

## CLASSIFICATION OF SPENDING AS 'IDENTIFIABLE' OR 'NON-IDENTIFIABLE'

1. For the purposes of the Country and Regional Analyses (CRA) exercise, all departmental expenditure on services is classified as "identifiable" (as for the benefit of a particular region) or "non-identifiable" (ie. cannot be identified as for the benefit of a particular region). This Annex sets out the principles that the Treasury will use for the 2008 CRA data collection in classifying spending as identifiable or non-identifiable. There is an illustration at the end of this annex on how this split is derived.

### Transfers

2. All transfers (subsidies, current grants, capital grants) by all departments are identifiable with the exception of when a current grant paid abroad is for the direct benefit of the UK (see Annex C). All other current grants abroad should be classified to a 13<sup>th</sup> region 'outside UK'.
3. Transfers should be allocated by region of recipient, with possible exceptions where the grant is to a body which is providing a public service, e.g. franchises to transport companies;

### Other current spending (other than transfers)

4. Other current spending (on goods and services, which includes employment costs) takes the form of spending on services that are either 'services to individuals', which are by definition identifiable, or 'collective services', which, where they are delivered nationally, are not identifiable as benefiting individual regions. The distinction between services to individuals and collective services is set out in the European System of Accounts (ESA) 95, which sets the framework for the UK National Accounts.

5. ESA 95 (para 3.85) states that, for goods and services provided by government, the borderline between individual versus collective goods and services is drawn on the basis of the Classifications of the Functions of Government (COFOG). Expenditure on goods and services under the following COFOG functions is treated as services to individuals:

- Education
- Health
- Social Security and Welfare
- Sport and Recreation
- Culture
- Provision of Housing
- Collection of Household Waste
- Operation of the Transport System (public transport)

6. Spending under other COFOG functions is generally treated as collective services.

7. Where collective services are delivered nationally, then they are non-identifiable. National collective services include:

- Management and Regulation of Society
- Provision of Security and Defence
- Economic Development
- Tax Collection

8. However where collective services are delivered locally (within a region), **and** consumed for the most part locally (by the population of that region), then the Treasury would also propose to treat

such local collective services as identifiable, since they clearly benefit the region in which the service is consumed. Examples of such local collective services which are consumed locally and are therefore treated as identifiable include:

- All local authority spending
- Central government spending on Regional Development Agencies
- Central government spending on police and local courts
- Overseas aid (delivered and consumed outside the UK)

9. Additionally, from this year, the Treasury identifies collective services expenditure as identifiable where there is equivalent spending in the Devolved Administrations. Previously a small amount of this was treated as non-identifiable. Examples of such collective services are:

- spending on high courts
- spending on prisons

10. Examples of collective services that are delivered locally but which are *not* consumed locally, and which are therefore treated as non-identifiable include:

- spending on Immigration and Nationality
- spending on the Maritime and Coastguard Agency

11. The Treasury proposes that spending on administration and corporate services, including policy formulation, should be classified in the same way as the service it supports. So, for instance, administration and corporate services spending on social security and welfare would be treated as identifiable, and distributed pro-rata to the regional distribution of the delivery of social security and welfare. But administration and corporate service spending on tax collection would be treated as non-identifiable.

### **Capital spending (other than capital grants)**

12. Capital spending (other than capital grants) includes purchases of capital assets, net of asset sales, and a small amount of stockbuilding. The Treasury propose that capital spending should be classified in the same way as the service it supports. This means that capital spending in support of collective services delivered nationally will be classified as non-identifiable, in the same way that current spending on these services is classified.

## Summary

	<b>Identifiable</b>	<b>Non-identifiable</b>
Transfer payments (subsidies, current grants and capital grants)	All transfer payments except some current transfers abroad.	Some current transfers abroad that are for the <u>direct</u> benefit of the UK.
Other current expenditure (spending on goods and services, including employment)	Services to individuals. Includes certain COFOG categories: <ul style="list-style-type: none"> <li>– Education</li> <li>– Health</li> <li>– Social security and welfare</li> <li>– Sport and recreation</li> <li>– Culture</li> <li>– Housing</li> <li>– Household waste collection</li> <li>– Public transport</li> </ul>	National collective services. Includes certain COFOG categories: <ul style="list-style-type: none"> <li>– management and regulation of society</li> <li>– security and defence</li> <li>– economic development</li> <li>– tax collection</li> </ul>
	Collective services delivered locally <b>and</b> consumed locally, within regions. Eg: <ul style="list-style-type: none"> <li>– LA spending</li> <li>– CG spending on RDAs</li> <li>– CG spending on police, local courts</li> <li>– Overseas aid</li> </ul>	Collective services delivered locally <b>but not</b> consumed locally, within regions. e.g.: <ul style="list-style-type: none"> <li>– spending on Immigration and Nationality</li> <li>– spending on the Maritime and Coastguard Agency</li> </ul>
	Collective services delivered locally and consumed locally, within regions where there is equivalent spending by the Devolved Administrations <ul style="list-style-type: none"> <li>– Spending on high courts</li> <li>– Spending on prisons</li> </ul>	
		Admin and corporate services are classified as identifiable or non-identifiable in the same way as the service they support
Capital spending (purchase of assets, net of sales of assets, and stockbuilding) other than capital grants	Classified as identifiable or non-identifiable in the same way as the associated current expenditure	

**Defining ID and non-ID data**

