

5

Public sector expenditure by function, sub-function and economic category

5.1 The analyses in this chapter present public sector expenditure adjusted so that figures for all years are based on current definitions. All outturn data (up to 2008-09) are National Statistics and are based on the expenditure on services framework (explained in **Annex E**).

What's new

5.2 **Table 5.1** reflects the Machinery of Government changes that took place in 2009, the main one being the merger of the Department for Business, Enterprise and Regulatory Reform (BERR) with the Department for Innovation Universities and Skills (DIUS) to form the Department for Business, Innovation and Skills (BIS). PESA 2010 does not reflect the transfer of policing and justice powers to the Northern Ireland Executive nor any structural changes announced since the election.

5.3 The breakdown of the economic categories in **Table 5.3** has been altered to align the table more closely with the presentation in **Table 2.1**. Procurement (both current and capital) is now shown on a gross basis, with separate lines for income from the sales of goods and services or assets. Subsidies and current grants have been broken down according to recipient. New categories have been added for net public service pensions and the grant equivalent element of student lending, which previously formed part of the social benefits and other grants category. More detail on the economic categories can be found below.

5.4 The treatment of financial sector interventions has been changed since the last edition of PESA. This is explained in **Box 5.A** below.

Classification changes

5.5 There have been a number of classification changes since PESA 2009. These reclassifications aim to ensure that data are consistent with both level 2 of the UN Classification Of the Functions Of Government (COFOG) and the definition of expenditure on services. The largest of these are:

- the transfer of responsibility for the UK Borders Agency from HM Revenue and Customs (HMRC) to the Home Office, as noted in **Chapter 4**, which led to the subsequent movement of related spending from **1.1 Executive and legislative organs, financial and fiscal affairs, external affairs** to **3.1 Police services (of which: immigration and citizenship)**. This affects tables in **Chapters 4, 5, 6, 9 and 10**;
- the review of the COFOG level 2 classification of **Education** expenditure recorded by BIS, Wales and Scotland. The functional allocation of a number of expenditure items was reviewed in order to ensure greater consistency in the application of COFOG level 2 definitions. Changes mainly affected **9.3 Post-secondary non-tertiary education** and **9.5 Education not definable by level**, where a large number of expenditure items (mostly relating to further education) are now allocated to **9.2 Secondary education**. This is reflected in changes to tables in **Chapters 5, 6 and 10**; and
- the reporting of transactions between the Department of Work and Pensions (DWP) and the National Insurance Fund (both classified as part of central government) has been amended to remove the impact on sub-functional expenditure. This has resulted in the apparent movement of spending items from **10.9 Social protection n.e.c.** to personal social services under **10.5. Unemployment**. This affects tables in **Chapters 5, 6 and 10**.

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

In PESA 2009 financial institutions supported by the government were classified as part of the public sector, following the treatment in the National Accounts. This meant that support to the banks was public sector neutral. The only impact of this support on the expenditure on services framework (as on Total Managed Expenditure in the National Accounts) was income received from underwriting commission and the sale of goods and services.

In December 2009 the Office for National Statistics created an alternative measure of Public Sector Net Borrowing (PSNBex). This treated the classification of banks to the public sector (Northern Rock, Bradford & Bingley, Dunfermline, Lloyds Banking Group and Royal Bank of Scotland) as temporary, reflecting the Government's intention to return these banks to the private sector. As a result, these institutions are treated as if they are outside the public sector. PESA 2010 comes into line with this treatment.

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 and £2.4 billion in 2009-10, made up mainly of underwriting commission and credit guarantee scheme 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** in **Chapter 2** 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).

As a result of this new treatment, Public Sector Net Investment within PSNBex is £10.0 billion higher in 2008-09 and £4.5 billion higher in 2009-10 than was previously the case. In 2008-09 this comprises the £9.4 billion of capital grants and £0.6 billion of income received by Bradford & Bingley (following the sale of their branches to Abbey) that is now no longer a public sector receipt. In 2009-10 it comprises the £7.7 billion of capital grants and £3.2 billion of fee income treated as capital in the National Accounts.

Relationship between functional series and departments

5.6 **Table 5.1** shows public sector expenditure on services by function split across the different government departmental groups for 2008-09. 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.

Public sector expenditure on services by sub-function

5.7 **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 website¹.

5.8 The sub-functional 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

5.9 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.

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

- **pay** includes wages and salaries, employers' social contributions, payments of accruing superannuation liability charges for UK staff and locally engaged staff overseas, and amounts that finance employee contributions to pension schemes. It also includes income from the recovery of secondee costs, 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;
- **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 EC'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**;

¹ http://www.hm-treasury.gov.uk/pes_function.htm

- **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

5.11 **Table 5.4** gives a functional (COFOG level 1) breakdown of the current and capital expenditure of the public sector. 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

5.12 **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.

5.13 **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.

Table 5.1 Public sector expenditure on services by departmental group⁽¹⁾ and function, 2008–09

		National Statistics																	£ million																	
Departmental group ⁽²⁾	Function	1. General public services		of which: international services		of which: public sector debt interest		2. Defence	3. Public order and safety		4. Economic affairs		of which: enterprise and economic development		of which: science and technology		of which: employment policies		of which: agriculture, fisheries and forestry		of which: transport		5. Environment protection		6. Housing and community amenities		7. Health		8. Recreation, culture and religion		9. Education		10. Social protection		EU transactions	Public sector expenditure on services for each department
		Education		-30	-30	-	-	-	-	121	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10	-	54,474	7,698	-	-	-	-	-	62,273
Health		-	-	-	-	-	-	-	245	111	-	-	135	-	-	-	-	-	-	-	-	-	-	90,241	-	-	-	12,261	-	-	-	-	-	102,747		
Transport		-	-	-	-	-	1	277	16,787	-	11	-	-	16,776	-	-	-	-	-	-	-	-	-	-	-	75	-	1,010	-	-	-	-	-	18,727		
Communities and Local Government		4,744	4,738	6	-	19	2,646	2,816	2,816	-	-	-	-	-	99	10,308	-	362	-	-	-	-	-	-	-	-	362	-	2,148	-	-	-	-	23,142		
Business, Innovation and Skills		10	9	1	-	-	-	4,891	1,983	2,814	93	-	-	-	400	1	713	145	14,020	626	-	-	-	-	-	-	-	-	-	-	-	-	-	20,804		
Home Office		-	-	-	-	-	16,862	133	-	-	-	-	-	-	-	133	-	332	-	-1	-	-	-	-	-	-	-	-	-	-	-	-	-	17,327		
Justice		239	239	-	-	-	9,553	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	104	-	-	-	9,896		
Law Officers' Departments		-	-	-	-	-	-	724	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	724		
Defence		47	-	47	-	34,915	-	34	34	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20	-	2,975	-	-	-	37,991			
Foreign and Commonwealth Office		2,177	-	2,177	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,177		
International Development		4,978	-	4,978	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	107	-	-	-	-	5,086		
Energy and Climate Change		61	-	61	-	-	-	989	989	-	-	-	-	-	1,544	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,595		
Environment, Food and Rural Affairs		-	-	-	-	-	-	3,553	76	11	-	3,465	-	5,952	4	-	1,014	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,523		
Culture, Media and Sport		55	55	-	-	-	-	181	181	-	-	-	-	-	38	38	51	9,548	60	-210	-	-	-	-	-	-	-	-	-	-	-	-	-	9,762		
Work and Pensions		446	446	-	-	-	-	2,781	-	-2	2,782	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	135,653	-	-	-	-	138,880		
Scotland		1,137	1,137	-	-	5	2,306	4,061	530	137	4	787	2,604	841	1,802	10,130	1,055	7,522	3,048	-	-	-	-	-	-	-	-	-	-	-	-	-	-	31,908		
Wales		694	693	1	-	-	28	1,616	278	5	76	460	796	520	593	5,531	541	3,993	1,639	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,155		
Northern Ireland Executive		367	367	-	-	-	85	1,531	266	37	146	571	511	233	1,308	3,295	383	2,522	5,503	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,227		
Northern Ireland Office		74	74	-	-	-	1,027	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	93	-	-	-	-	1,194		
Chancellor's Departments		36,617	5,062	-	31,555	-	-	8,480	8,328	152	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	29,879	-2,931	-	-	-	72,046		
Cabinet Office		402	402	-	-	1,771	-	-	-	-	-	-	-	-	-	-	-	-	-	1	1,071	-	-	-	-	-	-	-	-	-	-	-	-	3,245		
Independent Bodies		755	755	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-	-	-	-	756		
Public sector expenditure on services for each function		52,773	13,947	7,271	31,555	36,710	33,629	48,096	15,591	3,165	3,102	5,417	20,820	9,628	14,963	109,972	13,142	82,594	203,607	-2,931	-	-	-	-	-	-	-	-	-	-	-	-	-	602,184		

(1) Includes local government spending, which is allocated to the most relevant departmental group.

(2) PESA 2010 does not reflect the transfer of policing and justice powers to the Northern Ireland Executive, nor any structural changes announced since the election.

Table 5.2 Public sector expenditure on services by sub-function, 2004–05 to 2009–10

	National Statistics					£ million
	2004–05	2005–06	2006–07	2007–08	2008–09	2009–10
	outturn	outturn	outturn	outturn	outturn	estimated outturn
1. General public services						
1.1 Executive and legislative organs, financial and fiscal affairs, external affairs	10,750	11,164	11,204	11,260	12,073	12,066
1.2 Foreign economic aid	3,581	4,227	4,297	4,638	4,951	5,707
1.3 General services	1,094	1,060	1,244	1,189	1,286	1,357
1.4 Basic research	39	53	77	54	86	90
1.5 R&D general public services	28	30	30	21	21	23
1.6 General public services n.e.c.	2,142	2,421	2,107	2,216	2,801	2,798
1.7 Public sector debt interest ⁽¹⁾	24,897	26,746	28,749	31,363	31,555	31,367
<i>of which: central government debt interest</i>	23,936	25,808	27,581	29,961	30,507	30,948
<i>of which: local government debt interest</i>	385	440	518	692	514	11
<i>of which: public corporation debt interest</i>	576	498	650	710	534	408
Total general public services	42,532	45,701	47,708	50,741	52,773	53,408
2. Defence						
2.1 Military defence	24,929	26,411	27,465	27,621	30,891	31,650
2.2 Civil defence	78	77	90	91	82	87
2.3 Foreign military aid	903	1,155	1,689	2,704	3,641	4,099
2.4 R&D defence	588	566	621	637	547	511
2.5 Defence n.e.c.	3,256	2,710	2,284	2,543	1,549	1,852
Total defence	29,754	30,918	32,149	33,595	36,710	38,199
3. Public order and safety						
3.1 Police services	15,590	16,470	17,156	17,507	18,724	19,702
<i>of which: immigration and citizenship</i>	2,127	1,933	2,006	2,068	2,089	2,267
<i>of which: other police services</i>	13,464	14,537	15,150	15,439	16,635	17,435
3.2 Fire-protection services	2,511	2,675	2,701	2,887	3,053	3,327
3.3 Law courts	6,764	6,111	6,266	6,545	6,725	6,894
3.4 Prisons	3,156	3,577	3,812	4,271	4,650	4,574
3.5 R&D public order and safety	48	23	14	26	25	30
3.6 Public order and safety n.e.c.	392	413	470	472	452	463
Total public order and safety	28,462	29,268	30,419	31,709	33,629	34,990
4. Economic affairs						
4.1 General economic, commercial and labour affairs ⁽²⁾	6,453	6,971	6,872	7,198	15,639	9,544
4.2 Agriculture, forestry, fishing and hunting	5,442	5,604	5,134	5,001	5,417	6,079
<i>of which: market support under CAP</i>	3,978	3,949	3,526	3,272	3,632	4,393
<i>of which: other agriculture, food and fisheries policy</i>	1,329	1,484	1,429	1,567	1,635	1,533
<i>of which: forestry</i>	136	170	180	161	150	152
4.3 Fuel and energy	1,515	1,293	1,382	1,141	898	439
4.4 Mining, manufacturing and construction	–4	136	12	–98	359	725
4.5 Transport	16,022	17,039	19,885	20,526	20,820	23,083
<i>of which: national roads</i>	2,352	2,705	3,313	3,231	3,510	4,136
<i>of which: local roads</i>	4,599	4,963	4,946	5,120	5,572	5,508
<i>of which: local public transport</i>	2,223	2,573	2,909	3,205	3,579	4,095
<i>of which: railway</i>	6,055	5,921	7,826	7,897	7,011	8,200
<i>of which: other transport</i>	794	877	891	1,073	1,148	1,144
4.6 Communication	560	426	467	858	890	684
4.7 Other industries	308	295	315	300	303	291
4.8 R&D economic affairs	2,535	2,999	2,821	3,211	3,165	3,507
4.9 Economic affairs n.e.c.	889	768	822	785	605	1,202
Total economic affairs	33,720	35,531	37,710	38,922	48,096	45,554

Table 5.2 Public sector expenditure on services by sub-function, 2004–05 to 2009–10 (continued)

	£ million					
	National Statistics					
	2004–05 outturn	2005–06 outturn	2006–07 outturn	2007–08 outturn	2008–09 outturn	2009–10 estimated outturn
5. Environment protection						
5.1 Waste management	3,984	5,077	5,636	5,806	5,652	6,882
5.2 Waste water management	58	70	71	35	50	58
5.3 Pollution abatement	282	293	237	191	269	412
5.4 Protection of biodiversity and landscape	321	318	481	441	451	434
5.5 R&D environment protection	304	332	342	369	402	427
5.6 Environment protection n.e.c.	2,094	2,408	2,534	2,641	2,804	3,208
Total environment protection	7,044	8,499	9,301	9,481	9,628	11,420
6. Housing and community amenities						
6.1 Housing development	4,228	6,029	6,832	7,675	9,276	10,349
<i>of which: local authority housing</i>	<i>1,946</i>	<i>3,773</i>	<i>4,010</i>	<i>4,653</i>	<i>5,787</i>	<i>5,237</i>
<i>of which: other social housing</i>	<i>2,282</i>	<i>2,256</i>	<i>2,822</i>	<i>3,022</i>	<i>3,489</i>	<i>4,804</i>
6.2 Community development	2,677	2,971	3,001	3,414	3,585	3,420
6.3 Water supply	484	900	990	993	1,241	980
6.4 Street lighting	415	482	521	573	647	655
6.5 R&D housing and community amenities	15	14	9	8	5	5
6.6 Housing and community amenities n.e.c.	161	175	191	248	209	224
Total housing and community amenities	7,980	10,571	11,543	12,910	14,963	15,633
7. Health⁽³⁾						
Medical services	80,754	87,582	92,173	99,625	107,319	116,638
Medical research	475	482	609	582	812	897
Central and other health services	1,703	1,519	1,730	1,944	1,841	2,278
Total health	82,932	89,582	94,512	102,151	109,972	119,813
8. Recreation, culture and religion						
8.1 Recreational and sporting services	2,944	3,130	3,493	4,037	4,921	5,396
8.2 Cultural services	3,574	3,984	3,992	4,174	4,262	4,551
8.3 Broadcasting and publishing services	3,270	3,431	3,566	3,669	3,589	3,763
8.4 Religious and other community services	107	105	107	116	111	104
8.5 R&D recreation, culture and religion	1	81	109	130	148	157
8.6 Recreation, culture and religion n.e.c.	74	82	110	111	110	111
Total recreation, culture and religion	9,969	10,813	11,378	12,238	13,142	14,081
9. Education						
9.1 Pre-primary and primary education	21,894	23,430	24,174	25,807	27,272	28,648
<i>of which: under fives</i>	<i>4,113</i>	<i>4,305</i>	<i>4,107</i>	<i>4,425</i>	<i>4,609</i>	<i>4,935</i>
<i>of which: primary education</i>	<i>17,781</i>	<i>19,125</i>	<i>20,068</i>	<i>21,381</i>	<i>22,663</i>	<i>23,713</i>
9.2 Secondary education	28,230	30,072	31,680	33,444	34,710	38,202
9.3 Post-secondary non-tertiary education	350	332	297	318	516	485
9.4 Tertiary education	8,920	9,862	10,409	11,783	11,639	12,873
9.5 Education not definable by level	639	622	611	607	563	592
9.6 Subsidiary services to education	2,958	3,210	3,354	3,599	4,726	4,673
9.7 R&D education	43	34	38	33	15	20
9.8 Education n.e.c.	2,086	2,142	2,369	2,506	3,153	2,803
Total education	65,120	69,704	72,931	78,098	82,594	88,297

Table 5.2 Public sector expenditure on services by sub-function, 2004–05 to 2009–10 (continued)

	£ million					
	National Statistics					
	2004–05 outturn	2005–06 outturn	2006–07 outturn	2007–08 outturn	2008–09 outturn	2009–10 estimated outturn
10. Social protection						
<i>of which: personal social services</i>	23,307	25,186	26,512	28,055	29,667	30,165
10.1 Sickness and disability	30,909	32,274	33,332	35,048	38,397	41,209
<i>of which: personal social services</i>	6,536	7,094	7,389	8,046	8,565	8,920
<i>of which: incapacity, disability and injury benefits</i>	24,373	25,180	25,943	27,003	29,832	32,289
10.2 Old age	67,547	70,851	73,761	79,600	87,326	92,302
<i>of which: personal social services</i>	8,040	8,629	8,905	9,381	9,947	10,043
<i>of which: pensions</i>	59,507	62,222	64,857	70,219	77,379	82,259
10.3 Survivors	1,852	1,846	1,811	1,808	1,814	1,834
10.4 Family and children	26,748	27,137	27,405	28,713	28,141	29,121
<i>of which: personal social services</i>	5,579	6,217	6,558	6,966	7,430	7,594
<i>of which: family benefits, income support and tax credits</i>	21,169	20,920	20,847	21,747	20,711	21,526
10.5 Unemployment	3,817	4,102	4,641	4,336	5,323	7,089
<i>of which: personal social services</i>	1,323	1,462	1,892	1,848	1,804	1,547
<i>of which: other unemployment benefits</i>	2,494	2,640	2,749	2,488	3,519	5,541
10.6 Housing	15,559	16,349	17,355	18,293	19,664	22,805
10.7 Social exclusion n.e.c.	13,566	14,927	16,128	17,397	20,580	24,370
<i>of which: personal social services</i>	1,829	1,784	1,769	1,814	1,922	2,061
<i>of which: family benefits, income support and tax credits⁽⁴⁾</i>	11,737	13,143	14,360	15,583	18,659	22,309
10.8 R&D social protection	2	1	0	0	1	0
10.9 Social protection n.e.c.	4,130	3,611	2,717	2,349	2,361	3,783
Total social protection	164,130	171,097	177,150	187,544	203,607	222,513
EU transactions⁽⁵⁾						
GNI-based contribution (net of abatement and collection costs)	4,361	3,856	4,071	4,785	2,378	5,760
<i>derived as:</i>						
<i>EC gross contribution pre-abatement and after deduction of collection costs</i>	12,183	11,780	12,245	13,746	13,155	13,733
<i>Traditional Own Resources (without deduction of collection costs) and VAT contributions</i>	-4,100	-4,283	-4,614	-5,001	-5,183	-3,754
<i>UK abatement</i>	-3,722	-3,641	-3,560	-3,960	-5,595	-4,218
<i>EC receipts</i>	-4,555	-3,750	-5,164	-5,601	-4,558	-4,820
<i>Attributed aid and Common Foreign and Security Policy</i>	-697	-704	-709	-715	-751	-899
Total EU transactions	-892	-598	-1,802	-1,531	-2,931	41
Unallocated						
Departmental unallocated provision	-	-	-	-	-	99
Allowance for shortfall	-	-	-	-	-	-2,594
Total unallocated	-	-	-	-	-	-2,495
Public sector expenditure on services	470,751	501,088	522,999	555,859	602,184	641,455
Accounting adjustments	21,626	22,918	27,047	26,675	27,660	27,805
Total Managed Expenditure⁽⁶⁾	492,377	524,006	550,046	582,534	629,844	669,260

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

(2) The increase in 2008–09 onwards relates to the 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 EC 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, 2004–05 to 2009–10⁽¹⁾

	National Statistics					£ million
	2004–05 outturn	2005–06 outturn	2006–07 outturn	2007–08 outturn	2008–09 outturn	2009–10 estimated outturn
Public sector current expenditure on services						
Pay	133,270	141,981	147,262	152,190	159,903	164,470
Gross current procurement	146,798	158,927	164,874	174,794	188,053	196,419
Income from sales of goods and services	-40,166	-45,423	-45,519	-47,915	-53,184	-52,622
Current grants to persons and non-profit bodies	160,057	168,195	174,150	183,756	198,012	217,044
Current grants abroad	3,403	3,755	2,547	3,258	2,395	5,948
Subsidies to private sector companies	7,805	7,819	7,779	7,905	6,376	9,404
Subsidies to public corporations	953	1,176	1,072	1,509	1,086	1,146
Net public services pensions	1,175	210	1,061	2,296	3,099	3,119
Grant equivalent element of student lending	326	429	289	1,032	525	763
Public sector debt interest	24,897	26,746	28,749	31,363	31,555	31,367
Other	3	-120	-152	26	13	237
Unallocated provision	-	-	-	-	-	-1,422
Total public sector current expenditure on services	438,521	463,694	482,112	510,214	537,832	575,873
Accounting adjustments	18,126	20,761	25,105	25,667	26,906	24,682
Total public sector current expenditure	456,647	484,455	507,217	535,881	564,738	600,555
Public sector capital expenditure on services						
Capital grants ⁽²⁾	9,884	11,274	13,677	14,411	25,110	22,752
Gross capital procurement	29,370	33,328	34,205	38,579	42,265	46,848
Income from sales of capital assets	-7,073	-7,299	-6,949	-7,299	-3,026	-2,845
Other	48	89	-47	-46	2	0
Unallocated provision	-	-	-	-	-	-1,173
Total public sector capital expenditure on services	32,230	37,392	40,887	45,645	64,351	65,582
Accounting adjustments	3,500	2,159	1,942	1,008	755	3,123
Total public sector capital expenditure	35,730	39,551	42,829	46,653	65,106	68,705
Total public sector expenditure on services	470,751	501,087	522,999	555,859	602,184	641,455
Accounting adjustments	21,626	22,919	27,047	26,675	27,660	27,805
Total Managed Expenditure⁽³⁾	492,377	524,006	550,046	582,534	629,844	669,260

(1) Most unallocated provision cannot be assigned to an individual sector. Therefore, total public sector expenditure on services and the breakdown by economic category for 2009–10 will not match the sum of those shown in Chapters 6, 7 and 8.

(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 5.4 Public sector current and capital expenditure on services by function⁽¹⁾,
2004–05 to 2009–10**

	£ million					
	National Statistics					
	2004–05 outturn	2005–06 outturn	2006–07 outturn	2007–08 outturn	2008–09 outturn	2009–10 estimated outturn
Public sector current expenditure on services						
1. General public services	40,763	43,757	46,121	49,033	50,287	50,801
<i>of which: public and common services</i>	10,514	11,146	11,488	11,368	11,934	11,965
<i>of which: international services</i>	5,353	5,865	5,884	6,303	6,798	7,469
<i>of which: public sector debt interest</i>	24,897	26,746	28,749	31,363	31,555	31,367
2. Defence	28,119	29,846	31,250	31,056	33,243	33,979
3. Public order and safety	26,755	27,658	28,604	29,620	30,881	32,103
4. Economic affairs	23,383	24,234	24,518	25,708	23,777	25,468
<i>of which: enterprise and economic development⁽²⁾</i>	5,084	5,226	4,987	5,488	4,160	2,606
<i>of which: science and technology</i>	1,940	2,242	2,146	2,426	2,541	2,891
<i>of which: employment policies</i>	3,027	2,987	3,155	3,210	3,017	3,696
<i>of which: agriculture, fisheries and forestry</i>	5,204	5,321	4,813	4,712	5,040	5,763
<i>of which: transport</i>	8,129	8,459	9,417	9,872	9,019	10,512
5. Environment protection	6,141	6,290	7,054	7,200	7,020	8,422
6. Housing and community amenities	3,255	3,552	3,595	3,873	3,753	3,776
7. Health	79,218	86,467	90,623	97,432	104,626	113,267
8. Recreation, culture and religion	8,502	9,114	9,536	9,892	10,040	10,145
9. Education	59,620	63,254	66,266	71,162	74,284	77,864
10. Social protection	163,655	170,121	176,347	186,769	202,851	221,366
EU transactions	-892	-598	-1,802	-1,531	-2,931	41
Unallocated provision	-	-	-	-	-	-1,359
Total public sector current expenditure on services	438,521	463,694	482,112	510,214	537,832	575,873
Accounting adjustments	18,126	20,761	25,105	25,667	26,906	24,682
Public sector current expenditure	456,647	484,455	507,217	535,881	564,738	600,555
Public sector capital expenditure on services						
1. General public services	1,768	1,944	1,587	1,708	2,486	2,608
<i>of which: public and common services</i>	1,574	1,603	1,199	1,265	2,013	1,971
<i>of which: international services</i>	194	341	388	443	473	637
2. Defence	1,635	1,072	899	2,539	3,468	4,220
3. Public order and safety	1,707	1,610	1,815	2,089	2,747	2,887
4. Economic affairs	10,337	11,297	13,192	13,214	24,319	20,086
<i>of which: enterprise and economic development⁽²⁾</i>	1,453	1,322	1,534	1,414	11,432	6,460
<i>of which: science and technology</i>	595	757	675	785	625	615
<i>of which: employment policies</i>	157	355	195	72	85	125
<i>of which: agriculture, fisheries and forestry</i>	239	283	321	289	377	316
<i>of which: transport</i>	7,894	8,580	10,467	10,655	11,801	12,570
5. Environment protection	903	2,209	2,247	2,281	2,607	2,999
6. Housing and community amenities	4,724	7,019	7,948	9,038	11,210	11,857
7. Health	3,713	3,115	3,889	4,719	5,346	6,546
8. Recreation, culture and religion	1,467	1,699	1,842	2,346	3,102	3,936
9. Education	5,500	6,450	6,665	6,936	8,309	10,433
10. Social protection	475	976	804	775	755	1,147
Unallocated provision	-	-	-	-	-	-1,136
Total public sector capital expenditure on services	32,230	37,392	40,887	45,645	64,351	65,582
Accounting adjustments	3,500	2,155	1,952	1,304	1,529	3,123
Public sector capital expenditure	35,730	39,551	42,829	46,653	65,090	68,705
Total public sector expenditure on services	470,751	501,087	522,999	555,859	602,184	641,455
Accounting adjustments	21,626	22,919	27,047	26,675	27,660	27,805
Total Managed Expenditure⁽³⁾	492,377	524,006	550,046	582,534	629,844	669,260

(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 increase in capital spending in 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, 2004–05 to 2009–10

	£ million					
	National Statistics					2009–10 estimated outturn
	2004–05 outturn	2005–06 outturn	2006–07 outturn	2007–08 outturn	2008–09 outturn	
Public sector gross current procurement expenditure on services						
1. General public services	12,978	13,675	13,453	13,431	15,295	15,017
<i>of which: public and common services</i>	12,043	12,310	12,085	12,128	13,484	13,301
<i>of which: international services</i>	935	1,364	1,367	1,303	1,811	1,715
2. Defence	18,039	19,450	20,751	19,808	22,090	22,268
3. Public order and safety	11,278	11,457	12,138	12,611	13,314	14,112
4. Economic affairs	10,877	11,495	11,733	12,518	13,330	12,647
<i>of which: enterprise and economic development</i>	2,593	2,695	2,463	2,875	3,162	2,425
<i>of which: science and technology</i>	568	597	637	605	390	494
<i>of which: employment policies</i>	1,094	1,192	1,274	1,358	1,515	1,783
<i>of which: agriculture, fisheries and forestry</i>	1,015	1,084	1,081	1,074	1,037	1,108
<i>of which: transport</i>	5,607	5,928	6,278	6,606	7,226	6,837
5. Environment protection	5,361	6,927	7,386	7,495	8,020	8,235
6. Housing and community amenities	2,464	2,800	2,806	3,020	3,288	3,225
7. Health	48,176	52,865	54,937	61,766	65,730	71,730
8. Recreation, culture and religion	6,102	6,459	6,759	6,911	7,287	7,156
9. Education	9,152	9,644	10,135	11,091	12,076	12,907
10. Social protection	22,371	24,155	24,777	26,141	27,623	29,064
Unallocated	–	–	–	–	–	60
Total public sector gross current procurement expenditure on services	146,798	158,927	164,874	174,794	188,053	196,419

(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, 2004–05 to 2009–10

	£ million					
	National Statistics					
	2004–05 outturn	2005–06 outturn	2006–07 outturn	2007–08 outturn	2008–09 outturn	2009–10 estimated outturn
Public sector gross capital procurement expenditure on services						
1. General public services	2,457	2,540	2,556	2,458	2,883	2,606
<i>of which: public and common services</i>	2,288	2,227	2,232	2,124	2,478	2,284
<i>of which: international services</i>	169	313	324	335	405	322
2. Defence	2,003	1,414	1,391	3,939	3,846	4,360
3. Public order and safety	1,692	1,675	1,926	2,254	2,828	2,934
4. Economic affairs	7,513	8,365	8,392	8,696	9,311	10,037
<i>of which: enterprise and economic development</i>	1,239	1,111	988	1,183	1,492	1,155
<i>of which: science and technology</i>	221	184	166	216	160	184
<i>of which: employment policies</i>	106	298	119	26	31	65
<i>of which: agriculture, fisheries and forestry</i>	263	313	308	303	304	297
<i>of which: transport</i>	5,685	6,458	6,812	6,967	7,325	8,336
5. Environment protection	613	1,658	1,605	1,701	1,877	2,254
6. Housing and community amenities	5,396	6,865	6,698	6,854	6,839	6,371
7. Health	3,986	4,184	4,667	5,020	5,406	6,484
8. Recreation, culture and religion	1,076	1,426	1,614	2,071	2,905	3,633
9. Education	4,218	4,690	4,910	5,098	5,966	7,551
10. Social protection	416	510	446	487	403	578
Unallocated	–	–	–	–	–	39
Total public sector gross capital procurement expenditure on services	29,370	33,328	34,205	38,579	42,265	46,848
Plus public sector receipts from sales of assets						
Central government						
Receipts from sale of land and existing buildings	–955	–1,553	–1,573	–2,181	–660	–506
Other	–476	–783	–605	–391	–316	–320
Total central government receipts	–1,431	–2,336	–2,178	–2,572	–976	–825
Local government						
Receipts from sale of land and existing buildings	–1,637	–1,732	–2,108	–2,404	–970	–1,291
Other	–19	–29	–47	–15	–36	–22
Total local government receipts	–1,656	–1,762	–2,154	–2,419	–1,006	–1,312
Total general government receipts	–3,088	–4,098	–4,332	–4,990	–1,981	–2,138
Public corporations						
Receipts from sale of land and existing buildings	–3,946	–2,881	–2,698	–2,281	–958	–689
Other	–39	–319	82	–28	–87	–18
Total public corporations' receipts	–3,985	–3,201	–2,616	–2,309	–1,045	–707
Total public sector income from sales of capital assets	–7,073	–7,299	–6,949	–7,299	–3,026	–2,845

(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.