

Article

Economic statistics sector classification – classification update and forward work plan: October 2023

Classification of units, transactions and assets for the purposes of economic statistics.

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1 . Overview of the economic statistics sector classification update

Our economic statistics are produced in accordance with international rules and guidance. Central to this are the rules set out in the [United Nations System of National Accounts \(SNA\) 2008](#), the [European System of Accounts \(ESA\) 2010](#) and the accompanying [Manual on Government Deficit and Debt \(MGDD\) 2022](#). These include rules on classifying statistical units (organisations or bodies) and the transactions they engage in. A summary of these, and our approach to their application, can be found on our [Economic statistics classifications web page](#).

Our [Forward work plan dataset \(XLSX, 130.6KB\)](#) sets out the organisations and transactions that we expect to assess and classify in the next 12 to 18 months. Please note that classification priorities can change quickly, and the expected dates of completion are only indicative at the time of publication.

There is high demand for classification assessments, and we progress many active cases at the same time, with new cases often arising. These include confidential assessments of government and devolved administration policy proposals, as explained in our [Classification process methodology](#).

We do not announce or discuss such policy proposal assessments to give policymakers the space to develop policy. As with other classification decisions, when a policy is implemented, it will be classified and included in the [Public sector classification guide dataset \(XLSX, 640.4KB\)](#).

We now use the more transparent and accessible format of our [Public sector classification guide \(XLSX, 640.4KB\)](#). If you have any comments on the new structure, please email us at econstats.classifications@ons.gov.uk.

The forward work plan does not cover all cases that will arise over the next 12 to 18 months. Cases that are likely to have a smaller statistical and policy impact will be assessed as resources allow. The cases scheduled in this article have been prioritised because of the impact they will have on important statistics and their importance to public policy.

Adoption of updated international statistical guidance

The National Statistician has approved the recommendation of the National Statistician's Committee for Advice on Standards for Economic Statistics (NSCASE) to adopt the 2022 edition of the MGDD. This is with the provision that any emerging evidence of a clear diversion from UK methodology and international best practice can be brought to NSCASE meetings as separate agenda items. Classification decisions have previously referred to the 2019 edition of the MGDD.

For reference, the [UK Statistics Authority published the decision on 22 September 2023 \(PDF, 103KB\)](#), which is located on their [webpage recording committee minutes](#).

2 . Forward work plan

There have been no additions to the forward work plan this month.

Childcare Support Payments have been removed from the forward work plan.

3 . Classification update

Childcare support payments in England

We have undertaken a classification assessment of childcare support payments in England, following the announcement in the Spring Budget 2023 statement on 15 March 2023 that the provision of free childcare in England would be expanded for working parents. Currently, parents and carers of all three and four-year-old children are entitled to 15 hours of free childcare per week in term time, or 38 weeks per year. Children of eligible working parents are entitled to an additional 15 hours of free childcare, totalling 30 free hours per week.

The expansion of this provision is planned as a step change over three years starting from April 2024. It provides working parents of all children over the age of nine months 30 hours of free childcare per week. The free hours for both the current and expanded schemes are not paid directly to parents and carers, but deducted from the childcare provider's invoices to households.

The assessment for both the current and expanded schemes determined that the intention of these schemes are to benefit households as part of a social need, and can only be used to pay for childcare, as set out in ESA 2010, 4.84 (g and h). As a result, they are classified as social transfers in kind.

Childcare support payments from government that are provided by third-party market producers are classified as social transfers in kind (market production purchased by general government and non-profit institutions serving households (NPISHs) (D.632)). These are payments from the central government subsector (S.1311) to the households sector (S.14) in England, where childcare is provided by market producers (such as private, independent childcare providers).

Similarly, childcare support payments from government that are provided by non-market producers are classified as social transfers in kind (general government and NPISHs non-market production (D.631)). These are payments from the central government subsector (S.1311) to the households sector (S.14) in England, where childcare is provided by non-market producers (such as local authorities).

These classifications are effective from 1 September 2010, the date the entitlement to 15 hours of free childcare per week for all three and four-year-old children in England was introduced.

Childcare support payments in Wales

We have undertaken a classification assessment of childcare support payments in Wales. Currently, all parents and carers of three and four-year-old children in Wales are entitled to 10 hours of free childcare per week for 48 weeks per year as part of the Foundation Phase Nursery. Under the Childcare Offer for Wales, children of eligible working parents are entitled to an additional 20 hours (totalling 30 free hours per week). Since September 2022, a phased expansion of early years provision was also introduced in Wales. Within some areas in Wales, two-year-old children can receive 12.5 hours per week of free early education as part of the Flying Start scheme, which is a Welsh Government programme that aims to help families in disadvantaged areas.

The free hours for both the current and expanded schemes are not paid directly to parents and carers, but deducted from the childcare provider's invoices to households.

The assessment for both the current and expanded schemes determined that the intention of these schemes are to benefit households as part of a social need, and can only be used to pay for childcare, as set out in ESA 2010, 4.84 (g). As a result, they are classified as social transfers in kind.

Childcare support payments from government that are provided by third-party market producers are classified as social transfers in kind (market production purchased by general government and NPISHs (D.632)). These are payments from the central government subsector (S.1311) to the households sector (S.14) in Wales, where childcare is provided by market producers (such as private, independent childcare providers).

Similarly, childcare support payments from government that are provided by non-market producers are classified as social transfers in kind (general government and NPISHs non-market production (D.631)). These are payments from the central government subsector (S.1311) to the households sector (S.14) in Wales, where childcare is provided by non-market producers (such as local authorities).

These classifications are effective from 30 January 2019, the date in which [The Childcare Funding \(Wales\) Act 2019](#) received royal assent.

Childcare support payments in Scotland

Following the introduction of the [Children and Young People \(Scotland\) Act 2014](#), parents and carers of three and four-year-old children were eligible for 600 hours funded early learning and childcare per year. This was expanded on 1 August 2021 following a modification of the Act, establishing 1,140 hours of free early learning and childcare for parents and carers of all three and four-year-olds. This support enables families in Scotland to have their children in nursery or use other early years provision for 30 hours per week during school term time (38 weeks), or approximately 22 hours per week if spread across the year. Additionally, eligible parents and carers of two-year-old children in Scotland can also access government-funded early learning and childcare and receive up to 30 hours free childcare per week.

The free hours for both the current and expanded schemes are not paid directly to parents and carers, but deducted from the childcare provider's invoices to households.

The assessment for both the current and expanded schemes determined that the intention of these schemes is to benefit eligible households as part of a social need, and can only be used to pay for childcare, as set out in ESA 2010, 4.84 (g). As such, they are classified as social transfers in kind.

Childcare support payments from government that are provided by third-party market producers are classified as social transfers in kind (market production purchased by general government and NPISHs (D.632)). These are payments from the central government subsector (S.1311) to the households sector (S.14) in Scotland, where childcare is provided by market producers (such as private, independent childcare providers).

Similarly, childcare support payments from government that are provided by non-market producers are classified as social transfers in kind (general government and NPISHs non-market production (D.631)). These are payments from the central government subsector (S.1311) to the households sector (S.14) in Scotland, where childcare is provided by non-market producers (such as local authorities).

These classifications are effective from the 27 March 2014, the date in which the Children and Young People (Scotland) Act 2014 received royal assent.

Childcare support payments in Northern Ireland

We have undertaken a classification assessment of childcare support payments in Northern Ireland. The Pre-School Education Programme (PSEP) in Northern Ireland funds one year of non-compulsory pre-school education. Since the launch of the PSEP on 1 September 1998, all three and four-year-old children are entitled to 12.5 hours per week of free pre-school education, totalling 475 hours per year. Unlike in England, for example, where parents can use government-funded hours for childcare, in Northern Ireland, available pre-school places are fully funded by the government, with the main purpose being to provide all children with early education.

Government-funded pre-school education places are available in nursery schools, primary schools with nursery units and in voluntary or private settings. The free hours for the PSEP are not paid directly to the working parents, but deducted from the childcare provider's invoices to households.

The assessment for the PSEP determined that the intention of this scheme is to benefit eligible households as part of a social need, and can only be used to pay for childcare, as set out in ESA 2010, 4.84 (g). As such, it is classified as social transfers in kind.

Childcare support payments from government that are provided by third-party market producers are classified as social transfers in kind (market production purchased by general government and NPISHs (D.632)). These are payments from the central government subsector (S.1311) to the households sector (S.14) in Northern Ireland, where childcare is provided by market producers (such as private, independent childcare providers).

Similarly, childcare support payments from government that are provided by non-market producers, are classified as social transfers in kind (general government and NPISHs non-market production (D.631)). These are payments from the central government subsector (S.1311) to the households sector (S.14) in Northern Ireland, where childcare is provided by non-market producers (such as local authorities).

These classifications are effective from the 1 September 1998, the date in which the PSEP was launched.

Tax-Free Childcare

We have undertaken a classification assessment of the [Tax-Free Childcare \(TFC\)](#) scheme, which was introduced on 21 April 2017 to help eligible working parents with the cost of childcare.

Available throughout the UK, TFC allows working parents to receive up to £500 every three months per child towards the cost of childcare, or £1,000 every three months for disabled children. For every £8 paid into a tax-free childcare account (up to £2,000 per year, or £4,000 if the child is disabled), the government tops it up by £2, which is the equivalent of refunding parents the 20% rate of income tax on the amount parents pay into the account.

The assessment determined that the intention of this scheme is to benefit eligible households as part of a social need, and can only be used to pay for childcare, as set out in ESA 2010, 4.84 (g). As such, it is classified as social transfers in kind.

Childcare support payments from government that are provided by third-party market producers are classified as social transfers in kind (market production purchased by general government and NPISHs (D.632)). This is a payment from the central government subsector (S.1311) to the households sector (S.14) in the UK, where childcare is provided by market producers (such as private, independent childcare providers).

Similarly, childcare support payments from government that are provided by non-market producers are classified as social transfers in kind (general government and NPISHs non-market production (D.631)). This is a payment from the central government subsector (S.1311) to the households sector (S.14) in the UK, where childcare is provided by non-market producers (such as local authorities).

These classifications are effective from the 21 April 2017, when the scheme was initially introduced.

4 . Related links

[Economic statistics classifications](#)

Web page | Updated periodically

Classification decisions taken in recent years, documentation on the classification process and a list of entities and their classification in the UK National Accounts.

[Forward work plan \(XLSX, 130.6KB\)](#)

Dataset | Updated monthly

A plan which sets out the organisations and transactions that the Office for National Statistics (ONS) expects to assess and classify in the next 12 to 18 months.

[Public sector classification guide \(XLSX, 640.4KB\)](#)

Dataset | Updated monthly

An updated guide providing a list of bodies that have been classified by the Office for National Statistics (ONS) as public sector bodies within the National Accounts.

5 . Cite this article

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