

# INTRODUCTION TO TOTAL EXPENDITURE ON SERVICES (TES) FOR DEPARTMENTS AND SPENDING TEAMS

## Background

The aim of this document is to provide Departments and Spending Teams with information on Total Expenditure on Services (TES), specifically:

- what TES is;
- what TES is used for;
- how departments contribute to TES;
- how TES can be derived from the DAR and AAR; and
- how adjustments impact on TES and its components

## What is TES?

2. 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?

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

4. Public Expenditure Statistical Analyses (PESA) is the main document that publishes these data. Tables in Chapters 4, 5, 6, and 7, 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 at PEOWP, PBR, Budget and spending reviews.

## How departments contribute towards TES

5. The departmental contribution to TES is a subset of spending within budgeting aggregates (DEL and departmental AME). The definition below shows what needs to be removed from budgets to get to this TES subset. Essentially, we remove (most) transfers to other parts of the public sector, as well as transactions that do not score as spending in the National Accounts.

6. Departmental contribution to TES equals:

Departmental budgets (resource DEL + capital DEL + dept AME)

Less:

- grants to Local Authorities (as TES includes the subsequent spending by Local Authorities);
- capital grants to public corporations (as TES includes the subsequent spending by public corporations);
- non-cash items (except grant equivalent element of student loans and loan write-offs by mutual consent);
- spending classified as financial transactions in the National Accounts (including lending, interest payments/receipts within central government, Local Authority debt interest paid to central government, dividends received from public corporations);
- income that is netted off budgets but classified as revenue in National Accounts;
- profit/loss of public corporations (scores on the revenue side of the National Accounts);
- NHS Trusts near-cash depreciation;

- EC receipts; and
- other items that are not classified as spending in National Accounts (i.e. transfers between central government departments).

7. TES excludes most intra-public sector transfers, as it is a consolidated measure of public spending. However, there are some exceptions that are not removed in the above definition - the following table shows which intra-public sector transfers, other than those described above, are included in and excluded from TES.

<b>Transfer type</b>	<b>Included / Excluded</b>	<b>Reason</b>
Subsidies to public corporations and trading bodies (NAC C35).	Included	PC current spending is included within their gross operating surplus (GOS), which scores on the revenue side of the National Accounts and so is outside TES. We therefore include the current support to PCs as expenditure within TES. Conversely, PC capital spending scores as spending (not as part of their GOS) and so this is in TES, rather than any capital support
Grant-in-aid to a Non-Departmental Public Body when <b>outside</b> budgets (NAC W15)	Excluded	TES scores only the NDPB spending (i.e. non voted) in order to obtain the correct economic breakdown. This is the standard model.
Grant-in-aid to a Non-Departmental Public Body when <b>inside</b> budgets (W15)	Included	This occurs where more than one department is contributing to the funding of the NDPB. Both sides of the transfer between departments score in TES, together with the non-voted NDPB spend. This ensures the correct departmental contribution and the correct economic breakdown within TES.
Notional transfers from AME to DEL (used to record Northern Ireland Regional Rates and the Reinvestment and Reform Initiative) (NAC W90)	Included	One side of the transaction is in budgets, the other outside. We decided to include rather than exclude both to provide a double check that the notional transfers net to zero.

8. In addition to departments' contribution to TES, as described above, TES also includes:

- Local Authority current and capital expenditure;
- Northern Ireland locally financed expenditure (the Other AME part of the notional transfer to DEL);
- public corporations' capital expenditure;
- public sector debt interest; and
- EU transactions.

### **TES derived from the Data Analysis Report (DAR) and Adjustment Analysis Report (AAR)**

9. To derive expenditure shown in TES from the DAR, produce the DAR showing all departmental expenditure, ensuring you have no filter on the Segment and Variable Root Members. You should also ensure that the DAR provides segment and variable tags. The AAR can be run as usual to look at single or multiple adjustments.

10. On the pivot table, filter as follows:

Field / tag	Criteria to filter out	Criteria to leave in
Budget Boundary	Not DEL/AME, (blank)	AME, DEL
Category	Other	Prog, NCA, GCA
PESA Transfer	(blank), CAPGRAN_PC	All others
Version (DAR only)	Audited outturn and snapshots	Plans, outturn (as appropriate)
Sector	LA	S6, CG

Annex A shows an example AAR with filters in place.

Alternatively, you can use the e-DAR to obtain departments' budgets and then additionally just filter on the PESA Transfer tag.

11. The PESA transfer tag is attached to each account and has been set up specifically to identify which accounts are within TES. I.e. each transaction that is removed from budgets to get to TES is allocated a blank PESA transfer tag or CAPGRAN\_PC.

### **How adjustments impact on TES and it's components**

12. PESA branch are likely to query the following type of adjustments, in relation to TES:

- where an adjustment moves spending in or out of TES (e.g. expenditure is changed from being grants to the private sector to grants to Local Authorities) – see paragraph 6 for the full list of exclusions;
- where both sides of a transfer (between central government departments) included within TES do not net to 0 – see paragraph 7;
- where an adjustment moves expenditure within TES to a different function – this can be checked by showing the COFOG tag within the AAR and checking for an overall change;
- where an adjustment moves expenditure within TES to a different economic category (e.g. pay to procurement) – this can be checked by showing the NAC tag on the AAR and checking for an overall change; and
- where an adjustment moves expenditure between sectors (e.g. expenditure is changed from central government to public corporation).

13. When an adjustment is made which affects one of the above by more than, say, £50m the department and spending team may find it will save time overall to keep a record of the reason for the adjustment in anticipation of a query,

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