Article

Government expenditure in the UK

Types of government expenditure and their trends over the last 30 years, including current and capital spending by central and local government.

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Table of contents

1 . Main points

- Total government expenditure in the UK has increased from around 38% of gross domestic product (GDP) in 1995 to around 46% of GDP in 2024, peaking at 52% in 2020 during the coronavirus (COVID-19) pandemic.
- Current expenditure, which covers day-to-day costs of providing public services, has increased from around 35% of GDP in 1995 to 40% of GDP in 2024.
- Capital expenditure, including investment in fixed assets like buildings, typically ranged between 2% and 4% of GDP until 2020; this reached over 6% of GDP in 2024, because of increases in payments from government to other sectors of the economy.
- Greater overall spending on health services has been a main contributor to sustained increases in government expenditure since the late 1990s.
- Expenditure on social benefits has been broadly stable over the same period, but with notable increases in some components.

2 . Analysis of government expenditure in the UK

In this article, we explain the types of general government expenditure and their trends, including current and capital spending by central and local government.

We look at how this spending has changed since the late 1990s in the UK, including its composition. This does not include expenditure made by other public sector subsectors, such as:

- non-financial public corporations
- public sector-funded pensions
- public sector banks
- the Bank of England
- other public financial corporations

We hope this will help to provide clarity in how government has spent taxpayer money and other receipts.

Changes in total expenditure have also affected the amount that government has needed to borrow. Our Public sector finances tables 1 to 10: Appendix A dataset shows that government has been a net borrower since 2002, as its expenditure has been higher than its receipts.

The central government subsector includes institutional units whose responsibilities cover an entire national territory, for example delivering national defence.

The local government subsector includes institutional units whose authority is limited to a local geographical area, for example councils that fund and manage education or social care.

Government expenditure includes spending by government in the UK or in England, as well as spending by the Scottish Government, the Welsh Government, and the Northern Ireland Executive. It also includes spending by local authorities across the UK, for example councils and combined authorities.

3 . Expenditure by government

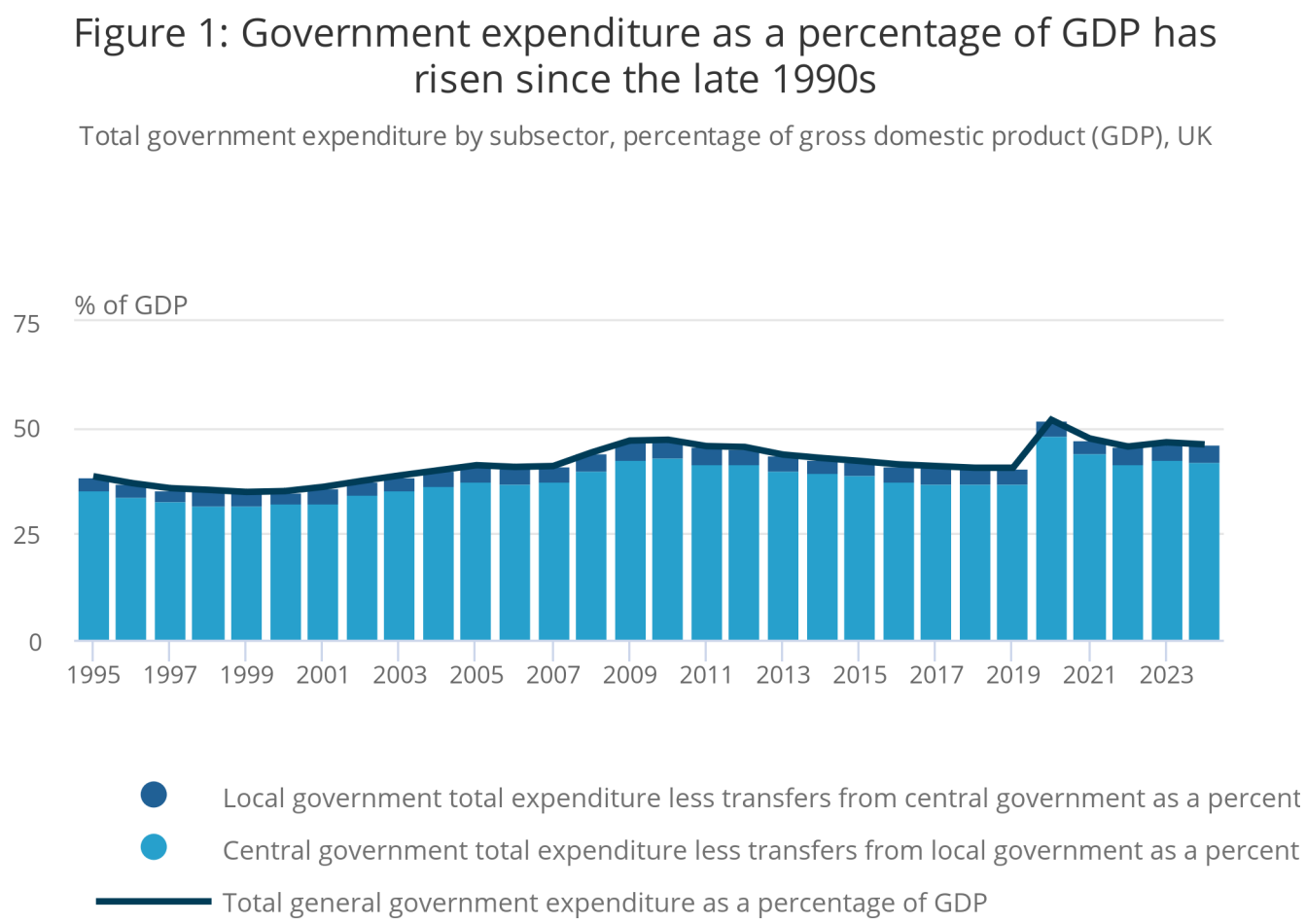
In the UK, general government is made up of central and local government subsectors. Total general government expenditure has increased from around 38% of gross domestic product (GDP) in 1995 to around 46% in 2024. This peaked at 52% in 2020 during the coronavirus (COVID-19) pandemic, when spending increased and GDP fell year-on-year.

Greater spending over time has primarily reflected movements in central government expenditure, for example on health.

Local government expenditure has remained much steadier over time, typically between 3% and 4% of annual GDP.

Figure 1: Government expenditure as a percentage of GDP has risen since the late 1990s

Total government expenditure by subsector, percentage of gross domestic product (GDP), UK



Source: General government annual expenditure and GDP quarterly national accounts from the Office for National Statistics

Notes:

1. We subtract (net-off) transfers between government subsectors to avoid double counting items of expenditure in the total expenditure figure.

Current expenditure covers day-to-day costs of providing public services, for example employee payrolls.

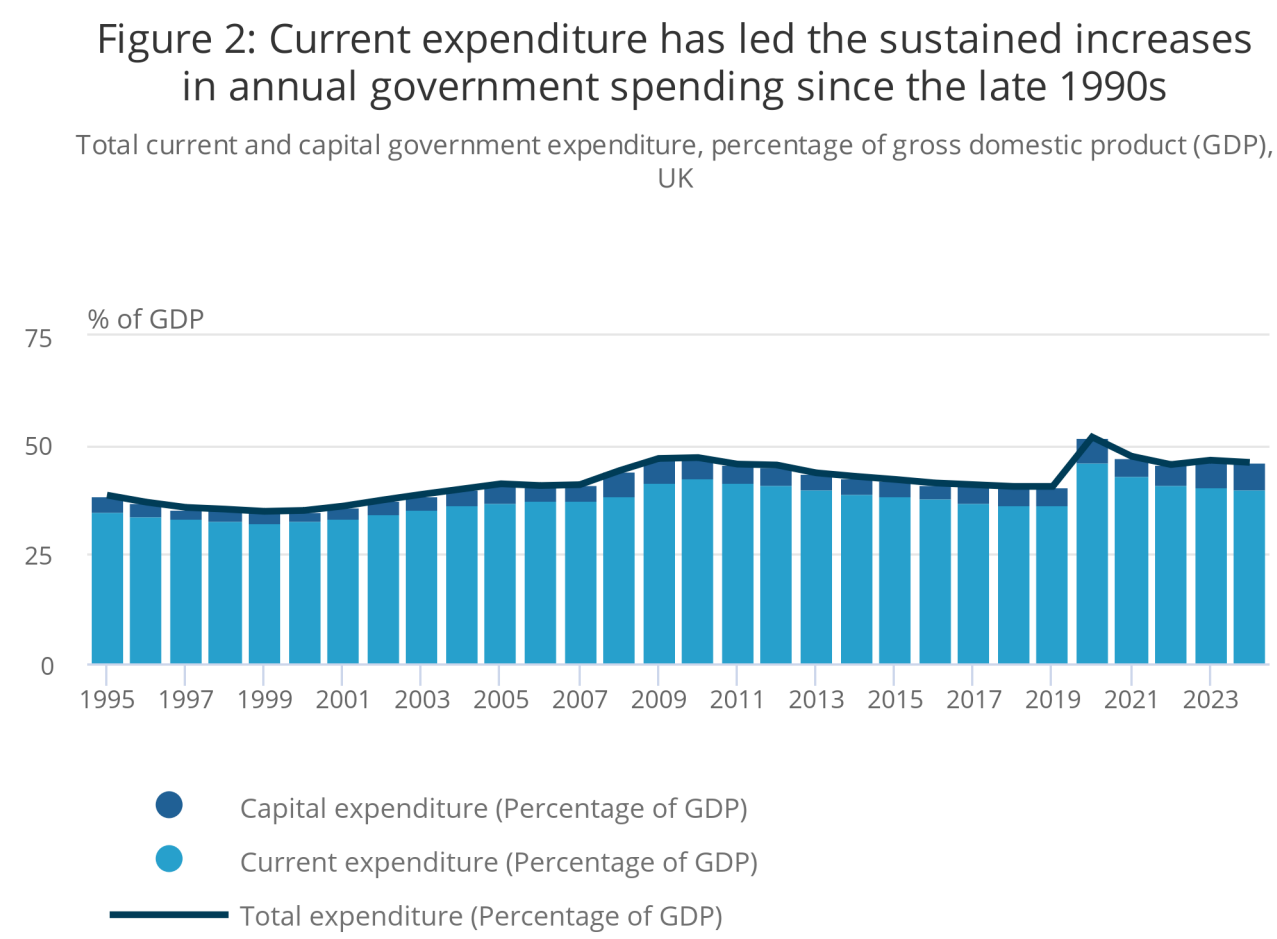
Capital expenditure includes spending on assets that are expected to be used in production for more than one year, for example a building.

Figure 2 shows that increases in current expenditure have tended to lead movements in total government spending since 1995, while capital expenditure has increased since 2020.

In Section 4: Current expenditure and Section 5: Capital expenditure, we break down these two types of expenditure further.

Figure 2: Current expenditure has led the sustained increases in annual government spending since the late 1990s

Total current and capital government expenditure, percentage of gross domestic product (GDP), UK



Source: General government annual expenditure and GDP quarterly national accounts from the Office for National Statistics

4 . Current expenditure

We look at the current expenditure by transaction type. Figure 3 shows that the main transaction types in the UK are:

- social benefits other than social transfers in kind, which are cash payments given directly to people to support their income, such as the state pension or Jobseeker's Allowance
- compensation of employees, which are payments provided to employees for their labour
- intermediate consumption, which is the government's spending on goods and services that are used to provide public services

Intermediate consumption has increased from below 6% of gross domestic product (GDP) in the late 1990s to around 9% in recent years.

Social transfers in kind (purchased market production) represent services that the government purchases from market producers and then provides to households as a benefit. This expenditure has increased from around 1.5% to almost 3.0% of GDP since 1995. For example, this type of spending includes government-funded places in private care homes.

The interest paid on government debt, recorded as interest payable, has typically ranged between 2.0% and 3.5 % of GDP over this period, despite a spike in 2022. This partly reflected a higher-risk premium, which increased the costs of financing new borrowing. As some government bonds are linked to inflation (index-linked gilts), there was also an increase in the interest (or coupons) that the government paid on historic debt stocks accumulated after the coronavirus (COVID-19) pandemic when inflation rose.

Figure 3: Current expenditure on intermediate consumption and social transfers in kind is greater than in the late 1990s

Current expenditure breakdown, percentage of gross domestic product (GDP), UK

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5 . Capital expenditure

Capital expenditure has increased in recent years, peaking at over 6% of gross domestic product (GDP) in 2024.

Gross capital formation has been the highest component of capital expenditure over the last 30 years. In the European System of Accounts (ESA), this covers investment in produced capital assets that government owns and will be used in production for more than one year, including buildings, roads and machinery. It also includes the acquisition minus disposals of non-produced, non-financial assets, for example land and changes in inventories.

Figure 4 shows that spending on gross capital formation as a percentage of GDP has increased from below 2% in the late 1990s to over 3% by 2024. In Section 6: Government expenditure functions, we explore some of the factors that have contributed to this increase.

Capital expenditure also includes spending on capital transfers, which have increased to almost 2% of GDP in 2024.

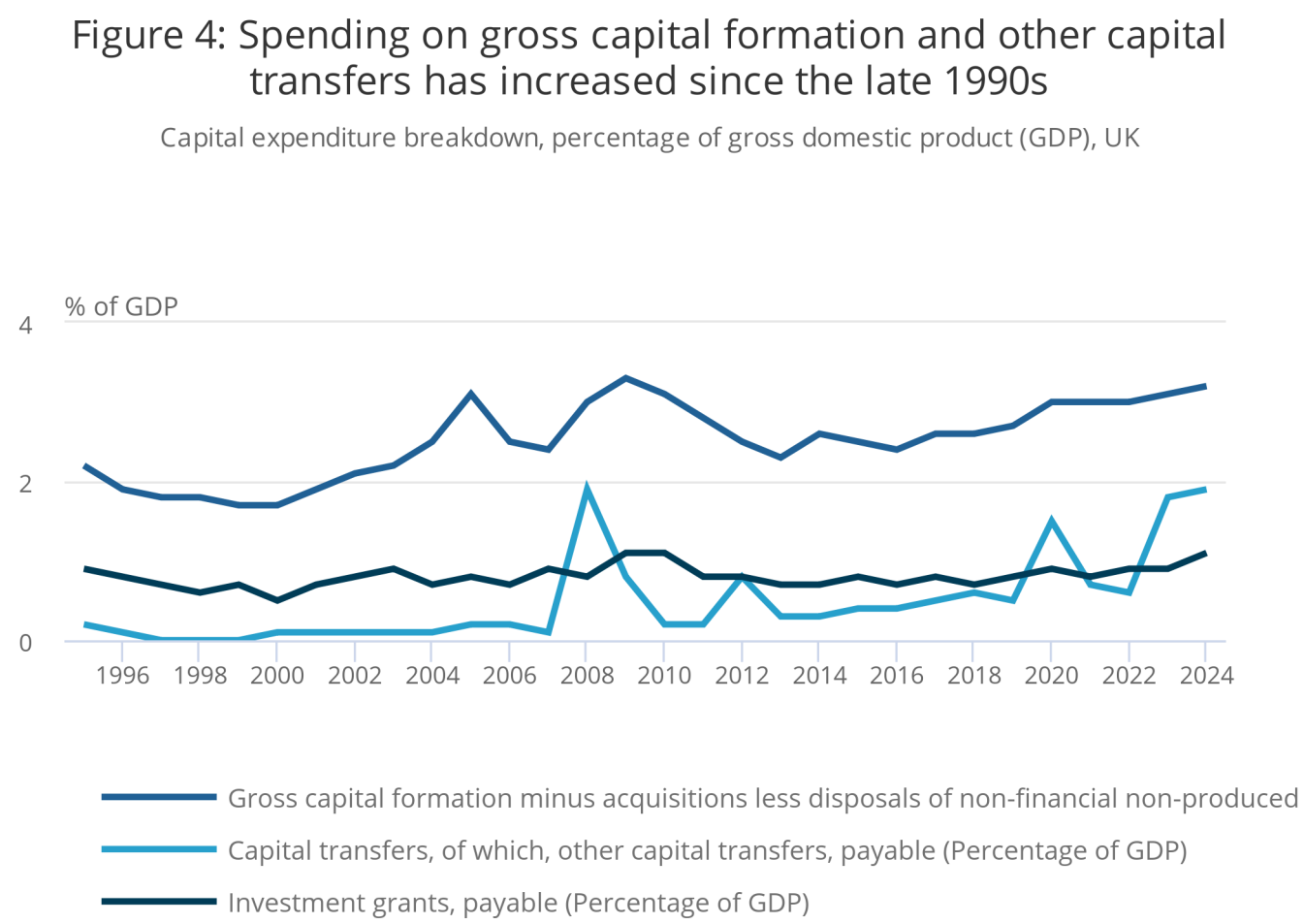
These are cash (or in-kind) payments that correspond to transfers of wealth between government and other sectors of the economy, for example debt cancellation. These are different from investment grants, which are used to finance the acquisition of assets by another unit, and not directly owned by the government. For example, cash payments include payments to businesses to install electric vehicle charging points.

Figure 4 also shows that capital transfers spiked during years when government responded to exceptional events. For example, during the global financial crisis, the government made cash payments to financial institutions, including the Royal Bank of Scotland, which later became part of Natwest and the Lloyds Banking Group.

Although the government received equity (an asset) in return for these payments, its market value was less than the price paid, with the accrued loss representing the capital transfer from government. In 2008, for example, around £19 billion of capital transfers were recorded, with the government paying compensation to depositors of Bradford and Bingley, when the bank failed in the financial year ending 2008. This was part of the Financial Services Compensation Scheme.

Figure 4: Spending on gross capital formation and other capital transfers has increased since the late 1990s

Capital expenditure breakdown, percentage of gross domestic product (GDP), UK



Source: General government annual expenditure and GDP quarterly national accounts from the Office for National Statistics

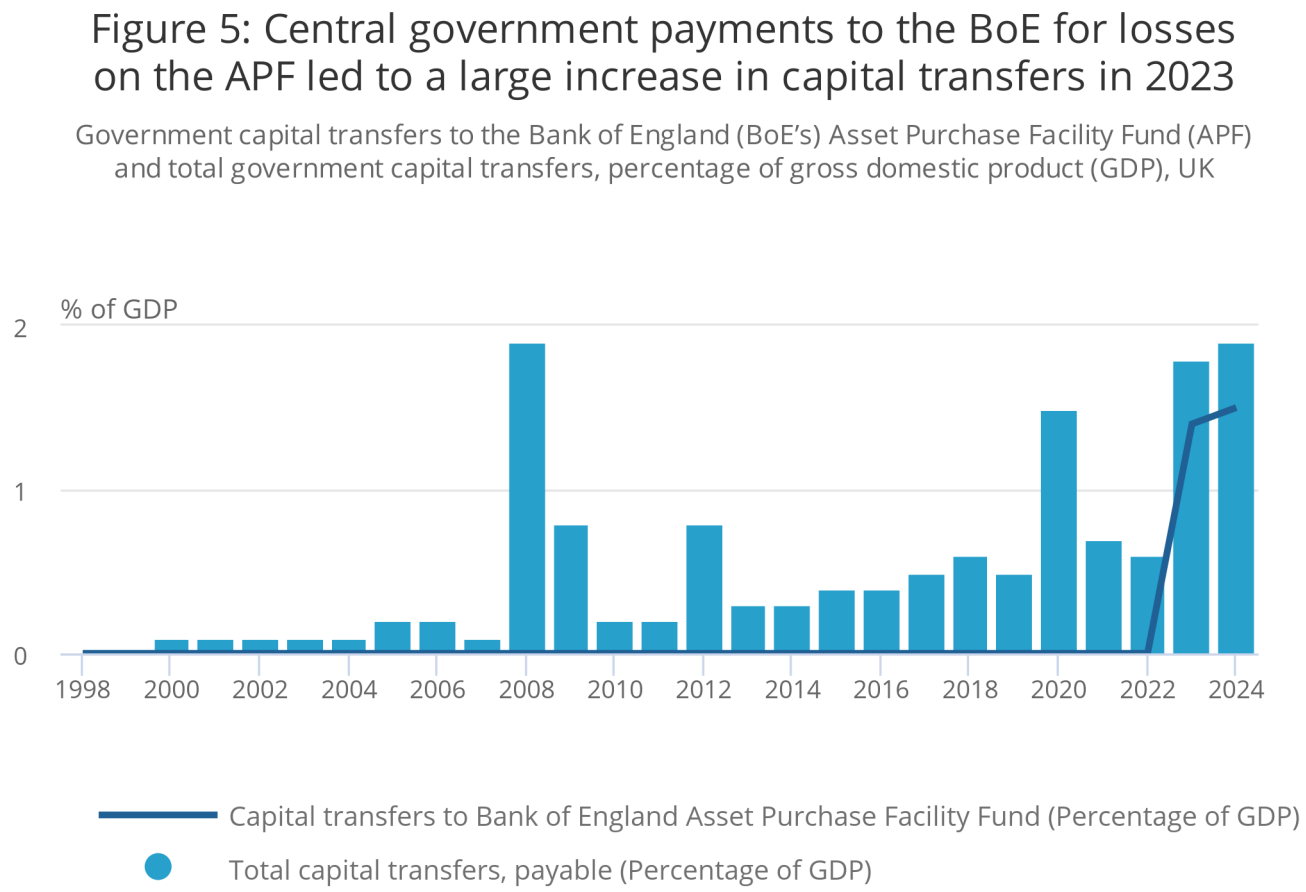
Another example of capital transfers is payments from HM Treasury to the Bank of England (BoE) to cover financial losses incurred by the Asset Purchase Facility Fund (APF). The APF is operated by the BoE to buy financial assets, such as government bonds, with the aim of improving liquidity in credit markets, according to their Asset purchase facility annual report 2025 (PDF, 701KB).

Figure 5 shows that capital transfers to the BoE APF started in 2022, when they amounted to less than £1 billion. They then increased to around £37 billion (1.4% of GDP) in 2023 and £42 billion (1.5% of GDP) in 2024. This represented a large proportion of all government capital transfers in 2023 and 2024 (around 1.8% and 1.9% of GDP, respectively).

These capital transfers to the APF started partly because of the upward movements in the BoE's bank rate. This increased the interest payments that the BoE paid on the reserves that it issued to acquire gilts and other financial assets as part of its quantitative easing programme. These interest payments then began to outstrip the BoE's receipts from the financial assets that it purchased during previous, lower interest rate periods.

Figure 5: Central government payments to the BoE for losses on the APF led to a large increase in capital transfers in 2023

Government capital transfers to the Bank of England (BoE's) Asset Purchase Facility Fund (APF) and total government capital transfers, percentage of gross domestic product (GDP), UK



Source: General government annual expenditure, public sector finances, and GDP quarterly national accounts from the Office for National Statistics

Notes:

1. The respective capital transfer payments to and from the BoE for its operation of the APF since 2010 are detailed in our Public sector finances tables 1 to 10: Appendix A dataset.

6 . Government expenditure functions

We use the UN Classification of the Functions of Government (COFOG), also used by the Organisation for Economic Co-operation and Development (OECD) and the International Monetary Fund (IMF). This helps us to refine our understanding of what government expenditure has been used for and to provide consistency in our comparison over time (Figures 6 and 7). These functions are:

- general public services – covering government activities that support the overall functioning of the state or outlays to manage government debt; it also includes publicly funded research not directed at a specific sector, or research and development (R&D) dedicated to improving public administration

- defence – covering the operation and maintenance of armed forces and non-military structures designed to protect the population; this also includes foreign military aid and defence R&D

- public order and safety – covering government activities aimed at civil policing and law enforcement, fire protection, law courts, and the correction system, including prisons

- economic affairs – covering all government activities aimed at supporting, regulating, and developing the economy; this includes infrastructure, industry policies, energy, transport, communications, agriculture, and general economic policy programmes

- environmental protection – covering all government activities with a primary purpose of protecting the environment from human-caused pressures; this includes preventing pollution, managing waste, and protecting biodiversity

- housing and community amenities – covering government activities with a primary purpose of supporting housing development, local community infrastructure, and essential public utilities; this includes water and street lighting

- health – covering government activities with a primary purpose of providing medical services, public health programmes, hospital (when a patient stays overnight) and outpatient services (delivered without overnight stay), health R&D, and health system administration

- recreation, culture and religion – covering government activities with a primary purpose of supporting recreation, sporting activities, leisure, cultural heritage and creative institutions, broadcasting, and religious or spiritual services

- education – covering all government activities with a primary purpose of providing or supporting formal and non-formal education and training; this spans the entire education lifecycle, from early childhood to higher education, as well as vocational and adult learning

- social protection – covering government actions that provide income support, assistance, and social services to individuals and households facing certain social risks or needs; these risks include old age, illness, unemployment, disability, family responsibilities, housing needs, poverty, and social exclusion

Figure 6: Expenditure on health, economic affairs, and social protection has increased since the late 1990s

General government expenditure: the top 5 major COFOG Functions by % of GDP in 2024

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Figure 7: Expenditure on other main COFOG functions since the late 1990s

Main general government expenditure by UN Classification of the Functions of Government (COFOG), percentage of gross domestic product (GDP) in 2024, UK

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Health

Expenditure on health, as measured by its COFOG function, increased from less than 5% of gross domestic product (GDP) in the late 1990s to over 7% in every year since 2009.

Government spending on intermediate consumption to provide health services steadily rose from around 1% of GDP, from the late 1990s until 2003, to around 3% in 2024. This includes a spike during the coronavirus (COVID-19) pandemic, likely associated with the reallocation of staff and services, and an escalation of input costs. For example, this includes personal protective equipment, as described in the National Audit Office (NAO's) The supply of personal protective equipment (PPE) during the COVID-19 pandemic report.

Contributing factors for this sustained rise in intermediate consumption expenditure on health services include increased spending on temporary and agency staff between financial years ending (FYE) 2010 and 2015. This was to address short-term workforce pressures, with relatively higher hourly pay, as described in the NAO's 2016 Managing the supply of NHS clinical staff in England report (PDF, 786KB).

The NAO also noted an increased demand for specialised services, greater use of high-cost drugs and devices, and new services being added, as discussed in their 2016 The commissioning of specialised services in the NHS report (PDF, 544KB).

Additionally, NHS Private Finance Initiative hospitals became operational during the same period. Private sector financiers provided maintenance services for these new buildings at the time, for which NHS Trusts made regular payments in return.

The compensation of healthcare employees (salaries and other staff costs) also increased, from less than 2.5% of GDP in the late 1990s to almost 4.0% in 2024. The NAO described how the number of whole-time-equivalent registered nurses working in the NHS increased by 55,000 between 2000 and 2005, bringing the total to 322,000 by the end of FYE 2005, as outlined in their 2006 Improving the use of temporary nursing staff in NHS acute and foundation trusts report (PDF, 363KB).

Economic affairs

Figure 8 shows that sustained increases in economic affairs expenditure were partly led by greater spending on the COFOG transport subfunction, rising from around 1% of GDP in 2000 to 2% by 2008.

Government investment on transport projects increased, partly in response to the rise in road miles travelled by all motor vehicles. The Department for Transport's Road traffic estimates in Great Britain: 2024 statistics show that this was a rise of over 8% between 2000 and 2007.

Spending on fuel and energy spiked to 1.4% of GDP in 2023, before falling back to 0.5% in 2024. Subsidies (money paid to businesses or producers to help reduce consumer prices) for fuel and energy peaked at 1.1% of GDP in 2023. There were large, temporary energy-price payments to energy suppliers after the introduction of the Energy Price Guarantee (EPG) in October 2022.

Sustained highs in wholesale prices led to this subsidy spending being maintained into 2023, with the EPG's regional rates remaining in place until July 2023. This was when the Ofgem energy price cap fell below the EPG unit price.

Temporary and very large schemes also contributed to the spikes in general economic, commercial, and labour affairs spending over the same period. This includes the equity injections into UK banks in 2008, as discussed in Section 5: Capital expenditure, and the Coronavirus Job Retention Scheme, created in 2020.

Figure 8: Expenditure on transport, fuel and energy, and research and development has increased since the late 1990s

Government expenditure by the UN Classification of the Functions of Government (COFOG's) Economic Affairs subfunction, UK

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Social protection

Increases in social protection expenditure largely represented greater spending on old age, rising from just over 6% of GDP in the late 1990s to between 8% and 9% since 2009 (Figure 9).

Social benefits other than social transfers in kind expenditure (cash payments given directly to people to support their income, such as the state pension) spent on old age increased from around 5.0% of GDP in 1998 to over 6.5% every year since 2009. This coincided with a combination of demographic changes, as increased numbers of people began approaching retirement age from the late 1990s onwards.

From 1999, the minimum income guarantee (later replaced by pension credit) ensured a higher minimum income for low-income pensioners. At the same time, full contribution histories from the State Earnings-Related Pension Scheme began to mature, which increased average benefit payments per recipient, while winter fuel payments were introduced. In 2011, the State Pension triple lock came into effect, guaranteeing State Pension rises of at least 2.5% per year.

Expenditure on social exclusion to people deemed at risk of being left out of society and not covered by contributory social insurance also increased, from less than 1.0% of GDP in the mid-2000s to 2.4% in 2024. Main initiatives contributing to this increase include the national strategy for neighbourhood renewal, which targeted extra funding to improve outcomes in deprived areas, and Sure Start Children's Centres, which provide family health and support services.

Spending on the COFOG social exclusion function's family and children subfunction fell from around 2.5% of GDP in the mid-2000s to 1.3% in 2024. The introduction of the High Income Child Benefit Charge was a factor in this fall and coincided with a reduction in the number of families claiming child benefit, as noted in the House of Commons Library's The High Income Child Benefit briefing (PDF, 902KB).

Expenditure on housing also fell by around 1.0% of GDP in 2024, from 1.5% in 1995. The introduction of Universal Credit replaced certain legacy benefits, including Housing Benefit, and this contributed to some of this fall because Universal Credit payments are classified within a different COFOG category.

Figure 9: Expenditure on old age and social exclusion not elsewhere classified have increased since the late 1990s

Government expenditure by the UN Classification of the Functions of Government (COFOG's) Social Protection subfunction, UK

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7 . Cite this statistical bulletin

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