**Introduction to Total Expenditure on Services (TES)**

**What is TES?**

TES broadly represents the total current and capital expenditure of the public sector, and so is similar to the National Accounts measure of Total Managed Expenditure (TME). The departmental contribution to TES is given by a subset of spending within their budgets – as defined below. For the avoidance of doubt, TES is the spending required to deliver services, not just the purchasing of services.

**What is TES used for?**

Total Expenditure on Services (TES) is used by HM Treasury as the basis for the reporting of functional, economic category and territorial spending.

Public Expenditure Statistical Analyses (PESA) is the main document that publishes these data. Tables in Chapters 4, 5, 6, 7 and 8, showing public expenditure disaggregated by function and/or economic category, and tables in Chapters 9 and 10, showing public expenditure by country and region, are all based on TES, or a sectoral element of it. As well as the PESA publication, some of the functional spending tables are updated in the quarterly Public Spending Statistics (PSS) releases.

**How departments contribute towards TES**

Expenditure on services can be built up from departmental budgets (resource DEL, capital DEL and departmental AME). Essentially, (most) transfers to other parts of the public sector are removed, as are transactions that do not score as spending in the National Accounts. Spending by local government and public corporations is then added.

The table below shows the derivation of expenditure on services from departments’ budgets.

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| Departmental budgets (resource Departmental Expenditure Limits + capital Departmental Expenditure Limits + departmental Annually Managed Expenditure) |
| Less | grants to local government; |
|  | capital grants to public corporations; |
|  | depreciation; |
|  | provisions; |
|  | spending classified as financial transactions in the National Accounts; |
|  | interest and dividends; |
|  | items classified as revenue in the National Accounts which are netted off spending in budgets; |
|  | EU receipts; |
|  | other items that are not classified as spending in National Accounts (e.g. transfers between central government departments); and |
|  | most intra-public sector transfers, the main exceptions being subsidies to public corporations and trading bodies. |
| Plus  | local government current and capital expenditure; |
|  | Northern Ireland locally financed expenditure; |
|  | public corporations’ capital expenditure; |
|  | public sector debt interest; and |
|  | EU transactions. |