

## Appendix 2: Breakdown of Public Sector Expenditure and Income

### 1.0 Breakdown of Public Sector Expenditure

1.1 The Black Country Economic Intelligence Unit used the Classification of the Functions of Government (COFOG) categories to outline the areas of expenditure. More detailed information can be found [here](#).

Area of Expenditure	Includes:
General public services	Executive and legislative organs, financial and fiscal affairs, external affairs, foreign economic aid, general services, basic research, R&D General public services, public debt transactions, transfers of a general character between different levels of government
Defence	Military defence, civil defence, foreign military aid, R&D Defence
Public order and safety	Police services, Fire-protection services, Law courts, Prisons, R&D Public order and safety
Economic affairs	General economic, commercial and labour affairs, Agriculture, forestry, fishing and hunting, Fuel and energy, Mining, manufacturing and construction, Transport, Communication, Other industries, R&D Economic affairs
Environmental protection	Waste management, Waste water management, Pollution abatement, Protection of biodiversity and landscape, R&D Environmental protection
Housing and community amenities	Housing development, Community development, Water supply, Street lighting, R&D Housing and community amenities
Health	Medical products, appliances and equipment, Outpatient services, Hospital services, Public health services, R&D Health
Recreation, culture and religion	Recreational and sporting services, Cultural services, Broadcasting and publishing services, Religious and other community services, R&D Recreation, culture and religion
Education	Pre-primary and primary education, Secondary education, Post-secondary non-tertiary education, Tertiary education, Education not definable by level, Subsidiary services to education, R&D Education
Social protection	Sickness and disability, Old age, Survivors, Family and children, Unemployment, Housing, Social exclusion, R&D Social protection

## 2.0 Breakdown of Public Sector Income

2.1 The income streams in the table below outlines the methodology used by the Black Country Economic Intelligence Unit.

Income Stream	Data source	Methodology
Council Tax	DCLG Receipt of Council Taxes (2014-15)	Data amalgamated to LEP level using LA.
Business Rates	DCLG Non domestic rates Amount receivable from rate payers (2014-15)	DCLG Non domestic rates – net amount receivable from rate payers.
Income Tax	Annual Survey for Hours and Earnings (resident analysis for 2014). Extracted from NOMIS	An average income tax rate of 19.55% was applied to the median annual pay for each geography to calculate the average tax receipt per person. This was then multiplied by the number of people in employment to calculate the total Income Tax receipt.
National Insurance Contributions	Income tax data	Income tax data with the average NIC rate of 13.4% applied. Then multiplied by the total number of people in employment to get a total NIC receipt.
Capital Gains Tax	ONS data on LEP GVS HMRC report Capital Gains Tax (CCG) statistics 31 October 2014	Calculated this as a proportion of the region in which the LEP exists. Total Capital Gains Tax Bill from HMRC report. The share of LA GVA was then multiplied by the total WM CCG tax receipts to calculate the LEP contribution.
VAT	Table A35 of the ONS Family Spending Survey (2013)	The weekly expenditure was multiplied by 52 to get an annual expenditure figure per household. The number of households was then multiplied by the annual expenditure to arrive at a total annual expenditure figure per LEP. This was then multiplied by 0.2 to get to the VAT rate.
Corporation Tax	Gross Operating Surplus (GOS)/Mixed Income by Region HMRC Receipts for 2013/14	The West Midlands proportion of GOS multiplied by the total UK Corporation Tax receipt for the UK.

<b>Income Stream</b>	<b>Data source</b>	<b>Methodology</b>
Bank Levy	BRES (2013)	Interrogated to identify the number of employees working in the Financial and Insurance sector by LEP, then proportion to the region. Percentage of GVA in finance and insurance was calculated to arrive at regional contribution. Proportion of employees in each LEP multiplied by the regional Bank Levy contribution.
Fuel Duties	Road Transport Energy Consumption at the Regional and LA Level (2014)	The Combined Tonnes of Oil Equivalent (for Buses, Diesel Cars, Petrol Cars, Motorcycles, HGV & LGV) was calculated for each LEP and then proportioned out. The proportions were then multiplied by the total UK fuel duty to calculate the LEP equivalent.
Inheritance Tax	HMRC Inheritance Tax Statistics: Table 12:11	The LEP share of UK inheritance Tax units was calculated and then proportioned out to UK total Inheritance Tax revenue.
Stamp Duty on Shares	HM Revenue and Customs Receipts 2013-14.	LEP share of UK GVA calculated and then multiplied by the Total UK Stamp Duty on Share.
Stamp Duty Land Tax	HMRC Stamp Duty Land Tax by Local Authority, Country and Government Office Region	No manipulation of the data was derived.
Annual Tax on Enveloped Earnings	Annual Tax on Enveloped Earnings Database	Interrogated to identify all properties in each LA and LEP with a value of more than £2m.
Tobacco Duties	BRES (2013) at LA level	The total number of people employed in the Growing of tobacco, the manufacture of tobacco products, and the manufacture of machinery for food beverage and tobacco processing. LEP share of jobs calculated and then multiplied by the total UK tobacco duty receipt.
Spirit Duties	National receipt for spirits	The number of people employed in each LEP in Distilling, rectifying and blending of spirits were calculated as a proportion of total national employment in that sector and then multiplied by the national receipt for spirits to arrive at the LEP share.
Beer and Cider duties	BRES (2013) HM Revenue and Customs Receipts 2013-14	The number of people employed in the manufacture of cider and other fruit wines, manufacture of beer, and manufacture of malt. The LEP share of England employment was calculated and multiplied by the total beer and Cider Duty to work out the LEP share.

Income Stream	Data source	Methodology
Wine Duty	BRES (2013) HM Revenue and Customs Receipts 2013-14	The number of people employed in the manufacture of wine from grape. The LEP share of England employment was calculated and multiplied by the total duty (HM Revenue and Customs Receipts 2013-14) to work out the LEP share.
Betting and Gaming	BRES (2013)	The number of people employed in gaming and betting activities and then multiplied by the total UK revenue derived from these activities to calculate the LEP contribution.
Air Passenger Duty	Mid-year population estimates 2013 UK Airport Duty	LEP population calculated and then multiplied by the UK Airport duty to calculate the LEP proportion.
Insurance Premium Tax	BRES (2013)	National employment in the sale of care and light motor vehicles, wholesale of electrical household appliances, retail sale of electrical household appliances in specialised stores, and travel agency activities. The LEP share was multiplied by the total UK Insurance Tax receipts to calculate the LA contribution to the tax receipts.

**For note:** The following income streams have been excluded due to being unable to calculate accurately, but these may be included at a later date by the Black Country Economic Intelligence Unit as the methodology is refined: Petroleum Tax, Swiss Capital Tax, Landfill Tax, Climate Change Levy, and Aggregates Levy.