

# FUNCTIONAL AND ECONOMIC CATEGORY ANALYSES OF PUBLIC SECTOR EXPENDITURE

**5.1** The analyses in this chapter give a picture of changes in government expenditure over recent years, adjusted as far as possible so that figures for outturn years are based on current definitions. All outturn data (to 2005–06) are National Statistics.

## What's new

**5.2** As pre-announced in PESA 2006 the analysis of Total Expenditure on Services (TES) in PESA 2007 by the UN Classification of Functions of Government (COFOG) has been moved into conformity with the UN COFOG definitions at level 2. There are now only 10 COFOG divisions, compared with the 18 functions shown in previous years. Those PESA 2006 sub-functional splits that don't map directly to COFOG have been retained. Each UN COFOG level 1 division includes a category for expenditure not elsewhere classified (n.e.c.) within the division. The changes to the presentation are outlined below, and a document detailing these changes in full has been published on the Treasury website<sup>1</sup>.

**5.3** Under UN COFOG **general public services** is a larger category than presented in PESA 2006. It includes the functions of general public services, international services and public sector debt interest. The main changes are:

- **public and common services** expenditure is split between executive and legislative organs, financial and fiscal affairs, external affairs (1.1), general services (1.3), basic research (1.4), R&D general public services (1.5), and general public services n.e.c. (1.6); and
- **international services** expenditure is split between foreign economic aid (1.2), and the external affairs part of 1.1. The PESA 2006 international services series has been retained in Table 4.2.

**5.4** The level of detail shown for expenditure on **defence** has increased. National defence is now disaggregated to military defence (2.1), foreign military aid (2.3), R&D defence (2.4) and defence n.e.c. (2.5). Civil defence (2.2) is unchanged from PESA 2006.

**5.5** There are small changes to **public order and safety**: fire is re-titled to fire-protection services (3.2); administration of justice to law courts (3.3); and prisons and offender programmes to prisons (3.4). The definitions of these three categories are unchanged. The PESA 2006 sub-functions 'police' and 'immigration and citizenship' are amalgamated into police services (3.1), and the old series shown in italics in Table 5.2. Other public order and safety has been separated into R&D public order and safety (3.5) and public order and safety n.e.c. (3.6).

**5.6** **Economic affairs** encompasses the PESA 2006 functions enterprise and economic development, science and technology, employment policies, transport, and agriculture, fisheries and forestry. These presentations are retained in Table 4.1. The PESA 2006 sub-functions are now presented as follows:

- **economic development and trade** is split between general economic, commercial and labour affairs (4.1) and economic affairs n.e.c. (4.9);

<sup>1</sup> [http://www.hm-treasury.gov.uk/economic\\_data\\_andtools/finance\\_spending\\_statistics/pes\\_function/function.cfm](http://www.hm-treasury.gov.uk/economic_data_andtools/finance_spending_statistics/pes_function/function.cfm)

- **support for business** is allocated across the categories of economic affairs according to the sector of the recipient business (e.g. support for manufacturing is included as mining, manufacturing and construction (4.4));
- **regional policy** is not defined within the COFOG framework, thus an exercise was undertaken to reclassify the data to COFOG level 2. A large proportion remains in economic affairs, with the remainder split between housing and community amenities, social protection, and general public services;
- **science and technology** is now R&D economic affairs (4.8), with the definition unchanged from PESA 2006;
- **employment policies** is included in general economic, commercial and labour affairs, and the PESA 2006 presentation shown in Table 4.2;
- **market support under CAP, forestry and other agriculture, food and fisheries policy** form agriculture, fisheries, forestry and hunting (4.2); and
- the PESA 2006 **transport** sub-functions form transport (4.5).

**5.7** Previously **environment protection** was split into two sub functions – environmental protection, and environmental research. Environmental research is now R&D environment protection (5.5), and environmental protection split between:

- 5.1. Waste management;
- 5.2. Waste water management;
- 5.3. Pollution abatement;
- 5.4. Protection of biodiversity and landscape; and
- 5.6. Environment protection n.e.c

**5.8** Under the previous presentation, **housing and community amenities** was split into three sub-functions: local authority housing; other social housing; and other housing and community services. Under UN COFOG level 2, other housing and community services is split into:

- 6.2. Community development;
- 6.3. Water supply;
- 6.4. Street lighting;
- 6.5. R&D Housing and community amenities; and
- 6.6. Housing and community amenities n.e.c.

The previous sub functions of local authority housing and other social housing combine to make up housing development (6.1). These sub-functions are presented in table 5.2 underneath the housing development line (6.1).

**5.9** The sub-function analysis of health is unchanged from PESA 2006, and is not yet reported on a full COFOG level 2 basis. This is because the NHS is neither financed nor organised along the lines of COFOG level 2, and an exercise to capture the additional required information to National Statistics standards could not be completed for this year's PESA. Work is ongoing to move to a full COFOG level 2 basis for future publications.

**5.10** The main change to **recreation, culture and religion** is the removal of the National Lottery sub-function. Like regional policy, this presentation was not within the COGOG framework, so National Lottery expenditure has been reclassified between the categories within recreation, culture and religion and across the divisions of health, education, and social protection. Other changes to the presentation of recreation, culture and religion are:

- **heritage, arts, libraries and films** is split between cultural services (8.2) and religious and other community services (8.4);
- **sport and recreation** is now called recreational and sporting services (8.1);
- **broadcasting** is retitled to broadcasting and publishing services (8.3); and
- **other recreation, culture and religion** is split between R&D recreation, culture and religion (8.5) and recreation, culture and religion n.e.c. (8.6).

**5.11** The **education** division includes both education and training (shown separately) in Table 4.2). Pre-primary and primary education (9.1) comprises the PESA 2006 sub-functions of **under fives** and **primary education**, and is also presented on the old basis in Table 5.3 for reference. **Other education and training** has been disaggregated to subsidiary services to education (9.6), R&D education (9.7), and education n.e.c (9.8). The remaining categories are defined as in PESA 2006, although the titles have been brought into line with COFOG as below:

- Secondary schools is now 9.2 Secondary education;
- Further education is now 9.3 Post-secondary non-tertiary education;
- Higher education is now 9.4 Tertiary education; and
- Training is now 9.5 Education not definable by level

**5.12** In COFOG level 2 there is no distinction between cash benefits and benefits-in-kind within **social protection**. PESA 2006 showed benefits-in-kind under the heading **personal social services**, with cash benefits split according to the nature of the benefit. To present social protection at COFOG level 2 whilst retaining the benefits-in-kind information, each COFOG category shows the personal social services and other elements separately. The individual personal social services lines in Table 5.3 sum to the presentation in PESA 2006. There are also changes to the definitions of two PESA 2006 sub-functions within social protection:

- **family benefits, income support and tax credits** is split between family and children (10.4) and social exclusion n.e.c. (10.7); and
- **administration and miscellaneous services** is split into R&D social protection (10.8) and social protection n.e.c. (10.9).

Further information on the classification and relationship to UN COFOG is available from the Treasury website: [http://www.hm-treasury.gov.uk/economic\\_data\\_and\\_tools/finance\\_spending\\_statistics/pes\\_function/function.cfm](http://www.hm-treasury.gov.uk/economic_data_and_tools/finance_spending_statistics/pes_function/function.cfm)

## Relationship between functional series and departments

**5.13** Table 5.1 shows TES by function split across the different government departments for 2005-06. Departmental spending can be spread across a variety of functions, particularly in the case of the devolved administrations.

## Total Expenditure on Services by function

**5.14** Table 5.2 gives a detailed analysis of spending in the different functional areas of government for the years 2001-02 to 2006-07. The functional categories are consistent with the UN Classification of the Functions of Government (COFOG), the international standard.

In previous presentations the classification system was consistent with the top-level functions only. This year the sub functional analysis in table 5.2 and others is broadly consistent with COFOG level 2.

### **Total Expenditure on Services by economic category**

**5.15** The economic significance of components of public spending depends on their nature, for example whether they are transfer payments or expenditure on goods and services, current or capital. **Table 5.3** breaks down TES into its component economic categories.

### **Total Managed Expenditure split by spending sector and current and capital spending**

**5.16** **Tables 5.4 and 5.5** give a functional breakdown of the current and capital expenditure of central and local government and public corporations for outturn years (2001-02 to 2006-07), and plans for central government and public corporations in 2007-08. A functional split of local authority spending is not available for future years as the allocation of spending between services is a matter for individual local authorities, and there is no aggregate information of their plans at this level of detail.

### **Current procurement spending**

**5.17** **Table 5.6** shows current procurement expenditure on services by COFOG level 1 division, and is new to PESA 2007. Procurement is on a National Accounts basis and includes expenditure on single use military equipment that scores within departments' capital budgets. Data quality improvements are planned to facilitate the presentation of current procurement expenditure by COFOG level 2 to National Statistics standards.

### **Asset sales**

**5.18** **Table 5.7** shows public sector receipts from sales of fixed assets from 2001-02 to 2006-07 across the whole of the UK. Figures are shown separately for central government, local authorities, and public corporations, and for general government, which comprises the central government and local government sub-sectors. Receipts are split between land and buildings and other asset classes, are at sales value, and exclude receipts from sales of financial assets. Sales of assets between public sector bodies are included in this table.

Table 5.1 Total Expenditure on Services by departmental group and COFOG, 2005–06

Departmental Grouping	Function	National Statistics													accruals, £ million									
		1. General public services	of which: public and common services	of which: international services	of which: public sector debt interest	2. Defence	3. Public order and safety	4. Economic affairs	of which: enterprise and economic development	of which: science and technology	of which: employment policies	of which: agriculture, fisheries and forestry	of which: transport	5. Environment protection	6. Housing and community amenities	7. Health	8. Recreation, culture and religion	9. Education	of which: education	of which: training	10. Social protection	EU transactions	Total Expenditure on Services for each department	
Education and Skills		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	58,767
Health		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	87,401
Transport		0	0	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	14,357
Community and Local Government		4,142	4,139	3	—	21	2,334	2,426	2,379	—	47	—	—	—	—	—	—	—	—	—	—	—	—	18,023
Home Office		128	128	—	—	—	19,058	60	—	—	—	60	—	—	—	—	—	—	—	—	—	—	—	19,517
Department for Constitutional Affairs		185	185	—	—	—	3,851	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	4,032
Law Officer's Departments		—	—	—	—	—	657	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	657
Defence		47	—	47	—	29,318	—	39	39	—	—	—	—	—	—	—	—	—	—	—	—	—	—	31,971
Foreign and Commonwealth Office		1,844	—	1,844	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,844
International Development		4,078	—	4,078	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	4,182
Trade and Industry		139	77	62	—	—	1	5,031	2,469	2,495	66	—	—	—	—	—	—	—	—	—	—	—	—	7,640
Environment, Food and Rural Affairs		—	—	—	—	—	—	4,188	202	—	—	—	—	—	—	—	—	—	—	—	—	—	—	10,401
Culture, Media and Sport		52	41	11	—	—	—	166	166	—	—	—	—	—	—	—	—	—	—	—	—	—	—	8,702
Work and Pensions		308	308	—	—	—	—	3,069	—	—	3,069	—	—	—	—	—	—	—	—	—	—	—	—	120,531
Scotland		1,160	1,160	—	—	6	1,961	2,787	462	112	—	—	—	—	—	—	—	—	—	—	—	—	—	26,666
Wales		540	540	—	—	—	20	1,591	505	—	57	—	—	—	—	—	—	—	—	—	—	—	—	12,869
Northern Ireland Executive		295	295	—	—	—	69	1,293	226	47	164	—	—	—	—	—	—	—	—	—	—	—	—	12,725
Northern Ireland Office		53	53	—	—	—	1,070	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,180
Chancellor's departments		31,970	5,382	—	26,588	—	—	229	2	227	—	—	—	—	—	—	—	—	—	—	—	—	—	54,787
Cabinet Office		740	740	—	—	1,353	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2,127
Public corporations accountable to local government		—	—	—	—	—	—	1,009	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,009
<b>Total Expenditure on Services for each function</b>		<b>45,681</b>	<b>13,048</b>	<b>6,045</b>	<b>26,588</b>	<b>30,698</b>	<b>29,297</b>	<b>35,263</b>	<b>6,450</b>	<b>29,26</b>	<b>3,430</b>	<b>5,602</b>	<b>16,855</b>	<b>8,438</b>	<b>10,910</b>	<b>88,722</b>	<b>10,635</b>	<b>69,268</b>	<b>67,106</b>	<b>2,163</b>	<b>17,072</b>	<b>-598</b>	<b>499,387</b>	

Table 5.2 Total Expenditure on Services by COFOG level 2, 2001–02 to 2006–07

	accruals, £ million					
	National Statistics					
	2001–02 outturn	2002–03 outturn	2003–04 outturn	2004–05 outturn	2005–06 outturn	2006–07 estimated outturn
<b>1. General public services</b>						
1.1 Executive and legislative organs, financial and fiscal affairs, external affairs	8,915	9,638	10,147	11,129	11,582	12,164
1.2 Foreign economic aid	2,845	2,908	3,496	3,578	4,067	4,207
1.3 General services	826	818	983	1,071	1,032	1,294
1.4 Basic research	22	51	73	119	115	94
1.5 R&D general public services	14	32	30	28	34	36
1.6 General public services n.e.c.	1,080	1,141	1,461	1,973	2,264	2,193
1.7 Public sector debt transactions <sup>(1)(2)</sup>	22,661	21,770	22,957	24,734	26,588	28,256
of which: central government debt interest	22,099	20,942	22,333	23,971	25,804	27,424
of which: local authority debt interest	304	267	234	384	439	497
of which: public corporations debt interest	258	561	390	379	345	335
<b>Total general public services</b>	<b>36,363</b>	<b>36,360</b>	<b>39,147</b>	<b>42,632</b>	<b>45,681</b>	<b>48,245</b>
<b>2. Defence</b>						
2.1 Military defence	22,381	23,147	24,717	25,141	26,566	27,596
2.2 Civil defence	33	36	119	75	87	95
2.3 Foreign military aid	496	1,270	1,281	903	1,114	1,669
2.4 R&D Defence	492	506	474	588	566	625
2.5 Defence n.e.c	2,020	2,121	2,259	3,268	2,376	2,364
<b>Total defence</b>	<b>25,423</b>	<b>27,081</b>	<b>28,849</b>	<b>29,975</b>	<b>30,709</b>	<b>32,349</b>
<b>3. Public order and safety</b>						
3.1 Police services	12,839	13,452	14,753	15,594	16,332	16,838
of which: immigration and citizenship	1,855	1,920	2,100	2,112	1,841	1,778
of which: other police services	10,984	11,531	12,653	13,482	14,491	15,059
3.2 Fire-protection services	2,062	2,264	2,383	2,521	2,675	2,705
3.3 Law courts	4,863	5,396	5,938	6,564	6,203	6,338
3.4 Prisons	2,591	2,888	2,983	3,241	3,578	4,086
3.5 R&D Public order and safety	30	32	30	48	26	40
3.6 Public order and safety n.e.c.	448	397	427	404	484	507
<b>Total public order and safety</b>	<b>22,832</b>	<b>24,428</b>	<b>26,514</b>	<b>28,371</b>	<b>29,299</b>	<b>30,513</b>
<b>4. Economic affairs</b>						
4.1 General economic, commercial and labour affairs <sup>(3)</sup>	5,959	5,861	6,258	6,297	6,890	6,794
4.2 Agriculture, forestry, fishing and hunting	6,285	4,730	5,267	5,402	5,602	5,366
of which: market support under CAP	2,960	3,225	3,637	3,896	3,800	3,474
of which: other agriculture, food and fisheries policy	3,208	1,368	1,494	1,373	1,635	1,711
of which: forestry	117	137	136	132	166	181
4.3 Fuel and energy	1,029	1,712	1,823	1,974	1,436	1,547
4.4 Mining, manufacturing and construction	63	6	15	-6	135	137
4.5 Transport	11,324	14,825	16,189	15,945	16,856	19,643
of which: national roads	2,147	2,420	2,285	2,367	2,724	3,274
of which: local roads	3,660	4,202	4,252	4,589	4,936	4,723
of which: local public transport	1,365	1,887	3,134	2,247	2,585	3,043
of which: railway	3,518	5,714	5,867	6,007	5,823	7,730
of which: other road transport	634	602	652	735	787	874
4.6 Communication	376	429	425	560	422	594
4.7 Other industries	308	315	296	314	292	299
4.8 R&D economic affairs <sup>(4)</sup>	1,730	2,120	2,307	2,467	2,927	2,865
4.9 Economic affairs n.e.c	622	654	840	840	706	822
<b>Total economic affairs</b>	<b>27,695</b>	<b>30,652</b>	<b>33,418</b>	<b>33,792</b>	<b>35,264</b>	<b>38,067</b>

**Table 5.2 Total Expenditure on Services by COFOG level 2, 2001–02 to 2006–07 (continued)**

	accruals, £ million					
	National Statistics					
	2001–02 outturn	2002–03 outturn	2003–04 outturn	2004–05 outturn	2005–06 outturn	2006–07 estimated outturn
<b>5. Environment protection</b>						
5.1 Waste management	2,936	3,289	3,571	3,976	5,048	5,869
5.2 Waste water management	36	39	43	68	76	80
5.3 Pollution abatement	461	143	219	202	229	242
5.4 Protection of biodiversity and landscape	355	295	271	299	303	365
5.5 R&D environment protection	209	236	307	304	331	352
5.6 Environment protection n.e.c	1,474	2,057	1,829	2,154	2,452	2,759
<b>Total environment protection</b>	<b>5,472</b>	<b>6,058</b>	<b>6,241</b>	<b>7,004</b>	<b>8,439</b>	<b>9,668</b>
<b>6. Housing and community amenities</b>						
6.1 Housing development	3,850	3,101	3,685	4,636	6,740	6,826
<i>of which: local authority housing</i>	<i>2,065</i>	<i>1,272</i>	<i>1,174</i>	<i>2,062</i>	<i>3,889</i>	<i>3,976</i>
<i>of which: other social housing</i>	<i>1,785</i>	<i>1,829</i>	<i>2,511</i>	<i>2,574</i>	<i>2,850</i>	<i>2,850</i>
6.2 Community development	1,379	1,554	2,024	2,470	2,614	2,797
6.3 Water supply	707	485	479	486	879	909
6.4 Street lighting	354	371	396	416	482	521
6.5 R&D housing and community amenities	21	10	11	15	20	16
6.6 Housing and community amenities n.e.c	120	116	205	129	175	205
<b>Total housing and community amenities</b>	<b>6,433</b>	<b>5,637</b>	<b>6,801</b>	<b>8,152</b>	<b>10,909</b>	<b>11,275</b>
<b>7. Health<sup>(5)(6)</sup></b>						
Medical services	58,394	64,763	72,962	80,592	86,666	92,754
Health research	416	397	464	470	553	610
Central and other health services	1,121	1,198	1,514	1,677	1,503	1,752
<b>Total health</b>	<b>59,931</b>	<b>66,357</b>	<b>74,940</b>	<b>82,739</b>	<b>88,722</b>	<b>95,116</b>
<b>8. Recreation, culture and religion</b>						
8.1 Recreational and sporting services	2,597	2,766	2,811	2,969	3,169	3,583
8.2 Cultural services	3,097	3,216	3,537	3,623	3,938	4,056
8.3 Broadcasting and publishing services	2,752	3,142	3,047	3,203	3,260	3,421
8.4 Religious and other community services	80	101	106	106	105	98
8.5 R&D Recreation, culture and religion	1	2	2	1	81	93
8.6 Recreation, culture and religion n.e.c	48	61	62	72	82	91
<b>Total recreation, culture and religion</b>	<b>8,575</b>	<b>9,287</b>	<b>9,564</b>	<b>9,974</b>	<b>10,635</b>	<b>11,343</b>
<b>9. Education (includes training)</b>						
9.1 Pre-primary and primary education	16,829	17,976	20,223	21,348	22,915	23,568
<i>of which: under fives</i>	<i>3,103</i>	<i>3,278</i>	<i>3,729</i>	<i>4,108</i>	<i>4,299</i>	<i>4,142</i>
<i>of which: primary education</i>	<i>13,726</i>	<i>14,698</i>	<i>16,493</i>	<i>17,240</i>	<i>18,616</i>	<i>19,426</i>
9.2 Secondary education	14,777	15,922	18,021	19,421	21,119	22,136
9.3 Post-secondary non-tertiary education	6,160	6,605	7,492	7,802	8,033	8,635
9.4 Tertiary education	7,261	7,188	7,508	8,288	9,069	10,738
9.5 Education not definable by level <sup>(7)</sup>	1,549	1,867	1,985	2,036	2,163	2,408
9.6 Subsidiary services to education	2,398	2,834	3,052	3,336	3,656	3,806
9.7 R&D education	81	37	39	42	33	47
9.8 Education n.e.c	2,063	1,903	2,088	2,257	2,280	2,608
<b>Total education (includes training)</b>	<b>51,118</b>	<b>54,332</b>	<b>60,409</b>	<b>64,530</b>	<b>69,268</b>	<b>73,946</b>

**Table 5.2 Total Expenditure on Services by COFOG level 2, 2001–02 to 2006–07 (continued)**

	accruals, £ million					
	National Statistics					
	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07
	outturn	outturn	outturn	outturn	outturn	estimated outturn
<b>10. Social protection</b>						
<i>of which personal social services</i>	14,872	18,073	20,469	22,561	23,921	25,433
10.1 Sickness and disability	26,812	27,509	29,291	30,896	32,224	33,190
<i>of which: personal social services</i>	4,192	5,015	5,825	6,530	7,077	7,227
<i>of which: incapacity, disability and injury benefits</i>	22,620	22,494	23,466	24,365	25,146	25,963
10.2 Old age	59,232	61,757	63,379	67,750	71,078	74,138
<i>of which: personal social services</i>	5,003	5,997	6,825	7,643	8,188	8,625
<i>of which: pensions</i>	54,229	55,759	56,554	60,107	62,890	65,512
10.3 Survivors	1,856	1,916	1,840	1,851	1,846	1,787
10.4 Family and children	18,283	20,480	30,774	31,820	33,387	36,365
<i>of which: personal social services</i>	3,989	4,316	4,968	5,529	6,103	6,474
<i>of which: family benefits, income support and tax credits</i>	14,294	16,164	25,806	26,291	27,284	29,891
10.5 Unemployment <sup>(8)</sup>	2,991	4,088	4,033	3,718	3,559	4,364
<i>of which: personal social services</i>	53	1,079	1,132	1,222	918	1,532
<i>of which: other unemployment</i>	2,938	3,009	2,900	2,496	2,641	2,832
10.6 Housing	12,424	13,627	15,012	15,728	16,482	17,448
10.7 Social exclusion n.e.c.	11,343	11,512	7,088	8,240	8,448	7,233
<i>of which: personal social services</i>	1,636	1,665	1,718	1,636	1,635	1,575
<i>of which: family benefits, income support and tax credits</i>	9,707	9,846	5,370	6,604	6,813	5,658
10.8 R&D Social protection	24	2	0	2	1	3
10.9 Social protection n.e.c.	4,258	4,207	4,179	4,123	4,046	2,649
<b>Total social protection</b>	<b>137,222</b>	<b>145,097</b>	<b>155,596</b>	<b>164,128</b>	<b>171,070</b>	<b>177,176</b>
<b>EU transactions<sup>(9)</sup></b>						
GNI-based contribution (net of abatement and collection costs)	-899	2,275	2,957	4,361	3,855	4,071
<i>EC gross contribution pre-abatement and after deduction of collection costs</i>	9,213	9,737	11,371	12,183	11,780	12,245
<i>Traditional Own Resources (without deduction of collection costs) and VAT contributions</i>	-5,685	-4,229	-4,539	-4,100	-4,283	4,614
<i>UK abatement</i>	-4,427	-3,233	-3,874	-3,722	-3,641	-3,560
EC receipts	-3,310	-3,424	-4,237	-4,555	-3,750	-5,439
Attributed aid and CFSP	-635	-736	-799	-697	-704	-668
<b>Total EU transactions</b>	<b>-4,844</b>	<b>-1,885</b>	<b>-2,079</b>	<b>-892</b>	<b>-598</b>	<b>-2,037</b>
<b>Unallocated</b>						
Departmental unallocated provision	—	—	—	—	—	235
Reserve and other funds	—	—	—	—	—	—
Allowance for shortfall	—	—	—	—	—	-1,144
AME Margin	—	—	—	—	—	—
<b>Total unallocated</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>-909</b>
<b>Total Expenditure on Services</b>	<b>376,218</b>	<b>403,405</b>	<b>439,400</b>	<b>470,406</b>	<b>499,387</b>	<b>524,752</b>
Accounting adjustments	13,107	17,355	16,431	20,794	23,999	27,450
<b>Total Managed Expenditure</b>	<b>389,325</b>	<b>420,760</b>	<b>455,831</b>	<b>491,200</b>	<b>523,386</b>	<b>552,202</b>

(1) Debt interest figures are gross.

(2) Debt interest payments to the private sector and overseas exclude all intra-public sector payments of debt interest.

(3) General economic, commercial and labour affairs includes the HMT function of employment policies (general labour affairs)

(4) R&D Economic affairs is equivalent to the HMT function of science & technology

(5) For 2003-04 onwards, these figures include employers' contributions for costs of pensions increases that score within DEL.

(6) The level of detail required for COFOG level 2 is not yet available. The health function is therefore presented on the PESA 2006 sub-functional basis

(7) Education not definable by level is equivalent to the HMT sub function of training

(8) From 2002-03, the unemployment benefits line includes the relevant pay costs of Jobcentre Plus staff.

(9) EU transactions are defined as:

- contribution to TME
- plus EC receipts
- less attributed aid
- less Common Foreign and Security Policy

Figures for the above are shown in table C1.

An explanation of why the EU transactions are defined in TES in this way is given in Appendix E.

**Table 5.3 Total Expenditure on Services by economic category, 2001–02 to 2006–07**

accruals, £ million

	National Statistics					
	2001–02 outturn	2002–03 outturn	2003–04 outturn	2004–05 outturn	2005–06 outturn	2006–07 estimated outturn
<b>Public sector current expenditure on services</b>						
Pay <sup>(1)</sup>	103,869	109,932	122,129	128,344	138,270	} 267,834
Procurement	80,769	91,080	101,035	110,672	115,561	
Subsidies	8,311	7,993	9,805	9,144	8,987	
Social benefits and other grants to private sector	138,483	145,500	153,876	160,307	169,123	175,329
Current transfers abroad	83	1,789	2,042	5,309	5,762	4,344
Public sector debt interest	22,661	21,770	22,957	24,734	26,588	28,256
Unallocated provision	—	—	—	—	—	–485
<b>Total public sector current expenditure on services</b>	<b>354,176</b>	<b>378,062</b>	<b>411,844</b>	<b>438,510</b>	<b>464,290</b>	<b>484,617</b>
Accounting adjustments	10,893	15,316	13,951	17,004	19,923	24,394
<b>Total public sector current expenditure</b>	<b>365,068</b>	<b>393,378</b>	<b>425,795</b>	<b>455,514</b>	<b>484,213</b>	<b>509,011</b>
<b>Public sector capital expenditure on services</b>						
Capital expenditure	16,063	18,058	17,714	21,572	23,463	27,168
Stock building	116	148	189	392	488	135
Capital grants	5,864	7,138	9,652	9,933	11,146	13,255
Unallocated provision	—	—	—	—	—	–424
<b>Total public sector capital expenditure on services</b>	<b>22,042</b>	<b>25,343</b>	<b>27,555</b>	<b>31,896</b>	<b>35,097</b>	<b>40,134</b>
Accounting adjustments	2,215	2,039	2,481	3,790	4,076	3,056
<b>Total public sector capital expenditure</b>	<b>24,257</b>	<b>27,382</b>	<b>30,036</b>	<b>35,686</b>	<b>39,173</b>	<b>43,191</b>
<b>Total public sector expenditure on services</b>	<b>376,218</b>	<b>403,405</b>	<b>439,400</b>	<b>470,406</b>	<b>499,387</b>	<b>524,752</b>
Accounting adjustments	13,107	17,355	16,431	20,794	23,999	27,450
<b>Total Managed Expenditure</b>	<b>389,325</b>	<b>420,760</b>	<b>455,831</b>	<b>491,200</b>	<b>523,386</b>	<b>552,202</b>

(1) Following the ONS's re-classification of NHS trusts to the central government sector in 2003, the pay costs of the staff of NHS trusts are now included in the Pay line; they used to be largely covered by health authorities' purchases from NHS trusts, included in the Procurement line. Figures for NHS trust staff pay for the outturn years for the UK provided by the ONS, are set out below. Figures for forward years are not available, therefore so Pay and Procurement have not been separated.

£ million	2001–02	2002–03	2003–04	2004–05	2005–06
	25,086	25,786	28,272	26,084	26,653

**Table 5.4 Public sector current expenditure by spending sector and COFOG, 2001–02 to 2007–08**

	accruals, £ million						
	National Statistics						2007–08 plans
	2001–02 outturn	2002–03 outturn	2003–04 outturn	2004–05 outturn	2005–06 outturn	2006–07 estimated outturn	
<b>Central government own</b>							
1. General public services	32,008	31,310	33,894	36,365	39,247	41,317	43,069
<i>of which: public and common services</i>	5,767	6,048	6,583	7,000	7,575	7,796	7,712
<i>of which: international services</i>	4,142	4,320	4,979	5,394	5,867	6,097	6,248
<i>of which: public sector debt interest</i>	22,099	20,942	22,333	23,971	25,804	27,424	29,100
2. Defence	24,125	25,946	27,385	28,298	29,929	31,358	29,997
3. Public order and safety	10,276	11,298	12,034	12,856	13,323	13,774	14,202
4. Economic Affairs	16,399	16,179	17,642	17,485	18,199	18,899	18,905
<i>of which: enterprise and economic development</i>	2,408	3,320	3,499	3,601	3,610	3,608	4,056
<i>of which: science and technology</i>	1,453	1,757	1,802	1,952	2,266	2,254	2,428
<i>of which: employment policies</i>	3,208	2,882	2,927	3,068	3,082	3,417	3,159
<i>of which: agriculture, fisheries and forestry</i>	6,104	4,526	4,994	5,156	5,312	5,053	5,065
<i>of which: transport</i>	3,227	3,694	4,420	3,708	3,929	4,567	4,197
5. Environment protection	1,742	2,001	1,691	1,995	2,477	3,231	3,398
6. Housing and community amenities	1,391	1,280	1,647	1,047	1,320	1,215	1,089
7. Health	57,308	63,037	71,199	78,709	85,223	90,365	99,078
8. Recreation, culture and religion	4,016	4,575	4,600	4,877	5,249	5,519	5,506
9. Education (includes training)	17,167	18,308	20,017	21,389	22,685	25,685	26,917
<i>of which: education</i>	15,771	16,614	18,171	19,495	20,679	23,444	24,279
<i>of which: training</i>	1,396	1,695	1,846	1,895	2,007	2,240	2,638
10. Social protection	110,456	115,067	122,804	128,655	133,055	137,475	145,138
EU transactions	-4,844	-1,885	-2,079	-892	-598	-2,037	-1,527
<b>Total central government own current expenditure on services</b>	<b>270,045</b>	<b>287,116</b>	<b>310,834</b>	<b>330,784</b>	<b>350,109</b>	<b>366,802</b>	<b>385,772</b>
Accounting adjustments	3,498	6,658	7,039	6,773	7,966	11,220	11,300
<b>Total central government own current expenditure</b>	<b>273,543</b>	<b>293,774</b>	<b>317,873</b>	<b>337,557</b>	<b>358,075</b>	<b>378,023</b>	<b>397,100</b>
<b>Local authorities</b>							
1. General public services	3,150	3,401	3,638	4,005	4,267	4,568	—
<i>of which: public and common services</i>	2,846	3,134	3,404	3,621	3,828	4,071	—
<i>of which: public sector debt interest</i>	304	267	234	384	439	497	—
2. Defence	30	32	33	40	53	60	—
3. Public order and safety	11,355	11,836	13,088	13,826	14,329	14,609	—
4. Economic Affairs	3,713	4,206	5,302	5,694	5,987	6,053	—
<i>of which: enterprise and economic development</i>	926	971	1,039	1,274	1,395	1,262	—
<i>of which: agriculture, fisheries and forestry</i>	9	6	10	9	10	13	—
<i>of which: transport</i>	2,777	3,229	4,254	4,411	4,582	4,778	—
5. Environment protection	3,243	3,518	3,827	4,124	4,491	4,741	—
6. Housing and community amenities	1,668	1,821	2,333	2,462	2,652	2,726	—
7. Health	476	478	423	312	299	286	—
8. Recreation, culture and religion	3,106	3,258	3,545	3,613	3,805	3,831	—
9. Education (includes training)	30,794	32,490	36,108	38,265	40,696	42,311	—
<i>of which: education</i>	30,778	32,472	36,089	38,246	40,671	42,292	—
<i>of which: training</i>	16	18	19	19	25	19	—
10. Social protection	26,337	29,347	32,323	35,007	37,257	38,775	—
<b>Total local authorities' current expenditure on services</b>	<b>83,873</b>	<b>90,385</b>	<b>100,620</b>	<b>107,346</b>	<b>113,836</b>	<b>117,962</b>	<b>—</b>
Accounting adjustments	7,394	8,658	6,912	10,232	11,957	12,691	—
<b>Total local authorities' current expenditure</b>	<b>91,267</b>	<b>99,043</b>	<b>107,532</b>	<b>117,578</b>	<b>125,793</b>	<b>130,653</b>	<b>141,200</b>
<b>Public corporations</b>							
1. General public services	258	561	390	379	345	335	300
<i>of which: public sector debt interest</i>	258	561	390	379	345	335	300
<b>Total public corporations' current expenditure</b>	<b>258</b>	<b>561</b>	<b>390</b>	<b>379</b>	<b>345</b>	<b>335</b>	<b>300</b>
Unallocated provision	—	—	—	—	—	-482	1,800
<b>Public sector current expenditure</b>	<b>365,068</b>	<b>393,378</b>	<b>425,795</b>	<b>455,514</b>	<b>484,213</b>	<b>509,011</b>	<b>538,600</b>

**Table 5.5 Public sector capital expenditure by spending sector and COFOG, 2001–02 to 2007–08**

	accruals, £ million						
	National Statistics					2006–07 estimated outturn	2007–08 plans
	2001–02 outturn	2002–03 outturn	2003–04 outturn	2004–05 outturn	2005–06 outturn		
<b>Central government own</b>							
1. General public services	576	671	698	906	722	852	683
<i>of which: public and common services</i>	453	545	589	788	591	718	514
<i>of which: international services</i>	123	125	109	118	131	133	169
2. Defence	1,214	1,012	1,371	1,541	646	828	1,476
3. Public order and safety	781	779	760	984	951	1,337	1,602
4. Economic affairs	2,946	3,379	5,228	5,165	5,616	7,168	6,843
<i>of which: enterprise and economic development</i>	950	766	1,037	999	1,073	891	905
<i>of which: science and technology</i>	278	363	505	515	661	611	609
<i>of which: employment policies</i>	87	128	307	147	344	174	104
<i>of which: agriculture, fisheries and forestry</i>	141	149	218	188	224	247	225
<i>of which: transport</i>	1,491	1,973	3,161	3,316	3,315	5,245	4,999
5. Environment protection	361	356	442	518	1,078	1,189	1,119
6. Housing and community amenities	1,268	1,507	2,029	2,548	2,811	2,878	2,779
7. Health	2,140	2,838	3,253	3,655	3,156	4,394	5,313
8. Recreation, culture and religion	728	768	717	602	484	642	632
9. Education (includes training)	1,017	1,248	1,454	1,685	2,162	2,197	2,247
<i>of which: education</i>	883	1,097	1,340	1,570	2,040	2,064	2,073
<i>of which: training</i>	134	151	113	115	122	133	174
10. Social protection	309	530	296	274	441	562	460
<b>Total central government own capital expenditure on services</b>	<b>11,340</b>	<b>13,089</b>	<b>16,248</b>	<b>17,879</b>	<b>18,068</b>	<b>22,048</b>	<b>23,154</b>
Accounting adjustments	-334	-2,463	-1,397	127	-14,053	881	2,800
<b>Total central government own capital expenditure</b>	<b>11,006</b>	<b>10,626</b>	<b>14,851</b>	<b>18,006</b>	<b>4,015</b>	<b>22,929</b>	<b>26,000</b>
<b>Local authorities</b>							
1. General public services	282	349	413	835	944	1,021	—
<i>of which: public and common services</i>	282	349	413	835	944	1,021	—
3. Public order and safety	405	512	618	704	684	783	—
4. Economic affairs	2,092	2,646	2,802	2,974	3,533	3,594	—
<i>of which: enterprise and economic development</i>	42	-17	2	-13	127	127	—
<i>of which: employment policies</i>	3	1	0	0	0	0	—
<i>of which: agriculture, fisheries and forestry</i>	19	34	42	49	52	52	—
<i>of which: transport</i>	2,028	2,629	2,757	2,938	3,354	3,414	—
5. Environment protection	124	165	276	362	393	506	—
6. Housing and community amenities	638	575	561	991	998	1,144	—
7. Health	2	2	60	63	45	71	—
8. Recreation, culture and religion	694	663	679	856	1,067	1,350	—
9. Education (includes training)	2,140	2,286	2,830	3,190	3,725	3,753	—
<i>of which: education</i>	2,136	2,282	2,823	3,183	3,715	3,737	—
<i>of which: training</i>	3	4	7	7	10	16	—
10. Social protection	120	153	171	191	314	361	—
<b>Total local authorities' capital expenditure on services</b>	<b>6,496</b>	<b>7,352</b>	<b>8,410</b>	<b>10,167</b>	<b>11,704</b>	<b>12,583</b>	<b>—</b>
Accounting adjustments	2,618	3,960	3,289	3,117	1,824	2,333	—
<b>Total local authorities' capital expenditure</b>	<b>9,114</b>	<b>11,312</b>	<b>11,699</b>	<b>13,284</b>	<b>13,528</b>	<b>14,916</b>	<b>16,800</b>

**Table 5.5 Public sector capital expenditure by spending sector and COFOG, 2001–02 to 2007–08 (continued)**

	accruals, £ million						
	National Statistics					2006–07 estimated outturn	2007–08 plans
	2001–02 outturn	2002–03 outturn	2003–04 outturn	2004–05 outturn	2005–06 outturn		
<b>Public corporations</b>							
1. General public services	88	68	114	142	156	153	177
<i>of which: public and common services</i>	65	58	63	120	109	113	132
<i>of which: international services</i>	23	10	51	22	47	39	45
2. Defence	53	91	61	96	70	103	99
3. Public order and safety	15	2	13	—	10	10	11
4. Economic affairs	2,545	4,243	2,445	2,474	1,929	2,353	2,221
<i>of which: enterprise and economic development</i>	722	920	838	892	246	708	655
<i>of which: employment policies</i>	10	7	7	11	3	4	12
<i>of which: agriculture, fisheries and forestry</i>	12	16	3	0	4	1	1
<i>of which: transport</i>	1,801	3,301	1,597	1,571	1,676	1,639	1,553
5. Environment protection	1	18	5	5	—	—	—
6. Housing and community amenities	1,467	455	230	1,105	3,128	3,311	2,689
7. Health	5	3	5	—	—	—	—
8. Recreation, culture and religion	31	24	23	27	30	—	5
10. Social protection	—	—	1	1	3	1	—
<b>Total public corporations capital expenditure on services</b>	<b>4,206</b>	<b>4,903</b>	<b>2,897</b>	<b>3,850</b>	<b>5,325</b>	<b>5,931</b>	<b>5,201</b>
Accounting adjustments	–69	541	589	546	16,305	–586	100
<b>Total public corporations' capital expenditure</b>	<b>4,137</b>	<b>5,444</b>	<b>3,486</b>	<b>4,396</b>	<b>21,630</b>	<b>5,345</b>	<b>5,300</b>
Unallocated provision	—	—	—	—	—	–427	1,900
<b>Public sector capital expenditure</b>	<b>24,257</b>	<b>27,382</b>	<b>30,036</b>	<b>35,686</b>	<b>39,173</b>	<b>43,191</b>	<b>48,000</b>

Table 5.6 Current procurement spending by COFOG, 2001–02 to 2006–07

	National Statistics					
	2001–02 outturn	2002–03 outturn	2003–04 outturn	2004–05 outturn	2005–06 outturn	2006–07 estimated outturn
1. General public services	2,910	3,045	3,158	3,193	3,420	2,979
<i>of which: public and common services</i>	2,127	2,306	2,292	2,136	1,869	1,492
<i>of which: international services</i>	783	739	866	1,056	1,551	1,488
2. Defence	15,492	17,034	17,665	18,239	19,519	20,957
3. Public order and safety	8,252	8,922	10,085	10,336	10,589	10,558
4. Economic affairs	7,850	7,106	7,335	7,761	8,082	10,066
<i>of which: enterprise and economic   development</i>	1,366	1,557	1,536	1,988	1,983	2,934
<i>of which: science and technology</i>	470	534	524	528	567	620
<i>of which: employment policies</i>	1,150	854	1,008	1,124	1,214	1,584
<i>of which: agriculture, fisheries and forestry</i>	1,677	894	958	943	1,034	1,514
<i>of which: transport</i>	3,186	3,267	3,309	3,177	3,284	3,415
5. Environment protection	3,632	4,110	4,013	4,332	6,413	7,002
6. Housing and community amenities	1,084	952	1,436	1,548	1,579	1,591
7. Health <sup>(1)</sup>	27,943	33,517	37,421	44,953	48,060	#
8. Recreation, culture and religion	4,008	4,414	4,425	4,539	4,759	4,903
9. Education (includes training)	7,191	7,513	8,232	8,661	9,295	10,236
<i>of which: education</i>	6,753	7,060	7,802	8,372	8,946	9,825
<i>of which: training</i>	439	453	430	289	349	411
10. Social protection	10,163	12,711	15,766	17,095	18,029	19,471
<b>Total current procurement expenditure on services<sup>(1)</sup></b>	<b>88,524</b>	<b>99,324</b>	<b>109,535</b>	<b>120,657</b>	<b>129,745</b>	<b>#</b>
Plus income from goods and services	-7,755	-8,244	-8,500	-9,985	-14,184	#
<b>Total net current procurement expenditure on services<sup>(1)</sup></b>	<b>80,769</b>	<b>91,080</b>	<b>101,035</b>	<b>110,672</b>	<b>115,561</b>	<b>#</b>

(1) Health procurement includes payments from the Department of Health to NHS Trusts in respect of Trust services. For outturn years the element that is used for the pay of Trust staff is excluded from procurement, using Trust staff pay figures provided by the ONS (set in footnote (1) of table 5.3). Figures for 2006-07 are not available, therefore Trust staff pay has not been removed from Health procurement, the total current procurement, and total net current procurement expenditure on services in 2006-07 only.

**Table 5.7 Public sector receipts from sales of assets<sup>(1)</sup>, 2001–02 to 2006–07**

	National Statistics					accruals, £ million
	2001–02 outturn	2002–03 outturn	2003–04 outturn	2004–05 outturn	2005–06 outturn	2006–07 estimated outturn
<b>Central government</b>						
Receipts from sale of land and existing buildings	644	806	843	956	1,811	1,311
Other assets	253	156	304	197	125	304
<b>Total central government</b>	<b>896</b>	<b>961</b>	<b>1,147</b>	<b>1,153</b>	<b>1,936</b>	<b>1,615</b>
<b>Local authorities</b>						
Receipts from sale of land and existing buildings	1,273	1,549	1,804	1,684	1,737	2,420
Other	4	5	15	19	26	24
<b>Total local authorities</b>	<b>1,278</b>	<b>1,554</b>	<b>1,818</b>	<b>1,703</b>	<b>1,763</b>	<b>2,443</b>
<b>General government</b>	<b>2,174</b>	<b>2,515</b>	<b>2,965</b>	<b>2,856</b>	<b>3,699</b>	<b>4,058</b>
<b>Public corporations</b>						
Receipts from sale of land and existing buildings	2,424	3,805	4,030	3,723	2,663	2,340
Other	8	13	9	26	305	—
<b>Total public corporations</b>	<b>2,432</b>	<b>3,817</b>	<b>4,038</b>	<b>3,750</b>	<b>2,968</b>	<b>2,340</b>
<b>Total public sector</b>	<b>4,607</b>	<b>6,333</b>	<b>7,003</b>	<b>6,605</b>	<b>6,667</b>	<b>6,398</b>

(1) National accounts definition of capital. Excludes single use military equipment (SUME) by Ministry of Defence, which is treated as capital under resource accounting. Therefore, expenditure on and sales of SUME are included in the capital budget under resource budgeting.