

# Public Expenditure - UK - August 2015

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"Public spending as a percentage of GDP is set to further reduce during the current parliament from just under 41% to a projected 36.3% by 2019/20. Nonetheless, opportunities for private companies in public sector service provision remain aplenty, reflecting the continued drive for efficient service provision. Justice, defence and welfare remain the biggest markets for outsourcing"

Claudia Preedy - B2B Analyst

## This report looks at the following areas:

- What is the British public's perception of UK public spending across the main functions in comparison with other EU countries? How does this compare with actual spending levels?
- Which are the most popular areas where the British public would like to see public spending increased or decreased? How does this compare with the spending plans by the Conservative government?
- Is the trend towards outsourcing of non-core public services set to continue?

For the purposes of this report, UK public expenditure, which covers the government's spending on public services, has been segmented into:

- central government expenditure
- local government expenditure
- public corporation expenditure

Each of these can be further segmented into service function:

- general public services, which are defined as executive and legislative organs, financial and fiscal affairs, external affairs, foreign economic aid; general services; basic research; R&D general public services; general public services not elsewhere classified, public debt transactions and transfers of a general character between different levels of government
- defence, which includes military defence, civil defence, foreign military aid and R&D defence
- public order and safety, which covers police services, fire-protection services, law courts, prisons, R&D public order and safety
- economic affairs, which includes general economic, commercial and labour affairs, agriculture, forestry, fishing and hunting, fuel and energy, mining, manufacturing and construction, transport, communication, other industries, and R&D economic affairs
- environment protection, which includes waste management, waste water management, pollution abatement, protection of biodiversity and landscape, and R&D environmental protection
- housing and community amenities covers housing development, community development, water supply, street lighting, and R&D housing and community amenities
- health, which includes medical products, appliances and equipment, outpatient services, hospital services, public health services, and R&D health
- recreation, culture and religion, which includes recreational and sporting services, cultural services, broadcasting and publishing services, religious and other community services, and R&D recreation, culture and religion
- education, which covers pre-primary and primary education, secondary education, post-secondary non-tertiary education, tertiary education, education not definable by level, subsidiary services to education, and R&D education

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- social protection, which is defined as help given to those in need or at risk of hardship and includes: sickness and disability, old age, survivors, family and children, unemployment, housing, social exclusion and, R&D social protection.

Expenditure can be further segmented into:

- current expenditure on services
- capital expenditure

For forecasting and planning, Total Managed Expenditure (TME) is segmented into Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME).

The budget allocated to and spent by government departments is known as the Departmental Expenditure Limit, or DEL. This amount, and how it is split between government departments, is set at spending reviews.

Annually managed expenditure (AME) is spent on programmes that are demand-led – such as welfare, tax credits or public sector pensions. AME is also spent on items that may be unpredictable or not easily controlled by departments, and are relatively large compared to other government departments. Lower levels of AME expenditure release extra spending for public services in DEL.

Money within both DEL and AME can be further split into resource spending and capital spending. Resource spending is money spent on day-to-day resources and administration costs. Capital spending is money spent on investment and things that will create growth in the future.

Years quoted in this report are government fiscal years, ending in March of the identified year.

All values quoted in this report are at current prices unless otherwise specified. The term billion denotes one thousand million.

Some numbers in tables do not add exactly due to rounding.

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