenditure⁽³⁾	38.7	38.9	39.2	41.5	43.3	42.6	42.1	41.4	39.5	38.0	37.0	36.3	34.6	37.8	38.8	39.5	40.5	40.8	40.7	40.7	44.3	47.3	46.6	45.5

(1) GDP until 2011-12 is consistent with the latest figures from the Office for National Statistics (published 28 June 2012).

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

(3) 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 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.

4.2 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.

4.3 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

4.4 There have been no significant changes to the presentation of the data within this chapter since PESA 2011.

PUBLIC SPENDING AGGREGATES

4.5 **Table 4.1** shows trends in public spending since 1971-72 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.

4.6 Data for all 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

4.7 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.

4.8 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. Full details of the definition of expenditure on services and the relationship to departments' budgets are available in **Annex E**.

4.9 **Table 4.2** shows public sector expenditure on services by United Nations Classification Of the Functions Of Government (COFOG) level 1 from 1988-89. **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 2011-12. 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. The

mapping between HM Treasury's functions and the UN COFOG level 2 classification is available on the Treasury website².

METHODS AND DATA QUALITY FOR LONG RUN TES SERIES

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

4.11 Data in **Tables 4.2, 4.3 and 4.4** for years before 2007-08 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.

4.12 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.

4.13 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.

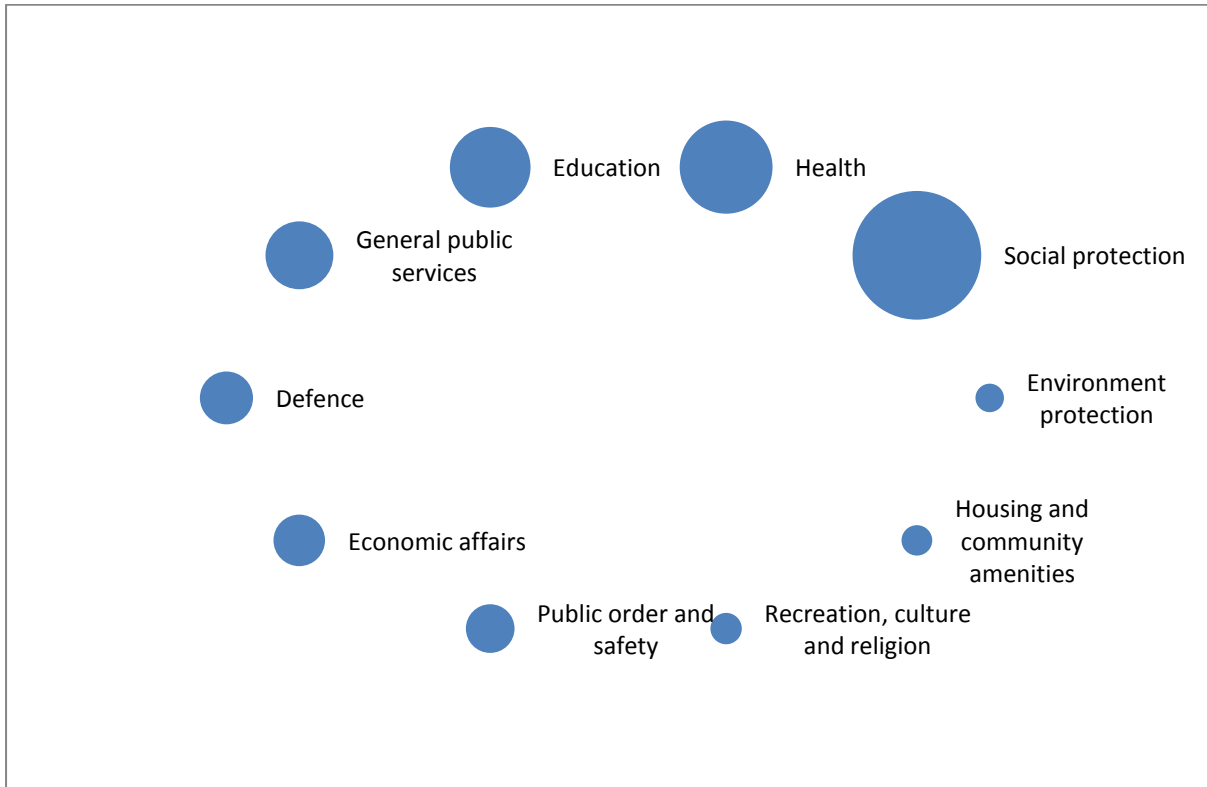
4.14 It should be noted that the attribution of spending to functions for historical years is less accurate than for live years. In some cases, the presentation of functional numbers as accurate to within £100 million overstates the accuracy of the figures due to rounding. Minor differences in figures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

² http://hm-treasury.gov.uk/pespub_economic_functional_analysis.htm

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

Chart 4: Public Sector spending in 2011-12 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 2011-12.

Figure 1 Public Sector spending in 2011-12 by function



OVERVIEW

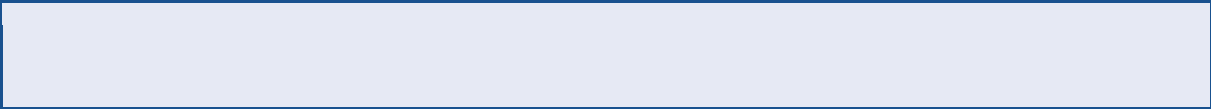
The tables in chapter 5 of this release present analysis of total public sector expenditure on services split by function, sub-function and economic category. These presentations are more stable between years than presentations of data by government department on a budgeting basis (Chapters 1 and 2 for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

FUNCTIONAL TABLES

- Spending on all functions declined in nominal terms in 2011-12, except for small increases in **General Government Services** (up 4.2 per cent), **Recreation, Culture and Religion** (up 1.7 per cent) and **Social Protection** (up 4.4 per cent).
- The largest falls, in nominal percentage terms, were in **Housing and community amenities** (-19.6 per cent year-on-year) and **Economic Affairs** (-8.2 per cent year-on-year).
- The data show that total spending on **Health** fell marginally by £20 million in 2011-12, or -0.02 per cent. This is the first year that healthcare spending has declined in nominal terms in the five year period covered by this release.

SUB-FUNCTIONAL TABLES

- The increase in **General Government Services** was driven mainly by an increase in public sector debt interest payments.
- The increase in spending on **Recreation, Culture and Religion** was driven mainly by an increase in the **Broadcasting and Publishing Services** sub-function, which is made up principally of spending by the BBC.
- The increase in **Social Protection spending** was fairly broad-based, with increases in spending on **Sickness and disability, Old age, Housing, Unemployment and Social exclusion n.e.c.**, that were only partially offset by a decrease in spending on Survivors and Family and children.
- The large fall in **Housing and community amenities** spending was driven mainly by decreases in social and local authority housing.
- The fall in overall **Economic Affairs** spending was mainly due to reductions in spending on local and national roads, and General economic, commercial and labour affairs.



Public Spending Statistics July 2012

Table 5.1 Public sector expenditure on services by departmental group⁽¹⁾ and function, 2011-12

		National Statistics																£ million			
Departmental Grouping	Function	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
		Education		-	-	-	-	-	130	-	-	-	-	-	-	-	-	-	-	63,568	8,758
Health		-	-	-	-	-	-	204	112	-	-	92	-	-	-	99,858	-	-	15,799	-	115,861
Transport		6	6	-	-	10	276	15,937	-	50	-	-	15,887	26	580	-	0	-	1,181	-	18,017
Communities and Local Government		4,258	4,145	113	-	6	2,588	1,001	1,001	-	-	-	-	118	5,993	-	0	-	2,113	-	16,077
Business, Innovation and Skills		176	175	1	-	-	-	4,415	1,182	3,166	64	3	0	436	0	629	128	13,230	639	-	19,654
Home Office		-	-	-	-	-	16,221	159	-	-	45	-	114	-	270	-	-21	-	-	-	16,628
Justice		435	435	-	-	-	8,673	-	-	-	-	-	-	-	-	-	-	-	20	-	9,128
Law Officers' Departments		-	-	-	-	-	623	-	-	-	-	-	-	-	-	-	-	-	-	-	623
Defence		46	-	46	-	37,076	-	34	34	-	-	-	-	-	-	-	-	-	2,785	-	39,941
Foreign and Commonwealth Office		2,210	-	2,210	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,210
International Development		6,647	-	6,647	-	-	-	-	-	-	-	-	-	-	-	-	-	-	103	-	6,750
Energy and Climate Change		45	-	45	-	-	1	535	484	51	0	-	-	2,130	-	-	-	-	-1	-	2,710
Environment, Food and Rural Affairs		-	-	-	-	-	-	3,579	39	-	-	3,541	-	6,561	5	-	948	-	0	-	11,094
Culture, Media and Sport		42	42	-	-	-	-	532	313	-	-	-	219	168	107	44	10,153	46	-128	-	10,963
Work and Pensions		474	474	-	-	-	-	1,567	-	28	1,539	-	-	-	-	-	-	-	159,752	-	161,793
Scotland		1,022	1,022	-	-	11	2,315	4,227	652	5	0	979	2,592	1,006	1,719	10,920	1,191	7,676	3,675	-	33,763
Wales		645	644	1	-	-	18	1,850	513	9	5	457	867	507	652	6,003	449	4,419	1,726	-	16,269
Northern Ireland		359	359	-	-	-	1,422	1,564	266	54	155	505	584	241	968	3,832	360	2,710	6,246	-	17,700
Chancellor's Departments		51,714	4,137	-	47,577	-	-	-701	-922	221	-	-	-	8	-	-	-	-	37,656	1,194	89,871
Cabinet Office		435	435	-	-	2,016	51	-	-	-	-	-	-	-	-	-	-	-	1,951	-	4,453
Independent Bodies		849	849	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	-	852
Public sector expenditure on services for each function		69,363	12,722	9,063	47,577	39,119	32,318	34,543	3,531	3,584	1,808	5,576	20,044	11,201	10,215	121,287	13,646	91,649	242,277	1,194	666,812

(1) Includes local government spending, which is allocated to the most relevant departmental group. To calculate a version of these figures excluding local government spending, see the Chapter 5 interactive tables on the HM Treasury website at: http://www.hm-treasury.gov.uk/pespub_pesa12.htm

Table 5.2 Public sector expenditure on services by sub-function, 2007-08 to 2011-12

	National Statistics				£ million
	2007-08 outturn	2008-09 outturn	2009-10 outturn	2010-11 outturn	2011-12 outturn
1. General public services					
1.1 Executive and legislative organs, financial and fiscal affairs, external affairs	11,130	12,069	11,823	11,493	10,874
1.2 Foreign economic aid	4,638	4,951	5,662	6,494	6,746
1.3 General services	1,152	1,289	1,472	1,386	1,363
1.4 Basic research	-	-	-	-	-
1.5 R&D general public services	21	21	21	17	11
1.6 General public services n.e.c.	2,226	2,813	2,614	2,165	2,791
1.7 Public debt transactions ⁽¹⁾	31,363	31,304	30,763	45,037	47,577
<i>of which: central government debt interest</i>	29,954	30,300	30,185	44,399	46,976
<i>of which: local government debt interest</i>	700	451	179	218	244
<i>of which: public corporation debt interest</i>	709	553	399	420	357
Total general public services	50,529	52,448	52,355	66,591	69,363
2. Defence					
2.1 Military defence	29,812	31,441	32,286	32,925	33,616
2.2 Civil defence	91	82	82	81	87
2.3 Foreign military aid	2,748	3,697	3,781	3,572	3,172
2.4 R&D defence	943	1,320	1,333	2,428	2,052
2.5 Defence n.e.c.	69	246	201	193	192
Total defence	33,663	36,786	37,682	39,199	39,119
3. Public order and safety					
3.1 Police services	17,513	18,733	19,311	18,508	18,181
<i>of which: immigration and citizenship</i>	2,068	2,089	2,197	1,769	1,687
<i>of which: other police services</i>	15,445	16,644	17,114	16,739	16,493
3.2 Fire-protection services	2,887	3,053	3,108	3,029	2,991
3.3 Law courts	6,630	6,835	6,678	6,105	6,569
3.4 Prisons	4,313	4,697	4,741	4,969	4,136
3.5 R&D public order and safety	22	20	25	10	17
3.6 Public order and safety n.e.c.	326	326	343	298	425
Total public order and safety	31,692	33,663	34,206	32,919	32,318
4. Economic affairs					
4.1 General economic, commercial and labour affairs ⁽²⁾	5,897	14,290	10,807	5,288	3,477
4.2 Agriculture, forestry, fishing and hunting	4,296	5,829	5,541	5,216	5,576
<i>of which: market support under CAP</i>	2,567	4,039	3,841	3,524	3,712
<i>of which: other agriculture, food and fisheries policy</i>	1,553	1,627	1,554	1,505	1,683
<i>of which: forestry</i>	176	162	146	187	181
4.3 Fuel and energy	1,283	943	489	389	358
4.4 Mining, manufacturing and construction	-97	354	737	346	247
4.5 Transport	20,530	21,123	22,939	21,468	20,263
<i>of which: national roads</i>	3,231	3,510	4,159	3,580	3,106
<i>of which: local roads</i>	5,115	5,714	5,924	5,864	4,934
<i>of which: local public transport</i>	3,150	3,514	3,894	3,603	3,557
<i>of which: railway</i>	7,909	7,194	7,712	7,348	7,648
<i>of which: other transport</i>	1,125	1,190	1,251	1,072	1,017
4.6 Communication	858	890	687	514	420
4.7 Other industries	457	615	604	538	491
4.8 R&D economic affairs	3,260	3,162	3,486	3,270	3,584
4.9 Economic affairs n.e.c.	844	626	924	1,005	490
Total economic affairs	37,328	47,831	46,214	38,033	34,904
5. Environment protection					
5.1 Waste management	6,091	5,972	6,931	7,225	7,743
5.2 Waste water management	30	46	55	44	61
5.3 Pollution abatement	259	295	348	418	159
5.4 Protection of biodiversity and landscape	496	530	493	513	441
5.5 R&D environment protection	346	369	401	425	367
5.6 Environment protection n.e.c.	2,362	2,534	2,769	2,791	2,431
Total environment protection	9,584	9,746	10,997	11,415	11,201

Table 5.2 Public sector expenditure on services by sub-function, 2007-08 to 2011-12 (continued)

	National Statistics				
	2007-08 outturn	2008-09 outturn	2009-10 outturn	2010-11 outturn	2011-12 outturn
£ million					
6. Housing and community amenities					
6.1 Housing development	7,720	9,362	10,830	8,151	5,958
<i>of which: local authority housing</i>	4,859	5,916	6,152	4,781	3,719
<i>of which: other social housing</i>	2,861	3,446	4,678	3,370	2,239
6.2 Community development	3,444	3,710	3,630	3,175	2,694
6.3 Water supply	996	1,243	1,044	734	785
6.4 Street lighting	573	647	631	645	654
6.5 R&D housing and community amenities	8	5	4	4	3
6.6 Housing and community amenities n.e.c.	240	201	209	89	199
Total housing and community amenities	12,982	15,169	16,348	12,798	10,293
7. Health⁽³⁾					
Medical services	99,631	106,127	114,101	117,641	117,980
Medical research	510	642	692	838	742
Central and other health services	2,197	3,200	3,449	2,829	2,565
Total health	102,337	109,970	118,242	121,307	121,287
8. Recreation, culture and religion					
8.1 Recreational and sporting services	3,744	4,184	4,817	4,714	4,541
8.2 Cultural services	4,162	4,242	4,410	4,229	4,160
8.3 Broadcasting and publishing services	3,669	3,589	3,762	3,683	4,198
8.4 Religious and other community services	151	148	154	136	100
8.5 R&D recreation, culture and religion	125	130	133	141	131
8.6 Recreation, culture and religion n.e.c.	85	82	84	80	77
Total recreation, culture and religion	11,936	12,376	13,360	12,984	13,208
9. Education					
9.1 Pre-primary and primary education	25,912	27,370	28,515	29,099	30,241
<i>of which: under fives</i>	4,450	4,636	4,837	4,857	5,167
<i>of which: primary education</i>	21,462	22,734	23,678	24,241	25,073
9.2 Secondary education	33,164	34,980	37,538	38,429	42,173
9.3 Post-secondary non-tertiary education	318	513	501	426	558
9.4 Tertiary education	11,791	11,538	12,956	15,671	11,391
9.5 Education not definable by level	664	611	734	972	719
9.6 Subsidiary services to education	3,518	4,558	4,242	4,183	4,072
9.7 R&D education	34	16	18	1	11
9.8 Education n.e.c.	3,253	3,401	3,877	3,011	2,484
Total education	78,654	82,986	88,380	91,791	91,649
10. Social protection					
<i>of which: personal social services</i>	29,890	31,513	32,548	32,481	32,723
10.1 Sicknes and disability	33,866	35,460	38,210	39,195	42,262
<i>of which: personal social services</i>	7,371	7,856	8,332	8,363	9,957
<i>of which: incapacity, disability and injury benefits</i>	26,495	27,604	29,877	30,832	32,305
10.2 Old age	80,487	88,118	94,001	97,457	103,080
<i>of which: personal social services</i>	9,793	10,367	10,746	10,430	10,192
<i>of which: pensions</i>	70,693	77,751	83,255	87,027	92,888
10.3 Survivors	1,132	1,096	1,059	1,100	1,073
10.4 Family and children	28,721	30,266	31,352	31,668	29,374
<i>of which: personal social services</i>	7,198	7,678	8,251	8,395	7,038
<i>of which: family benefits, income support and tax credits</i>	21,523	22,588	23,101	23,272	22,336
10.5 Unemployment	6,204	7,210	8,797	8,358	8,901
<i>of which: personal social services</i>	3,715	3,688	3,264	3,128	3,267
<i>of which: other unemployment benefits</i>	2,490	3,521	5,533	5,231	5,634
10.6 Housing	18,293	19,663	22,768	24,397	25,712
10.7 Social exclusion n.e.c.	17,434	20,796	24,415	26,094	27,872
<i>of which: personal social services</i>	1,813	1,923	1,954	2,165	2,268
<i>of which: family benefits, income support and tax credits⁽⁴⁾</i>	15,622	18,874	22,461	23,929	25,604
10.8 R&D social protection	0	1	-	-	-
10.9 Social protection n.e.c.	2,470	2,426	4,025	3,786	4,003
Total social protection	188,607	205,037	224,627	232,053	242,277

Table 5.2 Public sector expenditure on services by sub-function, 2007-08 to 2011-12 (continued)

	National Statistics					£ million
	2007-08 outturn	2008-09 outturn	2009-10 outturn	2010-11 outturn	2011-12 outturn	
EU transactions⁽⁵⁾						
GNI-based contribution (net of abatement and collection costs)	4,785	2,378	5,760	7,669	6,967	
<i>derived as:</i>						
<i>EU gross contribution pre-abatement and after deduction of collection costs</i>	13,746	13,155	13,733	15,593	15,700	
<i>Traditional Own Resources (without deduction of collection costs) and VAT contributions</i>	-5,001	-5,183	-3,754	-5,246	-5,216	
<i>UK abatement</i>	-3,960	-5,595	-4,218	-2,678	-3,516	
EU receipts	-5,601	-4,558	-4,791	-3,996	-4,755	
Attributed aid and Common Foreign and Security Policy	-715	-751	-899	-899	-1,019	
Total EU transactions	-1,531	-2,931	71	2,773	1,194	
Public sector expenditure on services	555,783	603,080	642,482	661,865	666,812	
Accounting adjustments	27,154	26,665	27,668	27,769	28,076	
Total Managed Expenditure⁽⁶⁾	582,937	629,745	670,150	689,634	694,888	

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

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

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

(4) Social exclusion n.e.c. includes Child and Working Tax Credits

(5) 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.

(6) 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, 2007-08 to 2011-12

	National Statistics					£million
	2007-08 outturn	2008-09 outturn	2009-10 outturn	2010-11 outturn	2011-12 outturn	
Public sector current expenditure on services						
Pay	152,560	160,136	165,030	168,027	171,217	
Gross current procurement	174,003	186,989	195,075	189,748	193,586	
Income from sales of goods and services	-47,565	-52,892	-51,858	-48,004	-52,877	
Current grants to persons and non-profit bodies	184,186	198,664	218,135	224,867	235,169	
Current grants abroad	3,253	2,391	5,963	9,423	7,931	
Subsidies to private sector companies	7,356	7,211	8,287	7,942	8,310	
Subsidies to public corporations	1,480	1,058	1,016	703	531	
Net public service pensions	2,201	3,132	3,634	4,644	6,677	
Grant equivalent element of student lending	1,430	814	1,468	4,243	640	
Public sector debt interest	31,363	31,304	30,763	45,037	47,577	
Other	122	13	-185	91	205	
Total public sector current expenditure on services	510,389	538,819	577,328	606,721	618,967	
Accounting adjustments	25,776	25,909	24,976	24,643	26,721	
Total public sector current expenditure	536,165	564,728	602,304	631,364	645,688	
Public sector capital expenditure on services						
Capital grants ⁽¹⁾	14,410	25,096	23,207	15,967	11,669	
Gross capital procurement	39,200	42,301	44,873	42,453	39,690	
Income from sales of capital assets	-8,171	-3,118	-2,962	-3,311	-3,591	
Other	-45	-19	36	35	76	
Total public sector capital expenditure on services	45,394	64,261	65,154	55,144	47,845	
Accounting adjustments	1,378	756	2,692	3,126	1,355	
Total public sector capital expenditure	46,772	65,017	67,846	58,270	49,200	
Total public sector expenditure on services	555,783	603,080	642,482	661,865	666,812	
Accounting adjustments	27,154	26,665	27,668	27,769	28,076	
Total Managed Expenditure⁽²⁾	582,937	629,745	670,150	689,634	694,888	

(1) Transactions from 2008-09 onwards have been affected by financial sector interventions. See Box 5.A for details.

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

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Table 5.4 Public sector current and capital expenditure on services by function⁽¹⁾, 2007-08 to 2011-12

	National Statistics				£million
	2007-08 outturn	2008-09 outturn	2009-10 outturn	2010-11 outturn	2011-12 outturn
Public sector current expenditure on services					
1. General public services	49,005	49,994	50,033	64,389	67,055
<i>of which: public and common services</i>	11,371	11,920	11,920	11,208	11,068
<i>of which: international services</i>	6,272	6,769	7,350	8,144	8,410
<i>of which: public sector debt interest</i>	31,363	31,304	30,763	45,037	47,577
2. Defence	31,124	33,317	33,657	34,929	35,349
3. Public order and safety	29,670	30,918	31,508	30,916	30,629
4. Economic affairs	23,936	23,025	25,409	22,950	20,848
<i>of which: enterprise and economic development⁽²⁾</i>	5,522	4,129	5,278	3,395	2,465
<i>of which: science and technology</i>	2,480	2,537	2,753	2,767	2,983
<i>of which: employment policies</i>	2,064	1,848	2,332	3,097	1,764
<i>of which: agriculture, fisheries and forestry</i>	4,004	5,451	5,254	4,883	5,261
<i>of which: transport</i>	9,867	9,061	9,792	8,808	8,374
5. Environment protection	7,250	7,090	8,204	8,188	8,551
6. Housing and community amenities	3,887	3,800	4,057	3,117	2,721
7. Health	97,613	104,623	112,063	115,913	117,012
8. Recreation, culture and religion	9,892	10,033	10,386	10,120	10,538
9. Education	71,730	74,688	78,470	82,547	83,687
10. Social protection	187,813	204,263	223,470	230,877	241,383
EU transactions	-1,531	-2,931	71	2,773	1,194
Total public sector current expenditure on services	510,389	538,819	577,328	606,721	618,967
Accounting adjustments	25,776	25,909	24,976	24,643	26,721
Public sector current expenditure	536,165	564,728	602,304	631,364	645,688
Public sector capital expenditure on services					
1. General public services	1,524	2,454	2,323	2,202	2,308
<i>of which: public and common services</i>	1,102	2,014	1,726	1,459	1,654
<i>of which: international services</i>	422	441	596	743	654
2. Defence	2,539	3,468	4,026	4,270	3,770
3. Public order and safety	2,022	2,746	2,698	2,003	1,689
4. Economic affairs	13,392	24,806	20,806	15,083	14,056
<i>of which: enterprise and economic development⁽²⁾</i>	1,593	11,662	6,573	1,573	1,209
<i>of which: science and technology</i>	780	625	732	503	600
<i>of which: employment policies</i>	63	79	65	15	44
<i>of which: agriculture, fisheries and forestry</i>	292	378	288	333	315
<i>of which: transport</i>	10,663	12,062	13,147	12,659	11,889
5. Environment protection	2,334	2,656	2,792	3,227	2,650
6. Housing and community amenities	9,095	11,369	12,290	9,681	7,572
7. Health	4,725	5,347	6,179	5,395	4,274
8. Recreation, culture and religion	2,044	2,343	2,974	2,864	2,669
9. Education	6,924	8,298	9,910	9,244	7,963
10. Social protection	794	774	1,158	1,176	894
Total public sector capital expenditure on services	45,394	64,261	65,154	55,144	47,845
Accounting adjustments	1,378	756	2,692	3,126	1,355
Public sector capital expenditure	46,772	65,017	67,846	58,270	49,200
Total public sector expenditure on services	555,783	603,080	642,482	661,865	666,812
Accounting adjustments	27,154	26,665	27,668	27,769	28,076
Total Managed Expenditure⁽³⁾	582,937	629,745	670,150	689,634	694,888

(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 8.4.

(2) The decrease in current spending and the increase in capital spending from 2008-09 onwards relate to the financial sector interventions. Details are provided in Box 5.A.

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

Table 5.5 Public sector current procurement⁽¹⁾ expenditure on services by function, 2007-08 to 2011-12

	National Statistics					£ million
	2007-08 outturn	2008-09 outturn	2009-10 outturn	2010-11 outturn	2011-12 outturn	
Public sector gross current procurement expenditure on services						
1. General public services	13,098	14,884	14,380	13,580	16,590	
<i>of which: public and common services</i>	11,831	13,113	12,820	11,930	14,834	
<i>of which: international services</i>	1,266	1,771	1,560	1,651	1,756	
2. Defence	19,870	22,160	21,979	22,943	23,051	
3. Public order and safety	12,609	13,318	13,176	12,723	13,244	
4. Economic affairs	12,070	12,879	13,147	12,513	10,671	
<i>of which: enterprise and economic development</i>	2,858	3,130	3,131	2,828	1,956	
<i>of which: science and technology</i>	617	406	534	371	431	
<i>of which: employment policies</i>	932	1,066	1,411	1,945	1,025	
<i>of which: agriculture, fisheries and forestry</i>	1,037	999	1,070	958	862	
<i>of which: transport</i>	6,626	7,278	7,001	6,410	6,397	
5. Environment protection	7,507	8,071	8,119	7,902	8,163	
6. Housing and community amenities	3,043	3,310	3,501	2,984	2,689	
7. Health	60,922	64,695	70,752	67,662	67,414	
8. Recreation, culture and religion	6,909	7,281	7,285	6,982	7,629	
9. Education	11,375	12,327	12,825	12,449	13,000	
10. Social protection	26,600	28,064	29,913	30,011	31,135	
Total public sector gross current procurement expenditure on services	174,003	186,989	195,075	189,748	193,586	

(1) National Accounts definition of current procurement, so includes Defence spending on Single Use Military Equipment (SUME). Chapter 2 presents spending according to departmental budgeting definitions, where SUME is classified as capital procurement.

Table 5.6 Public sector capital procurement⁽¹⁾ expenditure on services by function, 2007-08 to 2011-12

	National Statistics					£ million
	2007-08 outturn	2008-09 outturn	2009-10 outturn	2010-11 outturn	2011-12 outturn	
Public sector gross capital procurement expenditure on services						
1. General public services	2,969	2,850	2,686	2,255	2,254	
<i>of which: public and common services</i>	2,655	2,477	2,404	2,099	2,121	
<i>of which: international services</i>	314	373	282	156	134	
2. Defence	3,939	3,846	4,150	4,373	4,082	
3. Public order and safety	2,258	2,830	2,748	2,197	1,823	
4. Economic affairs	8,974	9,907	10,864	10,203	9,212	
<i>of which: enterprise and economic development</i>	1,458	1,830	1,415	1,284	888	
<i>of which: science and technology</i>	215	160	198	85	153	
<i>of which: employment policies</i>	18	25	25	14	44	
<i>of which: agriculture, fisheries and forestry</i>	305	305	261	236	225	
<i>of which: transport</i>	6,978	7,587	8,965	8,583	7,902	
5. Environment protection	1,736	1,907	1,945	2,091	2,369	
6. Housing and community amenities	6,912	7,000	6,659	5,835	5,257	
7. Health	5,026	5,404	6,084	5,464	4,562	
8. Recreation, culture and religion	1,774	2,166	2,547	2,614	2,522	
9. Education	5,115	5,979	6,664	6,889	6,966	
10. Social protection	496	412	526	531	642	
Total public sector gross capital procurement expenditure on services	39,200	42,301	44,873	42,453	39,690	
Plus public sector receipts from sales of assets						
Central government						
Receipts from sale of land and existing buildings	-2,170	-717	-493	-574	-1,099	
Other	-500	-340	-259	-348	-357	
Total central government receipts	-2,670	-1,057	-753	-922	-1,456	
Local government						
Receipts from sale of land and existing buildings	-2,404	-970	-1,095	-1,076	-1,461	
Other	-15	-36	-43	-41	-44	
Total local government receipts	-2,419	-1,006	-1,138	-1,116	-1,505	
Total general government receipts	-5,089	-2,063	-1,891	-2,038	-2,962	
Public corporations						
Receipts from sale of land and existing buildings	-3,048	-958	-1,043	-1,171	-611	
Other	-34	-97	-29	-102	-19	
Total public corporations receipts	-3,082	-1,055	-1,071	-1,272	-630	
Total public sector income from sales of capital assets	-8,171	-3,118	-2,962	-3,311	-3,591	

(1) National Accounts definition of capital procurement so excludes Defence spending on Single Use Military Equipment (SUME). Chapter 2 presents spending according to departmental budgeting definitions, where SUME is classified as capital procurement.

BACKGROUND TO PUBLIC SECTOR SPENDING BY FUNCTION

5.1 The analyses in this chapter present public sector expenditure for the years 2007-08 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 further in **Annex E**).

WHAT'S NEW

5.2 There have been no significant changes to the presentation of data within this chapter since PESA 2011.

5.3 **Interactive tables** containing the data in this release will be published on the Treasury website shortly following this release. This will allow users to generate alternative presentations of these statistics and access more of the underlying detail.

CLASSIFICATION CHANGES

5.1 A number of departments have carried out a restructuring of the way they organise their data in preparation for the switchover from the COINS database to its replacement, OSCAR. This has resulted in a large number of revisions to the functional and sub-functional breakdown of data in **Chapters 5 and 6**. This is in addition to ongoing work to improve the classification of items of spending against level 2 of the UN Classification of the Functions Of Government (COFOG) framework.

5.2 A number of departments have carried out a restructuring of the way they organise their data in preparation for the switchover from the COINS database to its replacement, OSCAR. This has resulted in a large number of revisions to the functional and sub-functional breakdown of data in **Chapters 5 and 6**. This is in addition to ongoing work to improve the classification of items of spending against level 2 of the UN Classification of the Functions Of Government (COFOG) framework.

5.3 Significant revisions to the functional and sub-functional breakdown of expenditure data since PESA 2011 include:

- Changes in the way that the Department for Work and Pensions records spending on Job Centre Plus has resulted in the movement of some spending from **4.1 General economic, commercial and labour affairs** to **10.5 Unemployment of which: personal social services**. This affects tables in **Chapters 4, 5 and 6**.
- The re-organisation of NHS spending on COINS has resulted in the movement of a large amount of spending on the NHS litigation authority from **Medical Services** to **Central and other health services**. This affects tables in **Chapters 5 and 6**.
- The functional classification of spending on the Olympics by the Department for Culture, Media and Sports has been reviewed in order to ensure greater consistency in the application of COFOG level 2 definitions. This has resulted in the movement of spending from **8.1 Recreational and sporting services** to **4.3 Fuel and energy**, **4.5 Transport**, **4.7 Other industries**, **5.3 Pollution abatement** and **6.1 Housing development**. This has affected tables in **Chapters 4, 5 and 6**.

- Revisions to the sub-functional breakdown of Local Authority spending have resulted in the movement of spending from **5.6 Environment protection n.e.c** to **5.1 Waste management**. This affects tables in **Chapters 5 and 7**.
- Revisions by the Northern Ireland Executive to its data has resulted in the movement of spending from **8.6 Recreation, culture and religion n.e.c** to **8.4 Religious and other community services**. This affects tables in **Chapters 5 and 6**.

RELATIONSHIP BETWEEN FUNCTIONAL SERIES AND DEPARTMENTS

5.4 **Table 5.1** shows public sector expenditure on services by function split across the different government departmental groups for 2011-12. Departmental spending can be spread across a variety of functions, particularly in the case of the devolved administrations. This presentation allocates local government expenditure to the departmental group most closely associated with a particular function. For example, spending on schools by local government in Scotland is allocated to Scotland, while equivalent spending in England is allocated to the Department for Education.

5.5 The new Chapter 5 interactive tables on the HM Treasury website can be used to generate a version of this table that excludes Local Authority spending.

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 in PESA 2006, 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 Treasury website³.

5.7 The sub-function analysis of health is presented against HM Treasury's own sub-functional classification. This is because the NHS is neither financed nor organised along the lines of COFOG level 2, so capturing the required additional information is not currently possible.

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**:

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

- **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, but does not include payments for contract and agency staff that are treated as procurement;
- **gross current procurement** includes expenditure on goods and services, including hire and rentals under Private Finance Initiative (PFI) and non-PFI operating leases, payments for contract and agency staff, and payments for consultancy and audit services. It also includes spending on Single Use Military Equipment (SUME) following the treatment in the National Accounts. SUME is part of capital procurement in the budgeting presentation. **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. The expenditure on services presentation excludes the 'negative tax' element of tax credits which form part of departmental budgets within **Table 2.1**. See **Box 1.A** in **Chapter 1** for more information.
- **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**, that are not included within departmental budgets in **Table C.1**.
- **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**;
- **grant equivalent element of student lending** is the subsidy implied in student loans being issued at the inflation rate rather than the market interest rate;
- **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. In **Table 5.3** SUME forms part of gross current procurement (see above) but in **Table 2.1** it is included in capital procurement; 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 2007-08 onwards. 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 land and building and other asset classes, excluding 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.

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

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 Governments' intention to return these banks or their assets to the private sector.

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

Current expenditure on services

- income from sales of goods and services: £1 billion in 2008-09, £0.4 billion in 2009-10, £1.5 billion in 2010-11 and £1.3 billion in 2011-12. This is mainly underwriting commission and guarantee fee income.

Capital expenditure on services

- net capital grants: £9.4 billion in 2008-09 and £4.5 billion in 2009-10, comprising £7.7 billion of share purchases and £3.2 billion of capital income. This is support for depositors and purchases of equity in banks that the ONS have classified as capital grants in the National Accounts.

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).

CENTRAL GOVERNMENT OWN EXPENDITURE

OVERVIEW

- The tables in chapter 6 of PESA present analysis 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 PESA.

EXPENDITURE IN BUDGETS

- Central government own expenditure within DEL fell to £262.2 billion in 2011-12, from £266 billion in 2010-11. This reflects the effect of the policies set out in the 2010 Spending Review.
- Most departments show falls in spending within DEL, with the exceptions of the departments of Health, Education, International Development and Culture, Media and Sport. These reflect the areas prioritised in the 2010 Spending Review, as well as spending on the Olympics.
- Expenditure within AME stood at £224.8 billion in 2011-12. Expenditure in 2010-11 was affected by the decision to use the Consumer Prices Index (CPI), rather than the Retail Prices Index (RPI), for the indexation of public service pensions and the consequent reduction in the size of future liabilities.

EXPENDITURE ON SERVICES

- Central government's own current expenditure on services rose to £475.9 billion in 2011-12, up from £466.4 billion the previous year. Capital expenditure on services fell to £25 billion from £31.8bn.
- As shown in table 6.4, social protection and health account for more than half of all of central government own expenditure. In 2011-12 spending on social protection increased to £189.3 billion from £180.8 billion in the previous year. Within this, the biggest increase was on old age pensions.
- Expenditure on central government debt interest stood at £47 billion in 2011-12, up from £44.4 billion in 2010-11.
- Expenditure on current grants to persons and non-profit bodies, which is mainly composed of social benefits, rose to £210.6 billion in 2011-12 from £201.8 billion in 2010-11. Increased expenditure on old age pensions was the main factor behind this rise. There was also an increase in the amount of grants to education institutions paid by the Department for Education.

Table 6.1 Central government own expenditure in budgets⁽¹⁾ by departmental group, 2007-08 to 2011-12

	£ million				
	2007-08	2008-09	2009-10	2010-11	2011-12
Within DEL					
Education	11,715	11,534	12,729	10,981	13,870
Health	85,580	92,281	99,672	101,834	102,757
Transport	7,283	7,464	8,213	6,783	6,144
CLG Communities	3,619	5,915	7,281	5,441	3,018
CLG Local Government	296	289	300	273	288
Business, Innovation and Skills	14,961	15,735	17,514	18,731	17,076
Home Office	3,147	3,333	3,603	2,851	2,810
Justice	9,145	9,594	9,441	9,124	9,029
Law Officers' Departments	716	720	709	666	610
Defence	33,266	34,472	36,813	37,460	37,258
Foreign and Commonwealth Office	1,927	2,135	2,186	2,214	2,172
International Development	5,185	5,617	6,587	7,467	7,813
Energy and Climate Change	2,158	1,955	3,022	3,161	2,591
Environment, Food and Rural Affairs	2,825	2,612	2,754	2,671	2,245
Culture, Media and Sport	1,948	2,255	1,957	2,101	2,628
Work and Pensions	7,188	7,184	8,073	8,321	7,010
Scotland	17,561	17,516	18,622	18,595	18,147
Wales	8,326	8,636	9,343	9,218	9,073
Northern Ireland	9,462	9,984	10,339	10,555	10,178
Chancellor's Departments	4,490	4,594	4,516	4,140	4,068
Cabinet Office	1,963	2,187	2,446	2,486	2,475
Independent Bodies	725	788	820	880	903
Total CG own expenditure within DEL	233,484	246,801	266,941	265,953	262,163
Within departmental AME					
Education	10,709	10,651	10,429	-10,461	11,699
Health	13,900	14,998	16,233	-11,396	19,564
Transport	799	634	1,205	501	874
CLG Communities	172	403	-5	-496	-666
CLG Local Government	0	1	0	-4	-12
Business, Innovation and Skills	4,304	4,203	5,190	3,404	3,873
Home Office	14	171	-82	190	-3
Justice	-62	450	605	297	-33
Law Officers' Departments	7	11	17	-13	4
Defence	5,865	6,178	7,900	-878	7,854
Foreign and Commonwealth Office	24	-10	86	34	59
International Development	-11	213	331	303	104
Energy and Climate Change	6,855	2,156	419	5,163	3,678
Environment, Food and Rural Affairs	-16	-55	-72	-437	-51
Culture, Media and Sport	4,314	4,085	4,621	4,578	4,912
Work and Pensions	108,172	114,622	122,487	125,687	132,103
Scotland	2,312	2,666	2,483	3,206	3,237
Wales	92	306	495	262	376
Northern Ireland	6,373	6,873	7,660	3,583	8,158
Chancellor's Departments ⁽²⁾	31,617	163,665	51,545	25,993	20,326
Cabinet Office	7,626	7,172	7,481	-7,467	8,738
Independent Bodies	28	9	60	-32	20
Total CG own expenditure within dept AME	203,096	339,402	239,089	142,019	224,813
Locally financed expenditure in Northern Ireland	520	607	547	538	595
Net expenditure transfers to the EU	5,392	3,060	6,419	8,414	7,702
Central government debt interest	29,954	30,300	30,185	44,399	46,976
Accounting and other adjustments	-51,639	-165,548	-55,136	44,904	-28,464
Total CG own expenditure⁽³⁾	420,807	454,623	488,045	506,226	513,784

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

(2) Transactions from 2008-09 onwards 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 6.2 Central government own resource expenditure in budgets by departmental group, 2007-08 to 2011-12

	£ million				
	2007-08	2008-09	2009-10	2010-11	2011-12
Within resource DEL					
Education	11,197	10,854	11,957	10,165	13,517
Health	81,810	88,094	94,747	97,750	99,073
Transport	3,005	2,167	2,322	1,265	1,186
CLG Communities	119	1,378	1,407	1,217	705
CLG Local Government	296	288	298	272	288
Business, Innovation and Skills	13,493	14,113	15,048	16,949	16,200
Home Office	2,722	2,835	2,921	2,426	2,490
Justice	8,390	8,693	8,589	8,586	8,680
Law Officers' Departments	705	712	697	658	610
Defence	24,648	25,453	27,610	28,123	28,244
Foreign and Commonwealth Office	1,735	1,946	2,022	2,091	2,078
International Development	4,448	4,742	5,234	5,909	6,167
Energy and Climate Change	672	288	1,215	1,145	1,137
Environment, Food and Rural Affairs	2,351	2,201	2,255	2,165	1,929
Culture, Media and Sport	1,355	1,343	1,351	1,351	1,476
Work and Pensions	7,113	7,097	7,808	8,000	6,730
Scotland	15,229	15,359	15,987	16,306	16,237
Wales	7,586	7,764	8,185	8,169	8,192
Northern Ireland	8,584	8,899	9,283	9,573	9,409
Chancellor's Departments	4,247	4,312	4,226	3,927	3,810
Cabinet Office	1,648	1,801	1,991	2,053	2,070
Independent Bodies	665	751	765	824	861
Total within resource DEL	202,018	211,090	225,917	228,923	231,090
Within resource departmental AME					
Education	10,709	10,651	10,429	-10,461	11,699
Health	13,863	14,984	16,226	-11,404	19,564
Transport	799	634	1,205	501	874
CLG Communities	172	403	-5	-496	-666
CLG Local Government	0	1	0	-4	-12
Business, Innovation and Skills	269	214	1,144	-1,015	-1,355
Home Office	14	171	-82	190	-3
Justice	-62	450	605	297	-33
Law Officers' Departments	7	11	17	-13	4
Defence	5,865	6,102	7,895	-878	7,854
Foreign and Commonwealth Office	24	-10	86	34	59
International Development	-11	213	331	303	104
Energy and Climate Change	7,274	2,435	756	5,241	3,735
Environment, Food and Rural Affairs	-17	-56	-73	-437	-51
Culture, Media and Sport	3,799	3,791	3,978	4,017	4,466
Work and Pensions	108,032	114,486	122,316	125,510	132,068
Scotland	2,163	2,486	2,323	3,055	3,069
Wales	-73	138	293	53	131
Northern Ireland	6,143	6,466	7,230	3,187	7,570
Chancellor's Departments ⁽¹⁾	31,405	77,843	9,677	28,667	23,979
Cabinet Office	7,626	7,172	7,481	-7,467	8,738
Independent Bodies	28	9	60	-32	20
Total within resource departmental AME	198,031	248,595	191,895	138,849	221,814
Within resource other AME					
Locally financed expenditure in Northern Ireland	520	607	547	538	595
Net expenditure transfers to the EU	5,392	3,060	6,419	8,414	7,702
Central government debt interest	29,954	30,300	30,185	44,399	46,976
Remove items classified as capital in National Accounts	1,549	302	3,254	-9	-2
Add items classified as current in National Accounts	5,095	5,666	5,317	5,418	5,523
Accounting and other adjustments	-46,904	-83,222	-15,856	48,075	-24,675
Total CG own current expenditure	395,654	416,399	447,678	474,606	489,024

(1) Transactions from 2008-09 onwards have been affected by financial sector interventions. See Box 2.A for details.

Table 6.3 Central government own capital expenditure by departmental group, 2007-08 to 2011-12

	£ million				
	National Statistics				
	2007-08 outturn	2008-09 outturn	2009-10 outturn	2010-11 outturn	2011-12 outturn
Within capital DEL					
Education	518	679	772	817	353
Health	3,769	4,188	4,926	4,084	3,684
Transport	4,278	5,297	5,892	5,517	4,958
CLG Communities	3,500	4,537	5,874	4,224	2,313
CLG Local Government	0	0	2	1	0
Business, Innovation and Skills	1,468	1,622	2,466	1,782	876
Home Office	425	498	682	425	320
Justice	755	901	853	538	349
Law Officers' Departments	11	9	12	8	0
Defence	8,618	9,019	9,203	9,337	9,014
Foreign and Commonwealth Office	192	190	164	123	94
International Development	737	875	1,353	1,559	1,646
Energy and Climate Change	1,486	1,667	1,807	2,015	1,454
Environment, Food and Rural Affairs	474	411	499	506	317
Culture, Media and Sport	593	912	606	751	1,152
Work and Pensions	75	86	265	321	279
Scotland	2,332	2,157	2,635	2,289	1,910
Wales	741	872	1,157	1,049	881
Northern Ireland	878	1,085	1,056	982	768
Chancellor's Departments	242	282	290	213	258
Cabinet Office	315	386	455	433	405
Independent Bodies	60	37	55	56	42
Total within capital DEL	31,466	35,711	41,024	37,030	31,072
Within capital departmental AME					
Health	37	14	7	8	0
Business, Innovation and Skills	4,035	3,988	4,046	4,419	5,228
Defence	-	76	5	-	-
Energy and Climate Change	-419	-279	-337	-78	-58
Environment, Food and Rural Affairs	0	1	1	1	0
Culture, Media and Sport	515	295	643	562	446
Work and Pensions	140	136	171	177	35
Scotland	149	180	160	151	167
Wales	165	168	202	209	244
Northern Ireland	230	407	430	396	588
Chancellor's Departments ⁽¹⁾	212	85,822	41,868	-2,674	-3,653
Total within capital departmental AME	5,065	90,807	47,195	3,170	2,999
Within capital other AME					
Add items classified as capital in National Accounts	-1,549	-302	-3,254	9	2
Remove items classified as current in National Accounts	-5,095	-5,666	-5,317	-5,418	-5,523
Accounting and other adjustments	-4,735	-82,326	-39,280	-3,171	-3,789
Total CG own capital expenditure⁽²⁾	25,153	38,224	40,367	31,620	24,760

(1) Transactions from 2008-09 onwards have been affected by financial sector interventions. See Box 5.A for details.

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

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Table 6.4 Central government own expenditure on services by sub-function, 2007-08 to 2011-12

	National Statistics				
	2007-08	2008-09	2009-10	2010-11	2011-12
	outturn	outturn	outturn	outturn	outturn
£ million					
1. General public services					
1.1 Executive and legislative organs, financial and fiscal affairs, external affairs	9,056	9,383	9,384	8,859	8,323
1.2 Foreign economic aid	4,596	4,865	5,583	6,494	6,746
1.3 General services	597	718	781	910	1,003
1.4 Basic research	-	-	-	-	-
1.5 R&D general public services	21	21	21	17	11
1.6 General public services n.e.c.	252	297	281	307	397
1.7 Public sector debt interest ⁽¹⁾	29,954	30,300	30,185	44,399	46,976
<i>of which: central government debt interest</i>	29,954	30,300	30,185	44,399	46,976
Total general public services	44,476	45,583	46,235	60,986	63,456
2. Defence					
2.1 Military defence	29,802	31,431	32,276	32,915	33,606
2.2 Civil defence	26	19	18	19	22
2.3 Foreign military aid	2,748	3,697	3,781	3,572	3,172
2.4 R&D defence	854	1,279	1,292	2,386	2,011
2.5 Defence n.e.c	69	246	201	193	192
Total defence	33,499	36,672	37,567	39,085	39,002
3. Public order and safety					
3.1 Police services	4,359	4,771	5,009	4,289	4,169
<i>of which: immigration and citizenship</i>	2,068	2,089	2,197	1,769	1,687
<i>of which: other police services</i>	2,291	2,682	2,812	2,520	2,482
3.2 Fire-protection services	219	292	304	197	130
3.3 Law courts	6,550	6,750	6,596	6,025	6,487
3.4 Prisons	4,313	4,697	4,741	4,969	4,136
3.5 R&D public order and safety	22	20	25	10	17
3.6 Public order and safety n.e.c.	326	326	343	298	425
Total public order and safety	15,790	16,856	17,018	15,788	15,363
4. Economic affairs ⁽²⁾					
4.1 General economic, commercial and labour affairs	4,505	12,609	9,250	3,754	2,768
4.2 Agriculture, forestry, fishing and hunting	4,210	5,695	5,404	5,075	5,420
<i>of which: market support under CAP</i>	2,567	4,039	3,841	3,524	3,712
<i>of which: other agriculture, food and fisheries policy</i>	1,473	1,496	1,423	1,370	1,532
<i>of which: forestry</i>	170	160	141	180	176
4.3 Fuel and energy	1,057	699	489	389	358
4.4 Mining, manufacturing and construction	27	28	419	17	3
4.5 Transport	10,197	10,502	11,639	10,643	9,859
<i>of which: national roads</i>	3,205	3,492	4,149	3,580	3,106
<i>of which: local roads</i>	290	485	543	628	462
<i>of which: local public transport</i>	815	750	793	741	742
<i>of which: railway</i>	5,166	5,088	5,384	5,006	4,927
<i>of which: other transport</i>	721	687	770	687	621
4.6 Communication	605	446	340	313	233
4.7 Other industries	276	427	402	356	316
4.8 R&D economic affairs	3,260	3,162	3,486	3,270	3,584
4.9 Economic affairs n.e.c	844	626	924	1,005	490
Total economic affairs	24,982	34,194	32,353	24,821	23,030
5. Environment protection					
5.1 Waste management	1,480	951	1,775	1,930	2,022
5.2 Waste water management	-1	14	19	8	21
5.3 Pollution abatement	259	296	348	418	159
5.4 Protection of biodiversity and landscape	476	511	473	498	419
5.5 R&D environment protection	346	369	401	425	367
5.6 Environment protection n.e.c	1,462	1,584	1,774	1,880	1,497
Total environment protection	4,022	3,723	4,789	5,159	4,485

Table 6.4 Central government own expenditure on services by sub-function, 2007-08 to 2011-12 (continued)

	National Statistics				
	2007-08	2008-09	2009-10	2010-11	2011-12
	outturn	outturn	outturn	outturn	outturn
£ million					
6. Housing and community amenities					
6.1 Housing development	3,222	3,473	5,172	3,273	1,819
<i>of which: local authority housing</i>	364	26	494	-97	-420
<i>of which: other social housing</i>	2,858	3,447	4,678	3,371	2,239
6.2 Community development	593	720	838	668	485
6.3 Water supply	380	544	396	291	294
6.4 Street lighting	19	23	22	21	25
6.5 R&D housing and community amenities	8	5	4	4	3
6.6 Housing and community amenities n.e.c	138	112	118	136	93
Total housing and community amenities	4,361	4,878	6,552	4,394	2,718
7. Health					
Medical services	99,403	105,931	114,014	117,423	117,782
Medical research	510	642	692	838	742
Central and other health services	2,108	3,119	3,371	2,777	2,514
Total health	102,021	109,692	118,077	121,037	121,038
8. Recreation, culture and religion					
8.1 Recreational and sporting services	742	961	1,392	1,531	1,426
8.2 Cultural services	2,025	1,969	2,054	1,947	1,931
8.3 Broadcasting and publishing services	3,663	3,580	3,766	3,683	4,198
8.4 Religious and other community services	50	53	51	60	41
8.5 R&D recreation, culture and religion	125	130	133	141	131
8.6 Recreation, culture and religion n.e.c	83	80	84	80	77
Total recreation, culture and religion	6,687	6,773	7,479	7,442	7,804
9. Education					
9.1 Pre-primary and primary education	835	793	900	843	779
<i>of which: under fives</i>	169	139	180	153	168
<i>of which: primary education</i>	666	655	720	690	611
9.2 Secondary education	11,836	12,355	13,866	14,629	17,623
9.3 Post-secondary non-tertiary education	-	112	3	-	-
9.4 Tertiary education	11,787	11,535	12,954	15,669	11,389
9.5 Education not definable by level	570	506	639	846	566
9.6 Subsidiary services to education	665	1,035	1,047	958	667
9.7 R&D education	34	16	18	1	11
9.8 Education n.e.c	3,195	3,345	3,820	2,963	2,437
Total education	28,923	29,697	33,247	35,909	33,472
10. Social protection					
<i>of which: personal social services</i>	6,975	7,050	6,753	6,325	7,194
10.1 Sickness and disability	27,009	28,110	30,334	31,235	33,347
<i>of which: personal social services</i>	514	506	457	403	1,042
<i>of which: incapacity, disability and injury benefits</i>	26,495	27,604	29,877	30,832	32,305
10.2 Old age	70,683	77,600	83,197	87,042	92,761
<i>of which: personal social services</i>	428	441	459	318	351
<i>of which: pensions</i>	70,255	77,159	82,738	86,724	92,410
10.3 Survivors	1,132	1,096	1,059	1,100	1,073
10.4 Family and children	22,509	23,619	24,105	24,096	23,039
<i>of which: personal social services</i>	987	1,031	1,003	824	703
<i>of which: family benefits, income support and tax credits</i>	21,523	22,588	23,101	23,272	22,336
10.5 Unemployment	6,142	7,151	8,797	8,358	8,901
<i>of which: personal social services</i>	3,652	3,629	3,264	3,128	3,267
<i>of which: other unemployment benefits</i>	2,490	3,521	5,533	5,231	5,634
10.6 Housing	450	537	618	787	729
10.7 Social exclusion n.e.c	17,016	20,317	24,032	25,581	27,424
<i>of which: personal social services</i>	1,394	1,443	1,571	1,652	1,819

Table 6.4 Central government own expenditure on services by sub-function, 2007-08 to 2011-12 (continued)

	2007-08	2008-09	2009-10	2010-11	£ million 2011-12
EU transactions ⁽³⁾					
GNI-based contribution (net of abatement and collection costs)	4,785	2,378	5,760	7,669	6,967
<i>derived as</i>					
<i>EU gross contribution pre-abatement and after deduction of collection costs</i>	13,746	13,155	13,733	15,593	15,700
<i>Traditional Own Resources (without deduction of collection costs) and VAT contributions</i>	-5,001	-5,183	-3,754	-5,246	-5,216
<i>UK abatement</i>	-3,960	-5,595	-4,218	-2,678	-3,516
EU receipts	-5,601	-4,558	-4,791	-3,996	-4,755
Attributed aid and CFSP	-715	-751	-899	-899	-1,019
Total EU transactions	-1,531	-2,931	71	2,773	1,194
Total central government own expenditure on services	409,873	445,245	478,264	498,172	500,860
Accounting adjustments	10,934	9,378	9,781	8,054	12,924
Total central government own expenditure ⁽⁴⁾	420,807	454,623	488,045	506,226	513,784

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

(2) Transactions from 2008-09 onwards have been affected by financial sector interventions. See Box 5.A for details.

(3) 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

(4) 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, 2007-08 to 2011-12

	£ million				
	National Statistics				
	2007-08	2008-09	2009-10	2010-11	2011-12
	outturn	outturn	outturn	outturn	outturn
Central government current expenditure on services					
Pay	81,697	85,779	88,523	90,901	90,251
Gross current procurement	112,801	120,579	126,825	122,647	123,428
Income from sales of goods and services	-20,722	-23,767	-22,209	-18,321	-17,702
Current grants to persons and non-profit bodies ⁽¹⁾	167,092	180,091	196,602	201,807	210,647
Current grants abroad	3,253	2,391	5,963	9,423	7,931
Subsidies to private sector companies	5,106	5,361	6,160	5,979	6,440
Subsidies to public corporations	1,366	942	880	585	406
Net public service pensions	2,201	3,132	3,634	4,644	6,677
Grant equivalent element of student lending	1,430	814	1,468	4,243	640
Central government debt interest	29,954	30,300	30,185	44,399	46,976
Other	122	13	-185	91	205
Total central government own current expenditure on services	384,299	405,635	437,845	466,398	475,899
Accounting adjustments	11,355	10,764	9,833	8,208	13,125
Total central government own current expenditure	395,654	416,399	447,678	474,606	489,024
Central government capital expenditure on services					
Capital grants to persons and non-profit bodies	4,920	5,133	7,276	5,588	3,500
Capital grants to private sector companies ⁽²⁾	7,215	17,696	13,363	7,683	6,379
Capital grants abroad	158	249	508	964	680
Gross capital procurement	15,997	17,608	19,987	18,426	15,782
Income from sales of capital assets	-2,670	-1,057	-753	-922	-1,456
Other	-45	-19	36	35	76
Total central government own capital expenditure on services	25,575	39,610	40,418	31,774	24,962
Accounting adjustments	-422	-1,386	-51	-154	-202
Total central government own capital expenditure	25,153	38,224	40,367	31,620	24,760
Total central government own expenditure on services	409,873	445,245	478,264	498,172	500,860
Accounting adjustments	10,934	9,378	9,781	8,054	12,924
Total central government own expenditure⁽³⁾	420,807	454,623	488,045	506,226	513,784

(1) Expenditure on services does not include tax credits previously treated as negative tax. They are included in the budget presentation in chapter 2.

(2) Transactions from 2008-09 onwards have been affected by financial sector interventions. See Box 5.A for details.

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

Table 6.6 Central government own current and capital expenditure on services by function, 2007-08 to 2011-12

	National Statistics					£ million
	2007-08 outturn	2008-09 outturn	2009-10 outturn	2010-11 outturn	2011-12 outturn	
Central government own current expenditure on services						
1. General public services	43,637	44,752	45,171	59,836	62,433	
<i>of which: public and common services</i>	7,411	7,683	7,636	7,293	7,047	
<i>of which: international services</i>	6,272	6,769	7,350	8,144	8,410	
<i>of which: public sector debt interest</i>	29,954	30,300	30,185	44,399	46,976	
2. Defence	31,059	33,255	33,593	34,867	35,284	
3. Public order and safety	14,448	15,130	15,252	14,619	14,491	
4. Economic affairs	17,379	16,174	18,325	16,412	15,417	
<i>of which: enterprise and economic development ⁽¹⁾</i>	3,984	2,298	3,576	1,729	1,661	
<i>of which: science and technology</i>	2,480	2,537	2,753	2,767	2,983	
<i>of which: employment policies</i>	2,064	1,848	2,332	3,097	1,764	
<i>of which: agriculture, fisheries and forestry</i>	3,991	5,434	5,234	4,873	5,250	
<i>of which: transport</i>	4,861	4,057	4,430	3,947	3,760	
5. Environment protection	2,118	1,589	2,542	2,512	2,600	
6. Housing and community amenities	1,108	695	809	335	145	
7. Health	97,385	104,428	111,982	115,681	116,788	
8. Recreation, culture and religion	5,876	5,828	6,047	5,932	6,623	
9. Education	26,626	27,105	29,959	33,531	32,152	
10. Social protection	146,193	159,610	174,096	179,900	188,772	
EU transactions	-1,531	-2,931	71	2,773	1,194	
Total central government own current expenditure on services	384,299	405,635	437,845	466,398	475,899	
Accounting adjustments	11,355	10,764	9,833	8,208	13,125	
Total central government own current expenditure	395,654	416,399	447,678	474,606	489,024	
Central government own capital expenditure on services						
1. General public services	839	831	1,064	1,149	1,023	
<i>of which: public and common services</i>	473	486	554	422	382	
<i>of which: international services</i>	366	345	510	727	642	
2. Defence	2,440	3,417	3,975	4,218	3,718	
3. Public order and safety	1,342	1,726	1,766	1,170	873	
4. Economic affairs	7,603	18,020	14,029	8,409	7,613	
<i>of which: enterprise and economic development ⁽¹⁾</i>	1,190	10,602	5,864	1,001	738	
<i>of which: science and technology</i>	780	625	732	503	600	
<i>of which: employment policies</i>	77	86	51	8	6	
<i>of which: agriculture, fisheries and forestry</i>	220	261	171	202	170	
<i>of which: transport</i>	5,336	6,445	7,209	6,696	6,099	
5. Environment protection	1,904	2,134	2,247	2,646	1,885	
6. Housing and community amenities	3,253	4,182	5,743	4,059	2,574	
7. Health	4,636	5,264	6,096	5,357	4,249	
8. Recreation, culture and religion	811	946	1,432	1,511	1,181	
9. Education	2,297	2,592	3,289	2,378	1,320	
10. Social protection	451	499	779	878	526	
Total central government own capital expenditure on services	25,575	39,610	40,418	31,774	24,962	
Accounting adjustments	-422	-1,386	-51	-154	-202	
Total central government own capital expenditure ⁽²⁾	25,153	38,224	40,367	31,620	24,760	

(1) Transactions from 2008-09 onwards have been affected by financial sector interventions. See Box 5.A for details.

(2) 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 Non-Departmental Public Bodies (NDPBs), and health trusts.

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** respectively.

6.3 Central government own expenditure accounts for about 70 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 to the presentation of data within this chapter since PESA 2011.

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 spending.

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.

6.8 The higher capital spending in 2008-09 and 2009-10 relates to the support given to financial institutions. See Box 5.A in Chapter 5 for further details.

CENTRAL GOVERNMENT OWN EXPENDITURE ON SERVICES BY SUB-FUNCTION

6.9 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.

CENTRAL GOVERNMENT OWN EXPENDITURE ON SERVICES BY ECONOMIC CATEGORY

6.10 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

6.11 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 so spending on Single Use Military Equipment (SUME) is classified as current and non-cash items such as depreciation and provisions are excluded.

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 £101.8 billion in 2011-12, down from £109.1 billion the year before. Support in AME increased to £29.7 billion from £29.1 billion over the same period.
- As shown in table 7.2, the Department for Education was responsible for providing current grants worth £37.8 billion to local authorities in England in 2011-12. This was down from the figure of £41.2 billion the previous year as some grants were switched from local government schools to academies.
- The Department for Work and Pensions provided grants worth a total of £27.8bn, mainly for rent rebates/allowances and council tax benefits. These covered England, Scotland and Wales. This was up from the figure of £26.5 billion in 2010-11.
- Capital support for local government fell to £11.1 billion in 2011-12, from £13.6 billion the year before. The 2010 Spending Review announced that capital funding from all departments would fall over the Spending Review period.⁴

LOCAL GOVERNMENT EXPENDITURE ON SERVICES

- Total local government current expenditure on services was £142.7 billion in 2011-12, up from £139.9 billion in 2010-11. Total capital expenditure on services fell slightly to £16.9 billion from £17.2 billion over the same period.
- As shown in table 7.4, local government current expenditure on social protection was £52.6 billion in 2011-12, up from £51 billion the year before. Over the same period, spending on education rose to £51.5 billion from £49 billion while in the area of public order and safety spending fell slightly to £16.1 billion from £16.3bn.
- Local government capital expenditure on education fell to £6.6 billion in

⁴ http://www.hm-treasury.gov.uk/spend_sr2010_documents.htm, p.50

2011-12 from £6.9 billion in 2010-11. Spending on transport fell to £3.8 billion from £4.4 billion over the same period.

- A breakdown of local government expenditure by economic category is shown in table 7.8. Spending on pay, which amounted to £81 billion in 2011-12, accounts for about half of all spending 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, 2007-08 to 2011-12

	£ million				
	National Statistics				
	2007-08 outturn	2008-09 outturn	2009-10 outturn	2010-11 outturn	2011-12 outturn
Current finance in DEL					
England	73,877	76,620	79,656	81,869	76,843
Scotland	7,825	8,337	8,658	9,064	8,743
Wales	4,693	4,971	5,202	5,523	5,324
Northern Ireland	52	53	54	52	54
Total current finance in DEL	86,447	89,982	93,570	96,509	90,964
Capital support in DEL					
England	10,515	10,487	13,378	11,012	9,538
Scotland	976	951	1,057	864	757
Wales	735	769	684	704	520
Northern Ireland	4	2	0	16	3
Total capital support in DEL	12,229	12,209	15,119	12,596	10,819
Total central government support in DEL⁽¹⁾	98,676	102,191	108,689	109,104	101,783
Current finance in departmental AME					
England	18,116	19,703	22,608	25,007	26,171
Scotland	1,622	1,710	1,882	1,997	2,062
Wales	848	900	1,034	1,120	1,131
Northern Ireland	1	1	2	1	3
Total current finance in departmental AME	20,587	22,314	25,526	28,126	29,366
Capital support in departmental AME					
England	1,495	783	399	984	294
Scotland	7	6	3	7	5
Wales	3	3	1	1	2
Northern Ireland	1	1	0	2	1
Total capital support in departmental AME	1,506	793	402	993	302
Total central government support in departmental AME⁽²⁾	22,093	23,107	25,928	29,119	29,668
Locally financed expenditure					
Local authority self-financed expenditure	24,081	31,717	28,322	25,748	37,604
Locally financed support in Scotland ⁽³⁾	1,860	1,963	2,165	2,068	2,182
Total locally financed expenditure	25,940	33,680	30,488	27,816	39,786
Total financing of local government expenditure	146,710	158,978	165,105	166,040	171,238
Accounting and other adjustments	8,453	7,802	7,662	9,064	2,935
Total local government expenditure	155,163	166,780	172,767	175,104	174,173

(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. I.e it is finance raised in Scotland rather than funding from Whitehall.

Table 7.2 Central government current grants for local government in the United Kingdom by departmental group, 2007-08 to 2011-12

	£ million				
	2007-08	2008-09	2009-10	2010-11	2011-12
England					
Education					
Schools Grant	30,824	33,065	34,274	35,318	32,807
Schools standard grant	1,530	1,545	1,556	1,571	-
Sure Start	927	1,242	1,433	1,603	-8
Early Intervention grant	-	-	-	-	2,227
Pupil Premium	-	-	-	-	556
Maintained sixth forms grant	-	-	-	2,184	1,585
Private finance initiative grant	-	-	-	-	600
Other	426	128	362	562	52
Total Education	33,706	35,980	37,625	41,237	37,819
Health					
Health	186	141	30	180	-
Social Care	1,609	131	260	-	-
Area Based Grants	-	943	968	988	-
Other	-	-	-	329	1,442
Total Health	1,795	1,215	1,258	1,496	1,442
Transport					
GLA transport	2,521	2,467	2,555	2,772	2,804
Strategic rail authority	219	206	204	205	214
Area Based Grants	-	181	184	169	-
Other	237	359	333	772	481
Total Transport	2,976	3,213	3,276	3,918	3,499
CLG Communities					
Supporting people	1,735	1,686	1,666	-	0
New deal for communities	131	102	72	32	-2
Local area agreements	1,707	-	-	-	-
Area Based Grants	-	645	676	2,166	0
Other	409	488	740	620	1,363
Total CLG Communities	3,981	2,921	3,154	2,818	1,362
CLG Local Government					
Non-domestic rate payments	18,953	21,058	19,784	22,611	19,744
Revenue Support Grant	3,163	2,909	4,547	3,167	5,905
Neighbourhood renewal fund	-	-	-	-	-
PFI special grant	594	677	773	908	-
LA business growth incentive scheme	389	102	49	-	-
Other	197	275	347	109	1,447
Total CLG Local Government	23,296	25,023	25,501	26,795	27,096
Business, Innovation and Skills					
LSC grants	2,039	2,113	2,201	-	-
RDA development fund	346	294	263	254	242
Other	7	8	3	4	3
Total Business, Innovation and Skills	2,392	2,415	2,467	258	245
Home Office					
Police	5,991	6,240	6,637	6,622	6,766
Area Based Grants	-	61	81	71	67
Other	147	200	181	168	107
Total Home Office	6,138	6,502	6,898	6,862	6,941
Environment, Food and Rural Affairs					
Environment Agency	-	-	-	-	-
Area Based Grants	-	3	3	-	-
Other	24	46	31	50	93
Total Environment, Food and Rural Affairs	24	49	34	50	93
Work and Pensions					
Rent rebates	4,439	4,373	4,475	4,401	4,578
Rent allowances	9,021	10,278	12,799	14,109	15,181
Council tax benefits	3,370	3,583	3,994	4,184	4,207
Area Based Grants	-	33	51	44	0
Other	649	549	621	579	499
Total Work and Pensions	17,480	18,817	21,940	23,317	24,465
Other government departments	205	188	112	127	53
Total England	91,993	96,323	102,264	106,876	103,014

Table 7.2 Central government current grants for local government in the United Kingdom, 2007-08 to 2011-12 (contd)

	£ million				
	2007-08	2008-09	2009-10	2010-11	2011-12
Scotland					
Work and Pensions					
Rent allowance	707	786	905	978	1,034
Rent rebates	556	572	609	643	652
Council tax benefits	356	350	365	376	375
Other	80	63	59	54	52
Total Work and Pensions	1,699	1,770	1,939	2,050	2,113
Scottish Government					
Revenue Support Grant	6,170	7,433	7,750	8,395	8,110
Non-domestic rate income ⁽¹⁾	1,860	1,963	2,165	2,068	2,182
Police	550	552	570	496	480
Other	1,026	289	279	119	101
Total Scottish Government	9,605	10,237	10,764	11,078	10,873
Other government departments	3	2	3	0	1
Total Scotland	11,308	12,010	12,705	13,129	12,987
Wales					
Home Office					
Police	268	270	280	278	250
Other	12	12	-	0	1
Total Home Office	280	282	280	278	251
Work and Pensions					
Rent allowance	356	442	574	649	726
Rent rebates	294	260	241	235	218
Council tax benefits	184	195	216	233	243
Other	43	34	29	28	26
Total Work and Pensions	876	931	1,060	1,145	1,213
Welsh Assembly Government					
Revenue Support Grant	3,011	3,055	3,148	3,218	3,242
Non-domestic rate payments	902	976	1,005	1,044	907
Other	468	624	740	956	839
Total Welsh Assembly Government	4,380	4,656	4,893	5,218	4,987
Other government departments	3	3	2	3	3
Total Wales	5,540	5,871	6,235	6,644	6,455
Northern Ireland					
Culture, Media and Sport					
	1	1	2	1	3
Northern Ireland Executive					
	52	53	54	52	54
Total Northern Ireland	53	54	57	54	57
Total current finance	108,893	114,258	121,261	126,703	122,512

(1) 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, 2007-08 to 2011-12

	National Statistics				
	2007-08 outturn	2008-09 outturn	2009-10 outturn	2010-11 outturn	2011-12 outturn
£ million					
England					
Supported Capital Expenditure (Revenue)⁽¹⁾					
Education	1,050	1,045	942	539	-
Health	50	-	-	-	-
Transport	854	856	902	972	-
CLG Communities	1,295	1,230	1,265	946	-
Home Office	67	67	73	73	-
Total Supported Capital Expenditure (Revenue)	3,317	3,198	3,182	2,530	-
Capital grants					
Education	3,658	3,800	5,729	5,772	4,702
Health	108	164	257	118	144
Transport	1,077	1,014	1,278	1,051	2,766
CLG Communities	2,706	1,916	2,022	2,129	1,663
CLG Local Government	32	122	258	-68	-8
Business, Innovation and Skills	567	447	503	243	148
Home Office	246	249	236	206	170
Justice	0	3	-	-	-
Environment, Food and Rural Affairs	68	170	169	44	49
Culture, Media and Sport	226	177	141	-30	200
Work and Pensions	0	-	-	0	-
Cabinet Office	5	11	-	-	-
Total capital grants	8,693	8,073	10,595	9,466	9,832
Total England	12,010	11,271	13,777	11,996	9,832
Scotland					
Supported borrowing					
Scottish Government	358	330	328	330	20
Total supported borrowing	358	330	328	330	20
Capital grants					
Culture, Media and Sport	7	6	3	7	5
Scottish Government	617	621	729	535	737
Total capital grants	624	628	732	542	742
Total Scotland	982	957	1,060	871	762
Wales					
Supported Capital Expenditure (Revenue)⁽¹⁾					
Home Office	7	7	-	-	-
Welsh Assembly Government	163	163	162	163	120
Total Supported Capital Expenditure (Revenue)	170	170	162	163	120
Capital grants					
Home Office	7	7	8	7	5
Culture, Media and Sport	3	3	1	1	2
Welsh Assembly Government	558	592	513	533	395
Total capital grants	568	602	522	541	402
Total Wales	738	772	684	704	523
Northern Ireland capital grants					
Culture, Media and Sport	1	1	0	2	1
Northern Ireland Executive	4	2	0	16	3
Total Northern Ireland	5	3	1	17	4
Total United Kingdom	13,736	13,003	15,521	13,589	11,121

(1) A full definition of Supported Capital Expenditure (SCR) is given in Appendix 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, 2007-08 to 2011-12

	£ million				
	National Statistics				
	2007-08	2008-09	2009-10	2010-11	2011-12
	outturn	outturn	outturn	outturn	plans
Current					
1. General public services	4,659	4,688	4,463	4,133	4,265
<i>of which: public and common services</i>	3,959	4,237	4,284	3,915	4,021
<i>of which: public sector debt interest ⁽¹⁾</i>	700	451	179	218	244
2. Defence	65	63	64	62	65
3. Public order and safety	15,222	15,788	16,256	16,298	16,139
4. Economic affairs	6,557	6,851	7,084	6,538	5,430
<i>of which: enterprise and economic development</i>	1,539	1,830	1,702	1,666	804
<i>of which: agriculture, fisheries and forestry</i>	13	17	20	11	12
<i>of which: transport</i>	5,005	5,004	5,362	4,861	4,614
5. Environment protection	5,132	5,501	5,663	5,676	5,951
6. Housing and community amenities	2,779	3,105	3,249	2,782	2,576
7. Health	228	195	82	232	224
8. Recreation, culture and religion	4,016	4,206	4,339	4,189	3,916
9. Education	45,104	47,583	48,512	49,016	51,535
10. Social protection	41,620	44,652	49,374	50,977	52,612
Total local government current expenditure on services	125,382	132,631	139,084	139,903	142,712
Accounting adjustments	14,420	15,145	15,143	16,435	13,595
Total local government current expenditure	139,802	147,776	154,227	156,338	156,307
Capital					
1. General public services	858	1,297	1,067	946	1,230
<i>of which: public and common services</i>	858	1,297	1,067	946	1,230
3. Public order and safety	677	1,013	928	828	814
4. Economic affairs	3,490	4,368	4,774	4,826	4,215
<i>of which: enterprise and economic development</i>	-114	335	326	337	250
<i>of which: employment policies</i>	1	3	4	5	37
<i>of which: agriculture, fisheries and forestry</i>	66	115	112	124	140
<i>of which: transport</i>	3,537	3,916	4,332	4,359	3,788
5. Environment protection	450	572	563	580	765
6. Housing and community amenities	2,519	2,509	1,814	1,459	1,331
7. Health	52	57	58	38	25
8. Recreation, culture and religion	1,208	1,370	1,530	1,353	1,488
9. Education	4,627	5,706	6,621	6,866	6,643
10. Social protection	342	274	376	298	368
Total local government capital expenditure on services	14,222	17,168	17,731	17,193	16,878
Accounting adjustments	1,139	1,836	809	1,573	988
Total local government capital expenditure	15,361	19,004	18,540	18,766	17,866
Total local government expenditure	155,163	166,780	172,767	175,104	174,173

Table 7.5 Local government current expenditure on services in the United Kingdom by country and function, 2007-08 to 2011-12

	National Statistics				
	2007-08 outturn	2008-09 outturn	2009-10 outturn	2010-11 outturn	2011-12 plans
<i>£ million</i>					
England					
1. General public services	3,297	3,566	3,451	3,195	3,317
<i>of which: public and common services</i>	3,297	3,566	3,451	3,195	3,317
2. Defence	57	54	56	54	54
3. Public order and safety	13,342	13,873	14,280	14,187	14,140
4. Economic affairs	5,622	5,792	6,003	5,407	4,377
<i>of which: enterprise and economic development</i>	1,285	1,497	1,349	1,293	438
<i>of which: agriculture, fisheries and forestry</i>	10	13	16	8	9
<i>of which: transport</i>	4,327	4,282	4,638	4,107	3,929
5. Environment protection	4,153	4,422	4,530	4,521	4,763
6. Housing and community amenities	2,398	2,589	2,748	2,461	2,150
7. Health	186	141	30	180	180
8. Recreation, culture and religion	3,017	3,133	3,254	3,096	2,885
9. Education	38,249	40,456	41,323	41,756	44,336
10. Social protection	35,444	38,051	42,268	43,700	45,181
Total England	105,765	112,077	117,942	118,557	121,384
Scotland					
1. General public services	439	444	613	552	422
<i>of which: public and common services</i>	439	444	613	552	422
2. Defence	4	5	5	5	4
3. Public order and safety	1,148	1,141	1,175	1,318	1,216
4. Economic affairs	618	679	721	763	722
<i>of which: enterprise and economic development</i>	150	190	222	237	253
<i>of which: agriculture, fisheries and forestry</i>	1	1	1	1	1
<i>of which: transport</i>	466	487	498	524	469
5. Environment protection	532	590	620	629	659
6. Housing and community amenities	131	186	179	161	148
8. Recreation, culture and religion	562	573	604	591	600
9. Education	4,514	4,673	4,636	4,674	4,623
10. Social protection	4,049	4,353	4,693	4,765	4,869
Total Scotland	11,997	12,645	13,246	13,457	13,263
Wales					
1. General public services	224	228	220	168	282
<i>of which: public and common services</i>	224	228	220	168	282
2. Defence	3	3	3	4	7
3. Public order and safety	732	774	800	792	783
4. Economic affairs	302	359	339	348	313
<i>of which: enterprise and economic development</i>	88	122	110	116	95
<i>of which: agriculture, fisheries and forestry</i>	2	3	3	2	1
<i>of which: transport</i>	212	234	226	230	217
5. Environment protection	296	330	343	353	359
6. Housing and community amenities	148	232	221	174	159
8. Recreation, culture and religion	274	293	294	285	261
9. Education	2,341	2,454	2,553	2,586	2,576
10. Social protection	2,126	2,248	2,414	2,513	2,561
Total Wales	6,447	6,919	7,187	7,222	7,301
Total Great Britain	124,209	131,641	138,376	139,235	141,948
Northern Ireland					
4. Economic affairs	16	21	21	20	19
<i>of which: enterprise and economic development</i>	16	21	21	20	19
5. Environment protection	150	159	170	173	169
6. Housing and community amenities	101	98	100	-13	118
7. Health	42	54	52	52	44
8. Recreation, culture and religion	163	207	187	218	170
Total Northern Ireland	473	539	529	449	520
Debt interest ⁽¹⁾	700	451	179	218	244
Total local government current expenditure on services	125,382	132,631	139,084	139,903	142,712
Accounting adjustments	14,420	15,145	15,143	16,435	13,595
Total local government current expenditure	139,802	147,776	154,227	156,338	156,307

(1) Debt interest is not allocated to individual countries so is only included in the total UK figures. These figures exclude 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, 2007-08 to 2011-12

	National Statistics				
	2007-08 outturn	2008-09 outturn	2009-10 outturn	2010-11 outturn	2011-12 plans
£ million					
England					
1. General public services	1,286	1,261	1,222	1,009	1,473
<i>of which: public and common services</i>	1,286	1,261	1,222	1,009	1,473
3. Public order and safety	717	960	893	797	774
4. Economic affairs	3,302	3,716	4,119	4,179	3,425
<i>of which: enterprise and economic development</i>	276	349	292	301	189
<i>of which: employment policies</i>	1	3	4	5	37
<i>of which: agriculture, fisheries and forestry</i>	85	80	69	70	66
<i>of which: transport</i>	2,940	3,284	3,754	3,803	3,132
5. Environment protection	346	447	469	504	658
6. Housing and community amenities	2,447	2,352	1,725	1,532	1,312
7. Health	42	55	57	38	18
8. Recreation, culture and religion	963	1,051	1,265	1,139	1,157
9. Education	4,319	5,159	6,164	6,370	5,931
10. Social protection	363	240	335	274	339
Total England	13,785	15,241	16,249	15,842	15,085
Scotland					
1. General public services	180	268	166	169	219
<i>of which: public and common services</i>	180	268	166	169	219
3. Public order and safety	69	79	63	56	85
4. Economic affairs	636	600	681	535	739
<i>of which: enterprise and economic development</i>	87	95	133	92	145
<i>of which: agriculture, fisheries and forestry</i>	42	61	64	51	73
<i>of which: transport</i>	507	444	484	393	521
5. Environment protection	75	69	66	57	85
6. Housing and community amenities	72	63	68	56	29
8. Recreation, culture and religion	167	210	223	201	309
9. Education	465	479	416	410	700
10. Social protection	65	63	59	50	86
Total Scotland	1,729	1,831	1,742	1,534	2,251
Wales					
1. General public services	73	67	51	55	34
<i>of which: public and common services</i>	73	67	51	55	34
3. Public order and safety	43	62	45	53	64
4. Economic affairs	258	259	228	255	264
<i>of which: enterprise and economic development</i>	13	17	15	23	14
<i>of which: agriculture, fisheries and forestry</i>	11	14	14	27	29
<i>of which: transport</i>	234	227	199	206	221
5. Environment protection	30	54	31	31	19
6. Housing and community amenities	213	200	153	164	176
8. Recreation, culture and religion	151	117	55	50	57
9. Education	190	203	214	232	277
10. Social protection	19	22	22	22	23
Total Wales	975	984	799	863	914
Total Great Britain	16,489	18,057	18,789	18,239	18,250
Northern Ireland					
4. Economic affairs	8	4	0	1	3
<i>of which: enterprise and economic development</i>	8	4	0	1	3
5. Environment protection	24	15	8	10	15
6. Housing and community amenities	35	32	30	15	22
7. Health	10	2	1	1	7
8. Recreation, culture and religion	75	64	40	44	85
Total Northern Ireland	151	116	79	71	133
Total United Kingdom	16,641	18,173	18,869	18,310	18,383
Memorandum					
United Kingdom gross capital expenditure, from above	16,641	18,173	18,869	18,310	18,383
United Kingdom capital receipts (see table 7.7)	-2,419	-1,006	-1,138	-1,116	-1,505
Total local government net capital expenditure on services	14,222	17,168	17,731	17,193	16,878
Accounting adjustments	1,139	1,836	809	1,573	988
Total local government net capital expenditure	15,361	19,004	18,540	18,766	17,866

(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, 2007-08 to 2011-12

	National Statistics				
	2007-08 outturn	2008-09 outturn	2009-10 outturn	2010-11 outturn	2011-12 plans
£ million					
England					
1. General public services	462	244	227	251	435
<i>of which: public and common services</i>	462	244	227	251	435
3. Public order and safety	144	80	67	72	99
4. Economic affairs	673	194	229	120	177
<i>of which: enterprise and economic development</i>	467	118	101	60	94
<i>of which: employment policies</i>	0	-	-	-	-
<i>of which: agriculture, fisheries and forestry</i>	69	39	23	20	22
<i>of which: transport</i>	137	37	104	40	61
5. Environment protection	14	9	6	17	9
6. Housing and community amenities	211	109	129	282	187
8. Recreation, culture and religion	120	44	22	51	67
9. Education	271	102	166	112	238
10. Social protection	100	45	37	44	75
Total England	1,995	828	883	949	1,289
Scotland					
1. General public services	168	44	142	19	32
<i>of which: public and common services</i>	168	44	142	19	32
3. Public order and safety	4	5	4	4	6
4. Economic affairs	29	8	10	20	30
<i>of which: enterprise and economic development</i>	23	6	9	18	4
<i>of which: agriculture, fisheries and forestry</i>	0	0	0	0	0
<i>of which: transport</i>	6	2	1	2	26
5. Environment protection	4	1	1	1	3
6. Housing and community amenities	1	4	1	0	1
8. Recreation, culture and religion	13	3	2	12	12
9. Education	63	30	4	19	19
10. Social protection	3	1	0	2	2
Total Scotland	285	94	164	76	106
Wales					
1. General public services	50	11	4	17	28
<i>of which: public and common services</i>	50	11	4	17	28
3. Public order and safety	4	3	1	3	3
4. Economic affairs	10	5	16	5	9
<i>of which: enterprise and economic development</i>	7	2	4	1	2
<i>of which: agriculture, fisheries and forestry</i>	3	3	12	3	7
<i>of which: transport</i>	0	0	1	0	0
5. Environment protection	3	0	0	0	0
6. Housing and community amenities	34	14	20	8	16
8. Recreation, culture and religion	8	5	1	1	1
9. Education	12	4	3	15	7
10. Social protection	2	5	2	2	3
Total Wales	123	47	48	50	67
Total Great Britain	2,404	970	1,095	1,076	1,461
Northern Ireland					
4. Economic affairs	1	3	0	1	1
<i>of which: enterprise and economic development</i>	1	3	0	1	1
5. Environment protection	4	2	4	4	0
6. Housing and community amenities	2	11	11	18	4
7. Health	0	0	0	2	-
8. Recreation, culture and religion	9	19	27	17	39
Total Northern Ireland	15	36	43	41	44
Total United Kingdom capital receipts	2,419	1,006	1,138	1,116	1,505

Table 7.8 Local government expenditure on services in the United Kingdom by country and economic category, 2007-08 to 2011-12

	National Statistics					£ million
	2007-08 outturn	2008-09 outturn	2009-10 outturn	2010-11 outturn	2011-12 plans	
England						
Pay	60,208	63,053	64,836	65,214	69,234	
Gross current procurement	51,208	55,260	57,483	56,491	59,516	
Income from sales of goods and services	-23,062	-24,576	-25,680	-25,635	-31,088	
Subsidies to private sector companies	2,251	1,850	2,127	1,963	1,871	
Subsidies to public corporations	18	20	33	15	15	
Current grants to persons and non-profit bodies	15,143	16,469	19,144	20,508	21,836	
Gross capital procurement	12,035	13,526	14,531	14,440	14,257	
Income from sales of capital assets	-1,995	-828	-883	-949	-1,289	
Capital grants	1,750	1,715	1,718	1,403	828	
Total England	117,554	126,490	133,309	133,450	135,181	
Scotland						
Pay	6,820	7,091	7,472	7,543	7,198	
Gross current procurement	6,305	6,781	6,639	6,597	6,505	
Income from sales of goods and services	-2,520	-2,714	-2,525	-2,445	-2,283	
Subsidies to private sector companies	0	0	0	0	0	
Subsidies to public corporations	96	96	103	102	109	
Current grants to persons and non-profit bodies	1,296	1,392	1,556	1,660	1,734	
Gross capital procurement	1,686	1,790	1,693	1,493	2,237	
Income from sales of capital assets	-285	-94	-164	-76	-106	
Capital grants	43	42	48	41	13	
Total Scotland	13,442	14,382	14,824	14,914	15,408	
Wales						
Pay	3,578	3,931	3,905	4,084	4,230	
Gross current procurement	3,357	3,961	3,738	3,602	3,761	
Income from sales of goods and services	-1,144	-1,684	-1,290	-1,355	-1,643	
Current grants to persons and non-profit bodies	656	712	834	892	952	
Gross capital procurement	861	891	708	764	809	
Income from sales of capital assets	-123	-47	-48	-50	-67	
Capital grants	114	93	91	98	106	
Total Wales	7,299	7,856	7,938	8,034	8,148	
Great Britain						
Pay	70,606	74,074	76,213	76,840	80,662	
Gross current procurement	60,869	66,002	67,861	66,690	69,783	
Income from sales of goods and services	-26,726	-28,974	-29,495	-29,435	-35,014	
Subsidies to private sector companies	2,251	1,850	2,127	1,964	1,871	
Subsidies to public corporations	114	116	136	117	124	
Current grants to persons and non-profit bodies	17,095	18,573	21,533	23,059	24,522	
Gross capital procurement	14,582	16,207	16,932	16,697	17,304	
Income from sales of capital assets	-2,404	-970	-1,095	-1,076	-1,461	
Capital grants	1,907	1,850	1,857	1,542	947	
Total Great Britain	138,295	148,728	156,070	156,398	158,737	
Northern Ireland						
Pay	256	283	294	286	305	
Gross current procurement	333	407	389	411	375	
Income from sales of goods and services	-117	-151	-154	-248	-161	
Gross capital procurement	151	116	79	71	133	
Income from sales of capital assets	-15	-36	-43	-41	-44	
Total Northern Ireland	609	620	565	480	609	
United Kingdom						
Pay	70,863	74,357	76,507	77,126	80,967	
Gross current procurement	61,202	66,410	68,250	67,102	70,158	
Income from sales of goods and services	-26,843	-29,125	-29,649	-29,683	-35,174	
Subsidies to private sector companies	2,251	1,850	2,127	1,964	1,871	
Subsidies to public corporations	114	116	136	117	124	
Current grants to persons and non-profit bodies	17,095	18,573	21,533	23,059	24,522	
Local Authority debt interest ⁽¹⁾	700	451	179	218	244	
Gross capital procurement	14,734	16,324	17,012	16,768	17,436	
Income from sales of capital assets	-2,419	-1,006	-1,138	-1,116	-1,505	
Capital grants	1,907	1,850	1,857	1,542	947	
Total local government expenditure on services	139,604	149,799	156,814	157,096	159,589	
Accounting adjustments	15,559	16,981	15,953	18,008	14,584	
Total local government expenditure	155,163	166,780	172,767	175,104	174,173	

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

BACKGROUND TO LOCAL GOVERNMENT FINANCING AND EXPENDITURE

WHAT'S NEW

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 Central government support data for all years are final outturn figures. Local government spending data for all years up to 2010-11 are final outturn.

WHAT'S NEW

7.3 There have been no significant changes to the presentation of data within this chapter since PESA 2011.

THE FINANCING OF LOCAL GOVERNMENT EXPENDITURE

7.4 Central government support for local government expenditure is provided in three forms: capital and current grants; non-domestic rate payments; and Supported Capital Expenditure (Revenue), equivalent to supported borrowing in Scotland. Support may be non-specific, e.g. Revenue Support Grant, or related to specific services, e.g. schools grant.

7.5 Local authorities also raise finance locally, largely through council tax, receipts from sales of assets, contributions from developers and unsupported 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.

7.6 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.

7.7 **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

7.8 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; 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.

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

SUPPORT FOR LOCAL GOVERNMENT CAPITAL PROGRAMMES

7.10 Central government support for local government capital expenditure comprises capital grants and Supported Capital Expenditure (Revenue), 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

7.11 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

7.12 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.

7.13 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

7.14 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.

7.15 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 PESA 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.

7.16 **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

7.17 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 Department for Communities and Local Government (CLG) 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.

7.18 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.

7.19 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.

7.20 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.

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

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

- England – CLG publication Local Government Financial Statistics
<http://www.communities.gov.uk/localgovernment/localgovernmentfinance/localgovernmentfinance/statistics>
- Scotland – Scottish Government publication
<http://www.Scotland.gov.uk/topics/statistics>
- Wales – Welsh Government publication <http://www.wales.gov.uk/statistics>

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.

- The total public corporations' contribution to resource budgets was £0.1 billion in 2011-12, down from the total of £0.3 billion in 2010-11.
- The contribution to capital budgets was £0.5 billion in 2011-12, up from the -£0.2 billion seen in 2010-11.
- Public corporations' capital expenditure was £6.6 in 2011-12
- The main contributors to public corporations capital expenditure were the Housing Revenue Account, London Underground, Scottish Water and the Royal Mail.
- Public corporations expenditure on debt interest was £0.4 billion in 2011-12.

Table 8.1 Public corporations' contribution to budgets and Total Managed Expenditure, 2007-08 to 2011-12

	£ million				
	National Statistics				
	2007-08 outturn	2008-09 outturn	2009-10 outturn	2010-11 outturn	2011-12 outturn
Resource DEL					
CG dividends from PCs (-)	-71	-108	-64	-89	-94
CG interest from PCs (-)	-74	-85	-94	-101	-102
Subsidies to PCs	1,401	1,254	1,058	1,244	1,108
Loans written off - mutual consent	-	7	-	5	-
Total resource DEL	1,257	1,067	900	1,058	912
Resource departmental AME					
CG dividends from PCs (-)	-85	-452	-119	-88	-66
CG interest from PCs (-)	-382	-284	-79	-18	-61
Subsidies to PCs	-36	-312	-177	-658	-702
Loans written off - mutual consent	-	-	-	-	3
Total resource departmental AME	-503	-1,048	-374	-764	-825
Total public corporations' contribution to resource budget⁽¹⁾	754	19	525	294	87
Capital DEL					
CG investment grants to PCs	454	479	724	394	377
Net lending to PCs	187	112	180	-200	-94
Market and overseas borrowing	485	-1	-86	-5	-18
Total capital DEL	1,126	590	817	190	265
Capital departmental AME					
Net lending to PCs	-566	-735	97	-361	187
Total capital departmental AME	-566	-735	97	-361	187
Total public corporations' contribution to capital budget	559	-144	914	-171	452
Other AME					
PC own-financed capital expenditure ⁽²⁾	5,439	7,294	7,983	8,137	6,115
Accounting adjustments	215	1,173	-85	45	277
Public corporations' expenditure in TME⁽³⁾	6,967	8,342	9,338	8,304	6,931
<i>of which:</i>					
PC current expenditure in TME	709	553	399	420	357
PC gross investment in TME	6,258	7,789	8,939	7,884	6,574

(1) Data in this table differ from those shown for public corporations in Table 1.11. Central government subsidies to public corporations are classified as central government own spending in National Accounts, and are shown as such in Table 1.11. 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⁽¹⁾ by departmental group, 2007-08 to 2014-15

	National Statistics					£ million
	2007-08 outturn	2008-09 outturn	2009-10 outturn	2010-11 outturn	2011-12 outturn	
Resource DEL						
Health	41	51	-1	-2	10	
Transport	28	12	72	50	-1	
Communities and Local Government	18	15	38	20	14	
Business, Innovation and Skills	440	278	141	235	153	
Defence	-30	-43	-23	-33	-35	
Foreign and Commonwealth Office	186	195	193	185	179	
Environment, Food and Rural Affairs	57	53	49	37	35	
Culture, Media and Sport	-	-	-	83	59	
Work and Pensions	192	174	117	174	206	
Scotland	24	28	4	12	18	
Wales	0	-	3	-	-	
Northern Ireland	303	306	306	299	275	
Chancellor's Departments	-1	-	-	-	-	
Cabinet Office	-1	-	-	-2	-2	
Total resource DEL	1,257	1,067	900	1,058	912	
Resource departmental AME						
Transport	-	-	-	-	3	
Communities and Local Government	66	-221	-86	-581	-704	
Business, Innovation and Skills	-382	-119	-79	-18	-61	
Energy and Climate Change	0	-31	-22	-22	-26	
Wales	-104	-93	-93	-79	0	
Chancellor's Departments	-83	-583	-94	-64	-38	
Total resource departmental AME	-503	-1,048	-374	-764	-825	
Total public corporations' contribution to resource budget	754	19	525	294	87	
Capital DEL						
Health	41	19	-	0	-10	
Transport	531	85	182	-242	-37	
Communities and Local Government	3	0	2	3	-3	
Business, Innovation and Skills	76	66	66	81	-9	
Home Office	-	10	-	29	-	
Defence	-71	-101	-55	-72	-5	
Foreign and Commonwealth Office	36	37	36	33	23	
International Development	1	0	0	0	0	
Environment, Food and Rural Affairs	16	28	25	18	18	
Culture, Media and Sport	0	-	-	-	2	
Work and Pensions	4	-	7	2	1	
Scotland	255	225	234	130	65	
Wales	-	-	99	5	-11	
Northern Ireland	237	221	221	203	231	
Chancellor's Departments	-3	-	-	-	-	
Total capital DEL	1,126	590	817	190	265	
Capital departmental AME						
Health	-	-	-1	-	-	
Business, Innovation and Skills	-566	-735	98	-361	187	
Total capital departmental AME	-566	-735	97	-361	187	
Total public corporations' contribution to capital budget	559	-144	914	-171	452	
Total public corporations' contribution to budgets	1,314	-125	1,440	123	539	

(1) Data in this table differ from those shown for public corporations in Table 1.11. Central government subsidies to public corporations are classified as central government own spending in National Accounts, and are shown as such in Table 1.11. In table 8.2 subsidies are shown as part of public corporations' contribution to the resource budget.

Table 8.3 Public corporations' capital expenditure on services, 2007-08 to 2011-12

	2007-08	2008-09	2009-10	2010-11	2011-12
Health					
Medicines and Healthcare Products Regulatory Agency ^(T)	2	6	8	#	#
NHS Estates ^(T)	1	0	0	#	#
NHS Blood and Transplant	34	19	17	#	#
Total Health	37	25	25	#	#
Transport					
Civil Aviation Authority	4	4	4	#	#
Driving Standards Agency ^(T)	2	3	-	#	#
Vehicle and Operator Services Agency ^(T)	24	15	10	#	#
London and Continental Railways	312	-70	-	#	#
GNER ⁽¹⁾	-25	-	-	#	#
Total Transport	318	-48	14	#	#
Communities and Local Government					
Fire Service College ^(T)	0	1	0	1	2
Housing Action Trusts ⁽²⁾	3	-	-	-	-
Housing Revenue Account	2,122	3,226	3,276	2,894	2,239
QEII Conference Centre ^(T)	1	1	1	0	0
Total Department for Communities and Local Government	2,127	3,227	3,276	2,895	2,240
Business, Innovation and Skills					
UK Intellectual Property Office	0	1	4	2	1
British Nuclear Fuels Limited ^(S)	2	-	-	-	-
Companies House ^(T)	4	3	-2	-2	-2
Royal Mail Holdings ^(S)	253	444	347	201	187
Ordnance Survey ^(T)	10	22	117	27	13
Meteorological Office ^(T)	26	26	26	26	27
Total Business, Innovation and Skills	295	496	491	254	226
Home Office					
Forensic Science Service ^(T)	4	6	4	4	0
Total Home Office	4	6	4	4	0
Justice					
Land Registry ^(T)	40	27	15	-29	13
Total Justice	40	27	15	-29	13
Defence					
Army Base Repair Organisation ^(T)	4	-	-	-	-
Defence Aviation Repair Agency ^(T)	3	7	7	7	7
Defence Science and Technology Laboratory ^(T)	41	41	41	41	41
Hydrographic Office ^(T)	8	8	8	8	8
Navy, Army and Air Force Institute	3	3	3	3	3
QinetiQ ^(S)	48	-	-	-	-
Total Defence	107	59	59	59	59
Foreign and Commonwealth Office					
British Council	14	9	7	16	12
Total Foreign and Commonwealth Office	14	9	7	16	12
International Development					
CDC Group ^(S)	41	86	79	#	#
Actis ^(S)	1	1	1	#	#
Total International Development	42	87	80	#	#
Energy and Climate Change					
British Energy ⁽³⁾	224	244	-	-	-
Total Energy and Climate Change	224	244	0	0	0

Table 8.3 PCs' capital expenditure on services, 2007-08 to 2011-12,

	2007-08	2008-09	2009-10	2010-11	2011-12
Environment Food and Rural Affairs					
British Waterways	-20	-51	-18	1	0
Total Environment Food and Rural Affairs	-20	-51	-18	1	0
Culture Media and Sport					
Channel Four Television Corporation ^(S)	6	9	-4	#	#
Historic Royal Palaces Trust	3	1	0	#	#
Tote ^(S)	17	17	16	#	#
Total Culture Media and Sport	26	27	12	#	#
Work and Pensions					
Remploy	-15	-10	10	2	1
Pension Protection Fund	1	1	2	0	0
National Employment Savings Trust	-	-	-	1	17
Total Work and Pensions	-14	-9	12	3	18
Scotland					
Caledonian MacBrayne	7	8	6	6	6
Forest Enterprise	7	2	5	7	5
Housing Revenue Account	224	353	430	480	595
Scottish Water	616	699	648	443	491
Total Scotland	854	1,062	1,089	935	1,097
Wales					
Housing Revenue Account	105	125	120	119	141
Total Wales	105	125	120	119	141
Northern Ireland					
Northern Ireland Driver and Vehicle Testing Agency ^(T)	2	2	1	3	0
Northern Ireland Housing Executive	254	275	260	228	202
Northern Ireland Public Trust Port Authority	48	37	14	7	34
Northern Ireland Transport Holding Company	55	12	20	65	18
Northern Ireland Water	27	36	36	-1	92
Total Northern Ireland	386	362	332	301	345
Chancellor's Departments					
Crown Estate ^(S)	-280	180	-28	93	*
Royal Mint ^{(S)(T)}	0	-	-	-	-
Total Chancellor's Departments	-280	180	-28	93	0
Local Government					
London Underground Limited ⁽⁴⁾	1,333	1,653	1,515	1,525	1,853
Total Local Government	1,333	1,653	1,515	1,525	1,853
Total public corporations' capital expenditure on services	5,597	7,483	7,005	6,176	6,005
Accounting Adjustments	661	306	1,934	1,708	569
Total public corporations' capital expenditure⁽⁵⁾	6,258	7,789	8,939	7,884	6,574

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) Great North Eastern Railways (GNER) is classified to the public corporation sector from December 2006 to December 2007, during which time GNER operated under an amended version of the Franchise Agreement signed in May 2005.

(2) Housing Action Trusts are central government bodies in National Accounts but treated as public corporations in PESA.

(3) The Government sold shares in British Energy in January 2009, but it is still currently classified by the ONS as a public corporation.

(4) Includes capital spending by Infracos (Metronet and Tubelines).

(5) 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 ⁽¹⁾, 2007-08 to 2011-12

	National Statistics					£ million
	2007-08 outturn	2008-09 outturn	2009-10 outturn	2010-11 outturn	2011-12 outturn	
Public corporations' current expenditure on services						
1. General public services	709	553	399	420	357	
<i>of which: public sector debt interest</i>	709	553	399	420	357	
Total public corporations' current expenditure on services	709	553	399	420	357	
Accounting adjustments	-	-	-	-	-	
Total public corporations' current expenditure	709	553	399	420	357	
Public corporations' capital expenditure on services						
1. General public services	-173	327	192	107	55	
<i>of which: public and common services</i>	-228	231	105	91	43	
<i>of which: international services</i>	56	96	86	16	12	
2. Defence	99	51	51	51	51	
3. Public order and safety	4	7	4	5	2	
4. Economic affairs	2,298	2,418	2,003	1,849	2,229	
<i>of which: enterprise and economic development</i>	517	725	383	236	221	
<i>of which: employment policies</i>	-15	-10	10	2	1	
<i>of which: agriculture, fisheries and forestry</i>	6	2	5	7	5	
<i>of which: transport</i>	1,790	1,700	1,606	1,604	2,002	
5. Environment protection	-19	-51	-18	1	0	
6. Housing and community amenities	3,324	4,678	4,734	4,164	3,668	
7. Health	37	25	25	-	-	
8. Recreation, culture and religion	26	27	12	-	-	
10. Social protection	1	1	2	0	0	
Total public corporations' capital expenditure on services	5,597	7,483	7,005	6,176	6,005	
Accounting adjustments	661	306	1,934	1,708	569	
Total public corporations' capital expenditure	6,258	7,789	8,939	7,884	6,574	

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

Table 8.5 Public corporations' current and capital expenditure by economic category, 2007-08 to 2011-12

	£ million				
	National Statistics				
	2007-08	2008-09	2009-10	2010-11	2011-12
	outturn	outturn	outturn	outturn	outturn
Public corporations' current expenditure on services					
Public corporations' debt interest	709	553	399	420	357
Total public corporations' current expenditure on services	709	553	399	420	357
Accounting adjustments	-	-	-	-	-
Total public corporations' current expenditure	709	553	399	420	357
Public corporations' capital expenditure on services					
Gross capital procurement	8,469	8,369	7,874	7,259	6,471
Income from sales of assets	-3,082	-1,055	-1,071	-1,272	-630
Capital grants	210	169	202	190	163
Total public corporations' capital expenditure on services	5,597	7,483	7,005	6,176	6,005
Accounting adjustments	661	306	1,934	1,708	569
Total public corporations' capital expenditure	6,258	7,789	8,939	7,884	6,574
Total public corporations' expenditure on services	6,306	8,036	7,404	6,596	6,362
Accounting adjustments	661	306	1,934	1,708	569
Total public corporations' expenditure⁽¹⁾	6,967	8,342	9,338	8,304	6,931

(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.

WHAT'S NEW

8.2 There have been no significant changes to the presentation of data within this chapter since PESA 2011.

DEFINITION OF PUBLIC CORPORATIONS

8.3 Public corporation is a term from National Accounts, which are based on the European System of Accounts (ESA95). 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 per cent 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)

8.4 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.

8.5 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

8.6 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.

8.7 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 PESA.

8.8 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

8.9 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

8.10 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.

8.11 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.

8.12 **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 PESA 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).

8.13 **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.

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

THE NATIONAL ACCOUNTS

8.15 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.

8.16 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.

8.17 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.

8.18 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).

8.19 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.

8.20 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

8.21 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.

8.22 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 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

8.23 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 website⁵ in *Sector classification for the National Accounts*.

⁵ http://www.statistics.gov.uk/downloads/theme_economy/MA23.xls