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Scottish Parliament,
National Assembly for Wales
and
Northern Ireland Assembly**

A Statement of Funding Policy

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FUNDING THE SCOTTISH PARLIAMENT, NATIONAL ASSEMBLY FOR WALES AND NORTHERN IRELAND ASSEMBLY

SUMMARY

The arrangements set out in this Statement represent, in most cases, the continuation of long-standing conventions that have guided funding for Scotland, Wales and Northern Ireland prior to devolution and are consistent with the Devolution White Papers and the Devolution Acts. A short summary guide is set out below.

Government funding for the devolved administrations' budgets is normally determined within spending reviews alongside departments of the United Kingdom and in accordance with the policies set out in this Statement. The United Kingdom Parliament votes the necessary provision to the Secretaries of State; they make payments to the devolved administrations.

Each devolved administration's budget is not funded exclusively by grant from the United Kingdom Parliament. Further elements of the budget are covered by funding from locally financed expenditure (including non domestic rates and the Scottish Variable Rate of Income Tax if a decision is taken to use the tax varying power), and through borrowing by local authorities of Scotland, Wales and Northern Ireland and other public bodies to fund their capital spending. As for United Kingdom Government Departments, European Structural Funds expenditure falls within the devolved administrations' Departmental Expenditure Limits.

The block grants (or assigned budgets) are contained within the devolved administrations' Departmental Expenditure Limits. Changes to these budgets are generally determined by the Barnett formula. This largely removes the need to negotiate directly the allocation between Treasury Ministers, Secretaries of State and Ministers of the devolved administrations.

Under the formula, Scotland, Wales and Northern Ireland receive a population-based proportion of changes in planned spending on comparable United Kingdom Government services in England. Changes in each devolved administration's spending allocation is determined by the quantity of the change in planned spending in departments of the United Kingdom Government, the extent to which the relevant United Kingdom programme is comparable with the services carried out by each devolved administration and each country's population proportion. The introduction of resource budgeting means that this approach is applied to resource and capital budgets but the principles remain the same.

The allocation of public expenditure between the services under the control of the devolved administrations is for the devolved administrations to determine. Consistent with the arrangements for departments of the United Kingdom Government, the devolved administrations will normally be expected to accommodate additional pressures on their budgets, with access to the Reserve being considered in exceptional circumstances only. Unforeseen pressures should be catered for by offsetting savings and re-allocating priorities.

Further details are set out below.

SECTION 1. INTRODUCTION

1.1 This is the third edition of the Statement of Funding Policy, first published in March 1999. It has been updated to reflect developments since the second edition, for example in relation to stage 2 of resource budgeting, although the underlying principles and most of the text remain substantially unchanged. It sets out the arrangements which apply in setting devolved budgets in the 2002 Spending Review. The main amendments are in paragraphs 1.10, 1.11, 3.7, 3.11, 4.2, 4.6, 6.4, and Annex C.

1.2 The establishment of the Scottish Parliament, the National Assembly for Wales and the Northern Ireland Assembly led to the need for clear definitions of the new financial relationships to be established within the United Kingdom. The devolved administrations, while assuming responsibility for many of the functions of the departments which they inherited, are not themselves departments of the United Kingdom Government. Their funding arrangements are the subject of detailed scrutiny by the elected Members and those whom they represent. It is important, therefore, that the way in which the budget of each of the devolved administrations is determined should be clear, unambiguous and capable of examination and analysis by the devolved Parliament and Assemblies and the United Kingdom Parliament. The purpose of this Statement is to set out the policies and procedures which underpin the exercise of setting the budgets of the devolved administrations and to inform those inside Government and outside how the funding process operates.

1.3 The arrangements set out in this Statement represent, in most cases, the continuation of long-standing conventions that have guided funding for Scotland, Wales and Northern Ireland prior to devolution and are consistent with the Devolution White Papers, *Scotland's Parliament* (Cm 3658) and *A Voice for Wales* (Cm 3718), published in July 1997 and the subsequent Scotland Act 1998, Government of Wales Act 1998 and Northern Ireland Act of 1998 (the Devolution Acts). The terms of this Statement have been agreed between the Chief Secretary to the Treasury and the Secretaries of State for Scotland, Wales and Northern Ireland, following consultation with the Scottish Executive, the National Assembly for Wales and the Northern Ireland Executive.

The United Kingdom public expenditure regime

1.4 Responsibility for United Kingdom fiscal policy, macroeconomic policy and public expenditure allocation across the United Kingdom remains with the Treasury. As a result, the devolved administrations' budgets continue to be determined within the framework of public expenditure control in the United Kingdom. However, once overall public expenditure budgets have been determined, the devolved administrations have freedom to make their own spending decisions on devolved programmes within the overall totals.

1.5 United Kingdom Government funding for the devolved administrations' budgets is normally determined within spending reviews alongside United Kingdom Government departments and in accordance with the policies set out in this Statement. After the United Kingdom Parliament has voted the necessary provision to the Secretaries of State, they, in turn, make grants to the devolved administrations as detailed in each Devolution Act. Provision for the costs of the Scotland Office and Wales Office is found from within the total resources voted by the United Kingdom Parliament. The budget of the Northern Ireland Office is set separately by negotiation with the Treasury.

1.6 Each devolved administration's budget is not funded exclusively by grant from the United Kingdom Parliament. Once the proportion of the budget which requires Exchequer funding is determined, the United Kingdom Parliament votes the necessary provision by means of a grant. Further elements of the budget are covered by funding from locally financed expenditure (including non-domestic rates and the Scottish Variable Rate of Income Tax if a decision is taken to use the tax-varying power), the European Commission and through borrowing by local authorities of Scotland, Wales and Northern Ireland and other public bodies to fund their capital spending.

Public expenditure categories

1.7 The total budget of each devolved administration is composed of a number of separate categories of public expenditure. These are defined as Departmental Expenditure Limits (DEL) set over three years and Annually Managed Expenditure (AME) set yearly. The tables in Sections 12 to 14 below detail the current position for each devolved administration. In summary:

- i. **Departmental Expenditure Limits (DELs)** set firm, three-year spending limits. These will only be reviewed if inflation varies substantially from forecast made at the time of a spending review (plus or minus 2 per cent from the cumulative projections for inflation for years 2 and 3 of the spending review period). Expenditure in DEL is split between those items within the assigned budget and those within the non-assigned budget. Most spending within DEL is undifferentiated, as the devolved administrations will have full discretion over their spending priorities; these are 'assigned budget' items. Changes in provision for these items are determined through the Barnett Formula (see Section 3). Some spending in DEL, however, is ring-fenced and specific to that spending priority: these are known as 'non-assigned budget' spending items; and
- ii. **Annually Managed Expenditure (AME)** covers items whose provision is reviewed and set for the coming year annually (in March) and certain self-financed expenditure. AME expenditure cannot be recycled from one AME programme to another or recycled to increase

the DEL. Within AME, expenditure is classified between 'Main Departmental programmes in AME' and 'other AME' spending. Main Departmental programme spending covers policy-specific, ring-fenced items where provision is included within the Vote from the United Kingdom Parliament. The AME element of the budget is reviewed twice-annually, and forecasts are made for the three years ahead. Thus the AME element of the budget can move up or down and, hence, the total budget itself may move up or down in line with AME. 'Other AME' spending includes locally financed expenditure, including expenditure financed by the Scottish Variable Rate of Income Tax; these are not ring-fenced and may be allocated, as the devolved administrations consider appropriate.

Resource Accounting and Budgeting

1.8 A fundamental change in the way the Government accounts for and controls public expenditure results from the move to Resource Accounting and Budgeting (RAB) from April 2000 onwards. Resource Accounts replaced Appropriation Accounts with effect from the financial year 2001-02, moving accounting to an accruals basis. The aim of this move is to focus more on resources consumed rather than cash spent; to treat capital and current expenditure in a way that distinguishes their economic significance and to focus on achievement of outputs, aims and objectives.

1.9 The introduction of Resource Accounting and Budgeting brings no changes to the underlying principles set out in this Statement and is not in itself intended to result in changes to the total resources available to the devolved administrations. The underlying Barnett Formula principles (described in paragraphs 3.1 to 3.16 below) will continue to be applied to determine changes in provision.

1.10 Resource budgeting is the process by which the Government plans and controls the expenditure of resources to meet its objectives. The main changes this will introduce are the definition of current expenditure to encompass the consumption of fixed assets and the cost of holding them, and the separate plans for capital expenditure to reflect long-term investment rather than cash spent in the year of acquisition. Resource budgeting is being introduced in two stages. In stage I, in the 2000 spending review, the largest non cash elements of resource budgets (such as depreciation, cost of capital charges and provisions and also release from donated assets reserve, release from government grant reserve, impairment, implied loan subsidies, stock write offs/write downs, interest income from private sector and abroad) were into Annually Managed Expenditure (AME) rather than Departmental Expenditure Limits (DEL); and in Stage II, in the 2002 Spending Review, these items have been moved into DEL.

1.11 In the 2002 spending review, the 2003-04 baseline is the starting baseline. It includes non-cash charges, which were previously in AME, such as depreciation,

capital charges and provisions (with the exception of items such as capital charges for roads, which are considered too unpredictable to include in DEL at this stage and therefore remain in AME). The baseline therefore reflects the existing asset base of the devolved administrations. Changes in resource and capital budgets are determined by applying the Barnett comparability factors and population shares to the changes in the resource and capital budgets of comparable United Kingdom Government departments' programmes to arrive at DEL resource and capital changes, including cash and non-cash changes. The Scottish and Northern Ireland Executives and Welsh Assembly will continue to be free to allocate between capital and resource budgets within the overall DEL capital and resource budgets. An estimate will be made of the AME consequences of changes in the capital budget for those items which remain in AME such as roads capital charges; these AME forecasts can be updated on a six monthly basis. Payments will continue to be made by the Scotland, Wales and Northern Ireland Offices to the Scottish Executive, National Assembly for Wales and Northern Ireland Executive from their Resource Estimates and will continue to be current grants.

SECTION 2. KEY PRINCIPLES OF ALLOCATING PUBLIC EXPENDITURE WITHIN THE UNITED KINGDOM

2.1 The United Kingdom Government applies certain principles in allocating public expenditure between the countries of the United Kingdom. These are based upon the Statement of Principles to govern changes to the devolved administrations' budgets set out in the Chief Secretary's reply to a Parliamentary Question answered on 9 December 1997 (*Official Report, WA Col 510 to 513*). This is reproduced at Annex A to this Statement. Although not referring directly to Northern Ireland (as the answer was made prior to the Good Friday Agreement of 10 April 1998), the principles apply equally to Northern Ireland.

2.2 The principles are that:

- i. all United Kingdom tax revenues and analogous receipts are passed to the United Kingdom Consolidated Fund. Decisions about the allocation of United Kingdom public expenditure rest with the United Kingdom Government. This does not apply to the Scottish Variable Rate of Income Tax or local taxes which are matters for the relevant devolved administrations;
- ii. changes in the budgetary provision of the devolved administrations funded by United Kingdom tax revenues (excluding the Scottish Variable Rate of Income Tax) or by borrowing will generally be linked to changes in planned spending on comparable public services by departments of United Kingdom Government;
- iii. this linkage will generally be achieved by means of the population-based Barnett Formula. This largely removes the need to negotiate directly the allocation between Treasury Ministers, Secretaries of States and Ministers of the devolved administrations;
- iv. the allocation of public expenditure between the services under the control of the devolved administrations will be for the devolved administrations to determine;
- v. the devolved administrations will be fully accountable for the proper control and management of their public expenditure allocation and for securing economy, efficiency and value for money through scrutiny by the relevant Parliament or Assemblies and the detailed accountability and audit procedures listed in the Devolution Acts;
- vi. the devolved administrations will meet all the operational and capital costs associated with devolution from within their allocated budgets;
- vii. if levels of self-financed expenditure generated by a devolved

administration grow significantly more rapidly than comparable expenditure in England over a period and in such a way as to threaten targets set for public expenditure as part of the management of the United Kingdom economy, it will be open to the United Kingdom Government to take the excess into account in considering the level of grant to the devolved administrations. This principle will not apply to the Scottish Variable Rate of Income Tax;

- viii. where decisions taken by any of the devolved administrations or bodies under their jurisdiction have financial implications for departments or agencies of the United Kingdom Government or, alternatively, decisions of United Kingdom departments or agencies lead to additional costs for any of the devolved administrations, where other arrangements do not exist automatically to adjust for such extra costs, the body whose decision leads to the additional cost will meet that cost;
- ix. the United Kingdom Government continues to reserve the right to make across-the-board adjustments to the budgets for the devolved administrations in cases of a uniform general adjustment to public expenditure programmes of departments of the United Kingdom Government;
- x. consistent with the arrangements for departments of the United Kingdom Government, the devolved administrations will normally be expected to accommodate additional pressures on their budgets. Unforeseen pressures should be catered for by offsetting savings and re-allocating priorities; and
- xi. responsibility for contributions to and distribution of receipts from the European Commission rests solely with the United Kingdom Government.

2.3 Details of how these principles apply are set out in Sections 3 to 14 below.

SECTION 3. PUBLIC EXPENDITURE CHANGES DETERMINED BY THE BARNETT FORMULA

3.1 When the United Kingdom Government reviews its spending plans, changes in the spending allocations to the devolved administrations' Departmental Expenditure Limits are, with the exceptions noted in Section 4, determined by applying the population-based Barnett Formula to changes in planned spending on comparable services in United Kingdom Government departments.

3.2 This system was first used in the 1978 Public Expenditure Survey. The Devolution White Papers stated the Government's commitment to retaining the existing Formula and arrangements. 'Scotland's Parliament' states:

"In practice these arrangements, based on the Block and Formula, have produced fair settlements for Scotland in annual public expenditure rounds and have allowed the Secretary of State for Scotland to determine his spending decisions in accordance with Scottish needs and priorities. They have largely removed the need for annual negotiation between the Scottish Office and the Treasury. The Government have therefore concluded that the financial framework for the Scottish Parliament should be based on these existing arrangements with, in future, the Scottish Parliament determining spending priorities."

Similarly, 'A Voice for Wales' states:

"Changes to the Welsh block will be calculated by the population-based formula used at the moment. These arrangements based on the Block and Formula have worked in practice, producing fair settlements for Wales in annual public expenditure rounds."

The Barnett Formula

3.3 The Barnett Formula determines changes to expenditure within the assigned budgets of the devolved administrations. Under the Formula, the Scottish and Northern Ireland Executives and Welsh Assembly receive a population-based proportion of changes in planned spending on comparable Government services in England, England and Wales or Great Britain as appropriate. It should be noted that the Formula determines the changes to each devolved administration's spending allocations; it does not determine the total allocation for each devolved administration.

3.4 There are three factors in determining changes to each devolved administration's spending allocation in a spending review:

- i. the quantity of the change in planned spending in United Kingdom

Government departments;

- ii. the extent to which the relevant United Kingdom departmental programme is comparable with the services carried out by each devolved administration; and
- iii. each country's population as a proportion of England, England and Wales or Great Britain as appropriate.

3.5 Using these three factors, the net change to the spending allocations for each devolved administration is determined as follows:

Change to the UK Government department's programme	X	Comparability percentage	X	Appropriate population proportion
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This calculation is made for each departmental programme in DEL and the sum of these results represents the aggregate net change to the assigned budget element of the DELs for each of the devolved administrations (as shown in the tables in Sections 12 to 14 below). It is for each administration to allocate spending within those budgets according to their own priorities.

3.6 Annex B shows an example of how changes are calculated using the Barnett Formula.

Population proportions

3.7 The population proportions used reflect the latest available mid-year estimates published by the Office for National Statistics. For the 1998 Comprehensive Spending Review, these were the 1996 mid-year estimates. The latest available mid-year estimates are used for future allocations, including 'in-year' changes; for the 2000 spending review, the 1999 mid-year estimates applied. For the 2002 spending review the 2001 mid-year estimates apply. The Treasury notifies the devolved administrations of the population proportions that will be applied in advance. Allocations which have already been set, such as those over a spending review period, will not be adjusted to reflect subsequent population estimate changes. Population proportions are:

ONS mid-year population estimates (per cent)	1996	1999	2001
Scotland's population as a proportion of the population of England:	10.45	10.34	10.23
Scotland's population as a proportion of the population of England and Wales:	9.86	9.77	9.66
Wales' population as a proportion of the population of England:	5.95	5.93	5.89
Northern Ireland's population as a proportion of the population of Great	2.91	2.93	2.92

ONS mid-year population estimates (per cent)	1996	1999	2001
Britain:			
Northern Ireland's population as a proportion of the population of England:	3.39	3.41	3.40
Northern Ireland's population as a proportion of the population of England and Wales:	3.2	3.22	3.21

3.8 The population proportions used in the Formula reflect the coverage of the United Kingdom departmental programme to which they are applied. In the vast majority of cases, the United Kingdom departmental programme covers England only and the proportion of England's population is applied. However, where the United Kingdom departmental programme covers England and Wales, such as the Home Office and legal departments, then the proportion of the population of England and Wales is applied.

3.9 **Northern Ireland:** Prior to and during the 1998 Comprehensive Spending Northern Ireland's population as a proportion of Great Britain's population had been applied to the planned spending changes of each departmental programme including the allocations for Scotland and Wales. The rationale for applying a proportion of Great Britain's population, in contrast to Scotland and Wales where an England population was applied, was that United Kingdom Government departments previously had greater Great Britain-wide responsibilities which more directly matched those functions and services carried out by the Northern Ireland departments. However, the Scottish and Welsh Offices had, in recent years, been steadily taking responsibility for more policy areas which, hitherto, had been the responsibility of United Kingdom Government departments, culminating with further policy responsibility after devolution.

3.10 Therefore, for the 2000 spending review and for future 'in-year' changes, the population share applied in the Barnett Formula for Northern Ireland is determined by the geographical coverage of the United Kingdom department to which it is applied and excludes changes to Scottish and Welsh devolved administrations. Northern Ireland's population as a proportion of England's population is applied for the Formula except where the programme in question generally has a wider coverage than England only, such as those listed in paragraph 3.8, where using England and Wales' or Great Britain's population is appropriate. This ensures Northern Ireland receives its public expenditure funding on the same basis as Scotland and Wales. In practice, this change has little effect on provision for Northern Ireland and Northern Ireland is no worse off as a result.

Comparability percentages

3.11 Comparability is the extent to which services delivered by United Kingdom Government departments correspond to services within the budgets of the

devolved administrations. For each departmental programme, defined by Departmental Expenditure Limits (DEL), a comparability percentage is calculated by examining the component (sub-programme) within that programme. Each sub-programme is weighted by its spending in the base year (the year immediately preceding the first year covered by a spending review) to give an overall level comparability. Annex C lists the comparable sub-programmes used for the 2002 Spending Review (adjusted in the case of Northern Ireland to reflect the fact that the Northern Ireland Office law and order functions are not devolved). Departmental Unallocated Provision sub-programmes are assumed to have the weighted average departmental comparability and therefore do not affect the calculations of departmental comparabilities.

3.12 Expenditure on services in England, England and Wales or Great Britain (as appropriate) is normally regarded as comparable except in cases where:

- i other arrangements are in place to determine each devolved administration's share of a budget. In such cases, the sub-programme in question corresponds to a function falling outside the devolved administration's assigned budget;
- ii expenditure is incurred on behalf of the United Kingdom as a whole or of Great Britain or of England and Wales as a whole at programme or sub-programme level; or
- iii a small number of exceptional sub-programmes that are regarded as unique at a United Kingdom level, such as the Channel Tunnel Rail Link.

3.13 Where classification, transfer or machinery of government changes occur in United Kingdom Government departments which have the effect of transferring provision from one departmental programme to another or changing the structure of a departmental programme, this may have a corresponding effect on comparabilities. Existing plans will not be revisited, while changes will be reflected in the next spending review. The Secretaries of State and devolved administrations will be consulted on these changes before they are applied as detailed in the following paragraph.

3.14 The Treasury, in good time, consults with each Secretary of State and devolved administration to allow comments and discussion prior to a spending review on the comparability percentages to be used in that review. Specifically, the Treasury will advise which Departmental Expenditure Limits contain comparable spending for the purpose of applying the Formula, the comparability percentage of each sub-programme and its spending in the base year (the year immediately preceding the first year covered by a spending review). The availability of comparability percentages, population proportions and changes in United Kingdom departmental programmes will mean that the devolved administrations

will be able to verify that the Barnett Formula methodology and arithmetic has been applied correctly. In case of any disagreement, the resolution procedures described in Section 11 below will apply. The levels at which the changes to United Kingdom departments' programmes are calculated for application of the Barnett formula will be reviewed by the Treasury and the devolved administrations alongside possible changes from the introduction of Resource Accounting and Budgeting.

3.15 Northern Ireland value added tax abatement: the changes to the Northern Ireland Executive's budget determined through the Barnett Formula are abated to reflect the fact that under Section 99 of the Value Added Tax Act 1994, the Northern Ireland Executive, unlike departments in the rest of the United Kingdom, do not require provision to meet Value Added Tax expenditure since any value added tax paid by the NIE is refunded by HM Customs and Excise. Currently, Barnett Formula changes for Northern Ireland are abated by 2.5 per cent.

SECTION 4. PUBLIC EXPENDITURE CHANGES NOT DETERMINED BY THE BARNETT FORMULA

4.1 Although the majority of each devolved administration's spending will be adjusted in spending reviews by applying the Barnett Formula, there are a number of exceptions where the population-based approach is not appropriate. These include some programmes within Departmental Expenditure Limits, all Annually Managed Expenditure items and other expenditure outside Departmental Expenditure Limits. The tables at Sections 12 to 14 below show these various categories of expenditure which are the responsibility of the devolved administrations.

4.2 Departmental Expenditure Limit items in the non-assigned budget will be determined separately between the devolved administration, the Secretary of State, the Treasury and, where appropriate, the relevant United Kingdom Government department. For Northern Ireland, it includes ring-fenced public expenditure provision for the European Union's Peace and Reconciliation Programmes. Non-assigned items may change between spending reviews with the agreement of the Treasury.

4.3 Main programme spending items within Annually Managed Expenditure are determined periodically and included within a Vote from the United Kingdom Parliament. The devolved administrations will not normally need to find offsetting savings from elsewhere within their budgets when forecasts change at planning stage or during the financial year to cover increases in expenditure on these items, but the Secretary of State will have to seek approval from the Treasury for any increases on their behalf, and any excess provision will have to be surrendered to the United Kingdom Consolidated Fund, as at present. (This also applies to police loan charges in Scotland, classified as 'other expenditure outside Departmental Expenditure Limits'). Increases in Annually Managed Expenditure programme spending, which arise from policy decisions taken by the respective devolved administrations will be met from their respective budgets.

4.4 The Main Programme Spending items within Annually Managed Expenditure are:

- i. Common Agricultural Policy programme payments, for each country, which are received centrally from the European Union by the Rural Payments Agency and distributed according to entitlement;
- ii. Housing Support provision in Scotland and Housing Revenue Account Subsidy in Wales which are based on economic assumptions produced by the Treasury and forecasts by the Department of Social Security of the impact of all factors, other than changes in rent policy, on the demand for gross rent rebates;

- iii. National Health Service and teachers' pensions in Scotland and Northern Ireland are calculated on the basis of forecasts provided by the devolved administration (taking account of Treasury economic assumptions) of gross expenditure and of income from employee and employer pension contributions; and
- iv. social security benefits in Northern Ireland where adjustments are based on the latest economic assumptions produced by the Treasury in conjunction with forecasts produced by the Northern Ireland department with responsibility for social security. These benefits will be funded on the same model as in Great Britain, that is funding will be in line with actual entitlement of claimants. If, in the future, the Northern Ireland Executive change social security policy to differ from the rest of the United Kingdom, United Kingdom Ministers will need to take a view on whether and how to adjust this funding.

4.5 Other AME items include Local Authority Self-Financed Expenditure (LASFE) or District Council self-financed expenditure in Northern Ireland, which are determined by local authorities within the framework set by the devolved administrations and expenditure financed by non-domestic rates for Scotland and Wales and Regional Rates for Northern Ireland, determined by the relevant devolved administration.

4.6 Under stage 1 of resource budgeting AME also included certain accrual items on DEL programmes that were thought to be potentially large and volatile such as depreciation and capital charges; these were transferred to DEL under stage 2 of resource budgeting as noted above.

SECTION 5. SELF-FINANCED SPENDING

5.1 The devolved administrations and, where necessary, their local authorities have responsibility for spending financed from local government and, to varying degrees, for spending financed from some other sources of revenue, for example, non-domestic rates, the Food Standards Agency levy and, in Scotland, were this to be used, the Scottish Variable Rate of Income Tax. Recurrent spending funded by these revenues is an issue for the devolved administrations and their local authorities.

5.2 It is, however, open to the Government to take into account levels of this self-financed expenditure in each country when determining the assigned budget where:

- i. levels of self-financed spending have grown significantly more rapidly than equivalent spending in England over a period; and
- ii. this growth is such as to threaten targets set for the public finances as part of the management of the United Kingdom economy.

Expenditure funded by the Scottish Variable Rate of Income Tax is excluded from this policy; there is no equivalent expenditure element in England.

5.3 This Statement is drafted on the assumption that current forms of local taxation continue. Specific rules are as follows:

- i. Council Tax Benefit adjustments: if, due to decisions by the Scottish Executive or the National Assembly for Wales or their respective local authorities, the costs of Council Tax Benefit subsidy paid to local authorities changes at a disproportionate rate (both higher or lower), relative to changes in England, then appropriate balancing adjustments are made to the relevant devolved administration's Departmental Expenditure Limit. In such cases the Government applies a formula to calculate balancing adjustments based on relative percentage changes in Council Tax;
- ii. Rates levels in Northern Ireland: the Regional Rate is set by the Northern Ireland Executive and District Rates are set by District Councils. Together the two Rates determine rate rebate expenditure in Northern Ireland. The principles set out above in relation to Council Tax Benefit expenditure in Wales and Scotland also apply in Northern Ireland and equivalent mechanisms will be used;
- iii. Adjustments for levels of rent rebates: if, in Scotland or Northern Ireland, the actual costs of rent rebate subsidy expenditure changes at a disproportionate rate (both higher and lower) relative to changes in England, then appropriate balancing adjustments are made to the Departmental

Expenditure Limit of the devolved administration. In such cases the Government applies a formula to calculate balancing adjustments based on relative percentage changes in public sector rents. Separate arrangements determine Housing Revenue Account Subsidy in Wales, as set out in the Concordat between Department of Social Security and the National Assembly for Wales published on 11 January 2000;

- iv. Non-domestic rate poundage: the power to adjust this in Scotland and Wales is devolved. The devolved administrations will have to set the level of spending in line with expected receipts; and
- v. Non-domestic rates pool mechanism for Scotland and Wales: the pool mechanism through which non-domestic rates is distributed will mean that over time grants distributed from non-domestic rates income will match income raised. In-year variation of non-domestic rates income will be manageable by this mechanism. A devolved administration may, through the Secretary of State, seek a loan from the National Loans Fund to cover any shortfall over the end of the financial year (see paragraph 6.3 below).

SECTION 6. EXPENDITURE FINANCED BY BORROWING

6.1 The devolved administrations will have the power to sanction borrowing for capital investment by local authorities (District Councils in Northern Ireland) and other public bodies. This borrowing counts towards the Public Sector Net Cash Requirement (PSNCR) and hence is included within the devolved administrations' total budgets each year as a control mechanism so that any increases in borrowing must be offset by reductions in other spending. The effect is to reduce the level of grant from the United Kingdom Government and hence to restore the United Kingdom borrowing position.

6.2 Generally the financing costs of higher borrowing are met locally - either from the assigned budget itself, from local taxation or through higher charges for services. Local authority capital is funded through a balance of credit approvals, where financing costs must be met by local authorities, and capital grants, where financing costs are met by the United Kingdom Exchequer. In cases of a significant shift in the balance between credit approvals (or net capital allocations) and capital grants, the Treasury reserves the right to adjust the assigned budget for the financing costs of this shift.

6.3 **Loans to the devolved administrations:** each Secretary of State may lend the devolved administration sums required for meeting a temporary excess in expenditure over income or providing the devolved administration with a working balance. The Treasury may issue to the Secretary of State such sums out of the National Loans Fund. These loans should be repaid by the devolved administration to the Secretary of State at such times, methods and interest rates as the Treasury determines. Sums received by the Secretary of State will be paid into the National Loans Fund. The aggregate outstanding amount of principal loans made shall not exceed £500 million for the Scottish Executive and National Assembly for Wales and £250 million for the Northern Ireland Executive. The Secretary of State, with the consent of the Treasury, can substitute these statutory limits by order. These rules governing lending are laid out in Sections 66, 67, 68, 71 and 72 of the Scotland Act 1998, Sections 82 and 83 of the Government of Wales Act 1998 and Sections 61 and 62 of the Northern Ireland Act 1998.

6.4 Prudential borrowing regimes for local authorities in England, Scotland and Wales (and for the Northern Ireland Executive in the case of Northern Ireland) will be introduced subject to the necessary legislation. In the 2002 spending review, increases in local authority borrowing will continue to be classified as DEL but, in due course, the Treasury will agree reclassification of local authority spending financed by borrowing from DEL to AME with the devolved administrations and appropriate borrowing limits for Scotland, Wales and Northern Ireland will be introduced.

SECTION 7. RECEIPTS AND CHARGES

7.1 Responsibility for setting charges for devolved public services will rest with the devolved administrations. They can decide whether they wish to follow United Kingdom Government policy on fees and charges in specific cases. The general principle that applies is if a devolved administration chooses to charge more, the additional negative public expenditure receipts will accrue to its budget and if it chooses to charge less it will need to meet the costs from within its budget.

Receipts

7.2 The treatment of receipts in Departmental Expenditure Limits should follow the Treasury's normal rules as set out from time to time in guidance papers. The Office for National Statistics define what scores as a payment for a service, a tax or a fine in National Accounts and the Treasury determines the treatment of receipts in Departmental Expenditure Limits, which are normally in line with National Accounts definition. There is also scope for negative DEL treatment for certain fines and taxes. For Scotland, the Treasury will list those receipts that will be surrendered to United Kingdom Consolidated Fund (UKCF) under an order by Section 64 (5) of the Scotland Act 1998. For Wales, a Treasury direction under Section 88 of the Government of Wales Act 1998 will list those receipts that will not be surrendered to the UKCF.

7.3 The general rule is that revenue receipts from taxes and from fines and charges which are analogous to taxes (with the exception of some local authority fines and charges) will be surrendered to the UKCF. Where charging more on fees might lead to the excess being treated as taxation or revenue (as defined by the Treasury and Office for National Statistics) the excess should not be retained. Separate arrangements for Northern Ireland are detailed at paragraph 14.2 below. The exceptions where the devolved administrations' budgets will not be affected are:

- i. recurrent receipts from charges set to recover the costs of public services which will be available to be re-cycled by the devolved administration and subject to the general principle set out in paragraph 7.1 above; and
- ii. revenue from non-domestic rates and the Scottish Variable Rate of Income Tax, where use of the tax-varying power will not affect the assigned budget.

Capital receipts

7.4 United Kingdom taxpayers will have a continuing interest in capital assets under the control of the devolved administrations where they originally financed these assets. Consistent with this the Government may take into account proceeds

from the sales of such assets in setting its grant to the devolved administrations when capital receipts are realised as a result of a privatisation of a public sector trading body or a major change in the role of the public sector such as might arise from a large scale asset disposal or a public-private partnership in which the public sector contracts with the private sector for the future delivery of a service. In such circumstances Treasury Ministers reserve the right to reduce the grant to the devolved administration to reflect receipts.

7.5 Current rules applying to all United Kingdom Government departments state that 100 per cent of the receipts of all assets disposals may be retained subject to certain limits. These are that the value of an individual sale does not exceed £100 million and that the value of total sales for any financial year does not exceed 3 per cent of a department's total provision (or a Non-Departmental Public Body's grant-in-aid). Automatic retention does not apply to receipts from privatisations or similar sales and Public Corporations. This policy does not apply to local authorities.

7.6 The devolved administrations should advise Treasury in advance in circumstances where adjustments to the assigned budget may be made. The Treasury will consult the devolved administrations and the Secretaries of State before making such adjustments.

Trading receipts

7.7 Where a devolved administration receives significant trading surpluses from the commercial exploitation of publicly funded assets, these may be taken into account by the United Kingdom Government when setting grants to the devolved administration or by the devolved administration surrendering these to the United Kingdom Consolidated Fund. The United Kingdom Government would not expect to take surpluses into account where they are generated by a body which - over a period - is expected to break even or where they are de minimis in public expenditure terms. The Treasury will consult the devolved administration before trading surpluses are taken into account.

7.8 Funding for Forestry Commission activities in Scotland and Wales is devolved having previously been funded on a Great Britain basis. Timber receipts from the commercial side of this work will be subject to a profit-sharing agreement. United Kingdom taxpayers funded the original investment in the Commission's forests. To reflect this investment while at the same time providing an incentive to maximise receipts from timber sales, it is agreed that the Exchequer should share half the net change in receipts with the devolved administration from 2002-03. This will not apply to the years 1999-2000 to 2001-02 when funding for the Forestry Commission was settled at a Great Britain level. This does not apply to the Forest Service in Northern Ireland where responsibility for forestry has always been a transferred matter funded from Northern Ireland's overall provision.

SECTION 8. EUROPEAN FUNDING ISSUES

8.1 This section describes how the cost of European Union expenditure programmes is reflected in the devolved administrations' budgets:

- i. **EUROPES:** adjustments are made for the cost of financing certain European Union expenditure programmes which cross more than one departmental area of responsibility (these are European wide programmes and should be distinguished from Category 2, European Structural Funds expenditure). Where appropriate, these adjustments will continue to apply to the devolved administrations' baselines on a fair and equitable basis, and in line with the treatment for United Kingdom Government departments. An exercise will be conducted each year to determine the liability for each United Kingdom Government department and devolved administration. In the year of a new review, this exercise will determine, where appropriate, a revised allocation of shares of responsibility between each United Kingdom Government department and devolved administration. This will identify a liability that will go forward to the next review. Here, United Kingdom Government Ministers and devolved Ministers will continue to have the right to seek to have their identified EUROPES adjustments annulled. Fundamentally, whether or not adjustments are applied, in full or in part, in the next review will be a matter to be considered by United Kingdom Ministers, including the Secretaries of State in consultation with devolved administrations' Ministers, as part of that review.
- ii. **European Structural Funds:** There are two strands to the administration of Structural Funds receipts. First, the European Commission makes commitments to Structural Funds programmes equal to their annual allocations; the regional/devolved administrations' programme managers may make commitments to projects, which meet the programme criteria, up to the value of the annual allocation. Second, the Commission makes cash payments to the United Kingdom paying authorities which include the devolved administrations - firstly, 'payments on accounts' at the start of the programme to enable paying authorities to make immediate payments out on projects once payment applications are received and verified, and then subsequently regular reimbursement to paying authorities of sums paid out to projects. Final beneficiaries receive payments as quickly as possible and without deductions, as stipulated in the EC regulation.

European Structural Funds expenditure occurs when payments are made to projects. European Structural Funds expenditure, like

expenditure under other comparable programmes, scores within Departmental Expenditure Limits. Devolved administrations, in common with all United Kingdom Governments Departments, plan for expected Structural Funds expenditure within their allocated DEL (i.e. they ensure 'public expenditure cover' for forecast expenditure).

The rate at which payments are made to final beneficiaries, and thus the rate of Structural Funds expenditure, depends on the rate at which projects, which meet programmes' criteria, come forward and then get underway. Under the new Structural Funds regulation, the Commission will automatically 'de-commit' any part of a programme's annual commitment which has not either been settled by the payment on account or for which it has not received an acceptable payment application by the end of the second year following the year of commitment.

The Structural Funds provide co-financing for eligible projects. Project applicants also need to secure 'match funding' from non-EU sources in the public, private or voluntary sectors. The EC regulation sets maximum levels of Structural Funds contributions to measures, depending on the Objective status and type of measure. The Structural Funds complement, and can be matched by, a range of existing United Kingdom Government and devolved administrations' programmes.

The Government is content that it has, and aims to continue to, satisfy the EC rules on additionality, as set out in the Structural Funds regulation. These require that Member States maintain domestic public or other equivalent structural expenditure in the sum of regions in receipt of Objective 1 funding, at or above the average annual level in the previous Structural Funds programming period, taking account of economic circumstances. For Objectives 2 and 3 taken together, Member States are required to maintain the level of expenditure on active labour market policy.

SECTION 9. IN-YEAR CHANGES AND ACCESS TO THE DEL RESERVE

9.1 The Departmental Expenditure Limits set firm, three-year plans. United Kingdom Government Departments and devolved administrations must live within these plans and absorb unforeseen pressures. The devolved administrations must ensure they introduce suitable arrangements for the planning and control of public expenditure on devolved services to achieve this. Thus the presumption is that departments and the devolved administrations will contain pressures on their budget by re-allocating priorities, seeking offsetting savings and using unspent entitlements from the preceding year, not through in-year access to the DEL Reserve. The establishment of Departmental Unallocated Provisions is encouraged for this purpose. DEL Reserve claims may result in multi-year plans being re-opened. The devolved administrations will be treated in the same manner as United Kingdom departments in decisions on access to the DEL Reserve.

9.2 Access to the DEL Reserve by the Secretaries of State on behalf of the devolved administrations will be considered by Treasury Ministers in exceptional circumstances, on a case by case basis and specifically where:

- i. a United Kingdom department is granted access to the Reserve to enable it to meet exceptional pressures on a spending programme. If a devolved administration has a comparable programme and establishes that it faces similar exceptional pressures, unforeseen at the time spending plans were settled, it will have the opportunity to make its case on access to the Reserve which will be considered. There is no automatic application of the Barnett Formula to Reserve claims by departments of the United Kingdom Government. Reserve claims paid to a devolved administration may be higher or lower than a population share depending on the circumstances of the claim or other pressures facing the United Kingdom Government; and
- ii. Scotland, Wales or Northern Ireland faces exceptional and unforeseen domestic costs which cannot reasonably be absorbed within existing budgets without a major dislocation of existing services.

9.3 Reserve claims on behalf of the devolved administrations will be judged by the same criteria as claims for United Kingdom departments (including exceptionally any future year consequences) and devolution will not lessen in any way the basis of entitlement of the Scottish and Northern Ireland Executives and the Welsh Assembly to access to the Reserve. In considering changes to departmental DEL spending plans, for example in the Pre Budget Report or Budget, Treasury Ministers will consider the implications for comparable programmes across the United Kingdom in making allocations in accordance with the funding rules. Ministers of the devolved administrations or Secretaries of State

will also be able to make representations directly to Treasury Ministers.

9.4 There are a number of other specific circumstances in which each devolved administration's budget may be exceptionally adjusted. Adjustments may be made where:

- i. the United Kingdom Government decides to make a uniform across the board general adjustment to public spending programmes across departments;
- ii action taken by a devolved administration in a devolved area has repercussive costs for the United Kingdom Government or vice versa. The devolved administration will be able to make or receive payments to departments of the United Kingdom Government directly in respect of such costs. Alternatively, the DEL of the devolved administration will be adjusted downwards to compensate for costs incurred by the United Kingdom Government as a result of the actions of a devolved administration, or upwards to compensate the devolved administration for costs which it incurs as a result of actions by the United Kingdom Government not already allowed for through the operation of the Barnett Formula. The DELs will not, however, be adjusted upwards to accommodate additional costs incurred as a result of decisions by the United Kingdom Government which the United Kingdom Government is expecting its departments with parallel responsibilities to absorb within existing spending plans. The general principle for establishing the burden of cost is set out in subparagraph 2.2.viii above; **Police adjustment for Wales:** while funding for police authorities in Wales and England is decided by a common Home Office formula each year this may require transfers from the Assembly to the Office of the Deputy Prime Minister (ODPM) or from ODPM to the Assembly. These adjustments are outside the Barnett Formula arrangements.

SECTION 10. END-YEAR FLEXIBILITY

10.1 An important feature of three yearly allocations is that all departments have much greater flexibility to carry forward unspent provision into future years. End year flexibility (EYF) enables unspent provision to be carried forward from one year to the next and encourages good financial management. There is eligibility on EYF for DEL expenditure but AME expenditure is not eligible. The whole DEL assigned budget of each devolved administration will therefore be eligible for end-year flexibility. Subject to Parliamentary approval, devolved administrations normally receive EYF on their DEL (calculated on the same basis as Government departments including taking appropriate account of in-year Reserve claims which are netted off), and have full discretion over the use of these resources.

10.2 Only carry-forward from one year to the next will be allowed; expenditure cannot be anticipated. The exception to this rule is European Structural Fund payments. If requests for payments exceed forecasts, and thus provision for Structural Funds in that year, then the excess up to 20 per cent of the following year's provision for Structural Funds may be anticipated. The following year's DEL provision will be adjusted by a corresponding amount.

10.3 As at present, the Secretaries of State will have a claim against the DEL Reserve when EYF or Structural Fund anticipation is exercised by the devolved administrations.

Breaches of Departmental Expenditure Limits

10.4 Breaches in DELs which materialise at the end of the year would be viewed by the United Kingdom Government as serious mismanagement on the part of the devolved administration and the presumption would be that the following year's DEL and grant to the devolved administration would be reduced by an amount equivalent to the breach. The same rule applies to departments of the United Kingdom Government.

SECTION 11. CHANGES TO FUNDING POLICY AND RESOLVING DISPUTES

11.1 The Chief Secretary has agreed this Statement with the Secretaries of State for Scotland, Wales and Northern Ireland following consultation with the Scottish Executive, the National Assembly for Wales and the Northern Ireland Executive. The Treasury will keep this Statement under review, in order to assess whether any amendments are necessary to reflect changing circumstances, such as material changes in policies or in the responsibilities of United Kingdom departments or devolved administrations. Prior to making any changes to the Statement or the policies to which it applies, the Treasury will as far as is possible consult in good time with each Secretary of State and the devolved administrations, seeking their agreement, before such a change comes into effect. It will also be open to the devolved administrations and the Secretaries of State to propose changes to this Statement which the Treasury will consider and respond in writing with its assessment. In the event of any disagreement over proposed changes that cannot be resolved between the Treasury, the Secretaries of State and devolved administrations, then the issue should follow the disputes procedure that follows. The rules will be amended to reflect any changes and, if it is considered the change has a material effect, published alongside each spending review.

11.2 If there is disagreement between Treasury Ministers and devolved administrations about changes to the Statement or about any aspect of its application to determining funding, the relevant devolved administration or Secretary of State can pursue the issue with Treasury Ministers. This is the normal procedure for resolving disputes on all financial issues and mirrors the arrangements between the Treasury and United Kingdom departments. The Treasury will consider and respond to any such representation in taking this forward with the relevant party. Such matters can also be raised at the Joint Ministerial Committee, which will include the relevant Ministers from the United Kingdom Government and devolved administrations. Funding policy and public expenditure allocation across the United Kingdom, as non-devolved or reserved matters, remain the responsibility of the United Kingdom Government, and in cases where disagreements still cannot be resolved, devolved administrations can request that the respective Secretary of State raises the issue at Cabinet for a final decision.

11.3 Substantial revisions to this Statement of Funding Policy would need to be preceded by a study of relative spending needs across the United Kingdom. The detailed arrangements for such a study would need to be decided at the time, but the Treasury would fully consult the Secretaries of State and devolved administrations on the arrangements.

SECTION 12. SCOTTISH EXECUTIVE

Scottish Executive Public Expenditure Regime		
1999-2000 onwards		
Assigned Budget	Non-assigned Budget	
Departmental Expenditure Limit (DEL):		Annually Managed Expenditure (AME):
Barnett Formula determined ¹	Non-Barnett determined	Main programme spending:
Secretary of State's/Advocate General's Office ²		
Education and arts, health and social work, industry, enterprise and training, transport and roads, Housing, Scottish Homes external finance, Law and order, Crown Office Domestic agriculture Environmental services, Forestry CalMac and HIAL's External Finance Requirements Student Loans: implied subsidies and provision for bad debts Capital Receipts Initiative ³ Trust Debt Remuneration ³ Scottish Renewables Obligation Bus Fuel Duty Rebates		Common Agricultural Policy (CAP) ⁴
		Housing support grant ⁴
		NHS and teachers' pensions ^{4 6}
		Other AME: Certain accrual items such as capital charges for roads
		Local Authority Self Financed Expenditure (LASFE) ⁵
		Scottish Non-Domestic Rates
		Scottish Variable Rate of Income Tax

Footnotes:

- ¹ Undifferentiated expenditure linked to changes in provision to United Kingdom Government departments the Barnett formula;
- ² Secretary of State's and Advocate General's Offices remain part of the United Kingdom Government
- ³ Trust Debt Remuneration is both payments and receipts (both interest and dividends);
- ⁴ Items of expenditure determined or forecast annually;
- ⁵ Post-devolution, determined by local authorities within framework set by National Assembly for Wales;
- ⁶ Forecast by the Scottish Executive, approved by the Secretary of State for Scotland and the Treasury and voted by the United Kingdom Parliament

The Scottish Variable Rate of Income Tax

12.1 The Inland Revenue will pay into the Scottish Consolidated Fund (SCF) an amount equal to the estimated yield of any increased Scottish Variable Rate of Income Tax. The SCF will pay the Inland Revenue any shortfall in yield from a reduction in the Scottish Variable Rate as set out in Sections 77 and 78 of the Scotland Act 1998.

Changes in Provision to Local Government

12.2 The Scottish Executive is free to determine the provision it allocates to local government. In the Comprehensive Spending Review, changes in the English local government programme were reflected in the Scottish assigned budget in the following way. The Barnett Formula was used on the English local government programme, viewed on the basis of Aggregate External Finance (Aggregate External Finance simply means the mainstream grants paid to local authorities). Because of the move to devolution, and the Scottish Executive's responsibility for Scottish Non-Domestic Rates, English Non-Domestic Rates payments to local authorities were non-comparable for application of the Barnett Formula, as were a few other, minor, sub-programmes. The Barnett Formula was applied along the lines described in Annex B to the Department of the Environment, Transport and the Regions local government Departmental Expenditure Limit. The resulting consequential was added to the change in the Scottish assigned budget. As in the table above, grants to local authorities (other than Non-Domestic Rates payments) are included in the Scottish assigned budget, while Non-Domestic Rates payments and spending financed from Council Tax are outside it.

12.3 The principles adopted in the Comprehensive Spending Review will continue. The methodology will be kept under review, leaving open the option to revisit the arrangements again in the next spending review. The aim of the arrangements is to determine consequentials based on the change in funding of English local authorities that is not raised locally. Allocations in respect of consequentials for other items such as any exchequer contributions to

non-domestic rates transitional relief schemes will be handled outside this formula. This is consistent with current practice.

SECTION 13. NATIONAL ASSEMBLY FOR WALES

National Assembly for Wales Public Expenditure Regime		
1999-2000 onwards		
Assigned Budget	Non-assigned Budget	
Departmental Expenditure Limit (DEL):		Annually Managed Expenditure (AME):
Barnett Formula determined ¹	Non-Barnett determined	Main programme spending:
Secretary of State's Office		
Economic development, industry and training, education and arts, transport, planning and environment, local government, housing and social services and health Domestic agriculture Forestry (from 1 April 2001) Capital Receipts Initiative ² Trust Debt Remuneration ² Bus Fuel Duty Rebate		Common Agricultural Policy ³
		Housing ³ Revenue Account Subsidy
		Other AME: Certain accrual items such as capital charges for roads
		Local Authority Self Financed Expenditure (LASFE) ⁴

Footnotes:

- ¹ Undifferentiated expenditure linked to changes in provision to United Kingdom Government departments the Barnett formula;
- ² Trust Debt Remuneration is both payments and receipts (both interest and dividends);
- ³ Items of expenditure determined or forecast annually;
- ⁴ Post-devolution, determined by local authorities within framework set by National Assembly for Wales;

Changes in Provision to Local Government

13.1 The Assembly is free to determine the provision it allocates to local government. In the 1998 Comprehensive Spending Review, changes in the English local government programme were reflected in the Welsh assigned budget in the following way. The Barnett Formula was used on the English local government programme, viewed on the basis of Total Standard Spending. Total Standard Spending is Aggregate External Finance (the mainstream grants paid to local authorities) with the addition of a standard level of Council Tax, called Council Tax at Standard Spending. The Barnett Formula was applied along the lines described in Annex B to the Department of the Environment, Transport and the Regions local government Departmental Expenditure Limit. The resulting consequential was added to the change in the Welsh block, when viewed on the basis of Total Standard Spending. To go from the Welsh block on the basis of Total Standard Spending to the Welsh assigned budget, one subtracts Welsh Council Tax at Standard Spending. Grants to local authorities (including Non-Domestic Rates payments) are included in the Welsh assigned budget, while spending financed from Council Tax is outside it.

13.2 The allocation method has been updated to take account of devolution. The National Assembly for Wales is free to determine the provision it allocates to local government from within its Assigned Budget. Compared to the Scottish Parliament and the Northern Ireland Assembly, the Welsh Assembly has limited control over the non-domestic rating system and reflecting this, changes in the English local government programme are reflected in the Welsh Assigned Budget using a different methodology from that applied in Scotland and Northern Ireland. The Barnett formula is applied to changes in the Local Government programme to determine a consequential which will be part of the Assembly's DEL. This is funded by the Welsh Non-Domestic Rate Income (NDRI) and by the Exchequer. Where decisions by the Assembly result in a yield from non-domestic rates being reduced (in excess of any comparable decisions in England) thereby increasing the demand for cash from the Exchequer, the Treasury reserves the right to reduce the Assembly's Assigned Budget by an amount equal to the additional cash requirement. The arrangements for monitoring Welsh NDRI agreed between Treasury and Assembly officials will be reviewed periodically.

SECTION 14. NORTHERN IRELAND EXECUTIVE

Northern Ireland Executive (Excluding the Northern Ireland Office and Northern Ireland Court Service) Public Expenditure Regime		
1999-2000 onwards		
Assigned Budget	Non-assigned Budget	
Departmental Expenditure Limit (DEL):		Annually Managed Expenditure (AME):
Barnett Formula determined ¹	Non-Barnett determined	Main programme spending:
Agriculture, trade and industry, employment, energy, roads and transport, housing, environment and water, fire, education, health, social security administration, public corporations and other public services. Student Loans: implied subsidies and provision for bad debts Capital Receipts Initiative ² Trust Debt Remuneration ² Fossil Fuel Obligation Bus Fuel Duty Rebate		Common Agricultural Policy (CAP) ⁴
	EU Peace Programme ³	Social security benefits ⁴
		NHS and teachers' pensions
		Other AME: Certain accrual items such as capital charges for roads and the Water Service
		District Councils' self-financed expenditure ⁵
		Regional Rates ⁵

Footnotes:

- ¹ Undifferentiated expenditure linked to changes in provision to United Kingdom Government departments the Barnett formula;
- ² Trust Debt Remuneration is both payments and receipts (both interest and dividends);
- ³ Within the non-assigned budget, set separately in DEL.
- ⁴ Items of expenditure determined or forecast annually;
- ⁵ Regional rates are determined by the Northern Ireland Executive, and District Councils' self-financed expenditure is determined by District Councils.

Northern Ireland Office and Northern Ireland Courts Service

14.1 Provision for law, order and protective services and the Northern Ireland Courts Service is not included in the public expenditure budget for the Northern Ireland Executive but are determined separately through direct negotiations between the Treasury, the Secretary of State for Northern Ireland and Lord Chancellor as appropriate. As areas of responsibility are transferred to the Northern Ireland Executive, their provision will also transfer into the Northern Ireland assigned budget.

Non-Formula adjustments

14.2 The United Kingdom Government may adjust provision to Northern Ireland to take account of revenue receipts from taxes and from fines and charges which are analogous to taxes (with the exception of local authority fines and charges) flowing into the Northern Ireland Consolidated Fund. This will not apply to revenue from the Regional Rate which will be available to finance spending in Northern Ireland.

Changes in Provision to Local Government

14.3 The Executive is free to determine the provision it allocates to local government. In the Comprehensive Spending Review, changes in the English local government programme were reflected in the Northern Ireland assigned budget in the following way. The Barnett Formula was used on the English local government programme, viewed on the basis of Aggregate External Finance. (Aggregate External Finance simply means the mainstream grants paid to local authorities.) Because of the move to devolution, and the Northern Ireland Assembly's responsibility for Rates, English Non-Domestic Rates payments to local authorities were non-comparable for application of the Barnett Formula as were some other, minor, sub-programmes. The consequential on the Revenue Support Grant (RSG) part of the AEF was also abated for capital financing that has no equivalent in Northern Ireland. The Barnett Formula was applied along the lines described in Annex B to the Department of the Environment, Transport and the Regions local government Departmental Expenditure Limit. The resulting consequential was added to the change in the Northern Ireland's assigned budget. As in the table above, Northern Ireland central government spending, that in Great Britain would have been the responsibility of local authorities, and grants to district councils are both included in the Northern Ireland assigned budget, while spending financed from Regional Rates or District Rates is outside it.

14.4 The principles adopted in the 1998 Comprehensive Spending Review will continue. The comparability factor takes account of the fact that some law and order spending that in Great Britain would have been the responsibility of local authorities is funded directly by the Northern Ireland Office, not through the Assembly's Assigned budget.

ANNEX A

'A Statement of Principles'
Text of a written answer by the Chief Secretary to the Treasury:
WA Official Report: 9 December 1997 Col 510- 513

Mr Timms: To ask the Chancellor of the Exchequer what arrangement will be made for determining changes to the budgets of the Scottish Parliament and National Assembly for Wales under devolution; and if he will make a statement.

Mr Darling: The Government set out their position on the funding of the budgets for the Scottish Parliament and National Assembly for Wales in the White Papers published in July (Cm 3658 and Cm 3718). The key to these arrangements is block budgets which the devolved Administrations, like the Secretaries of State now, will be free to deploy between the functions under their control in response to local priorities. Changes in these block budgets will be linked to changes in equivalent English spending plans by the Barnett Formula which gives Scotland and Wales a population-based share of planned changes in comparable spending in England.

In order to help inform debate about these arrangements during the passage of the Scotland and Wales Bills, the government published yesterday a statement of the principles which govern the existing block/formula arrangements and which will continue to do so under devolution. A copy of the statement is appended. Copies were placed yesterday in the Libraries of both Houses and referred to by My Right Hon Friend the Secretary of State for Wales when he opened the Second Reading debate on the Government of Wales Bill.

Although the block and formula arrangements have operated for nearly 20 years, this is the first time that these principles have been spelt out in public.

PRINCIPLES TO GOVERN DETERMINATION OF THE BLOCK BUDGETS FOR THE SCOTTISH PARLIAMENT AND NATIONAL ASSEMBLY FOR WALES

1. The Government set out its position on the Block and Formula arrangements in its White Papers on Scottish and Welsh devolution published in July (Cm 3658 and Cm 3718 respectively). The Scottish White Paper, *Scotland's Parliament*, said

“In practice these arrangements, based on the Block and Formula, have produced fair settlements for Scotland in annual public expenditure rounds and have allowed the Secretary of State for Scotland to determine his spending decisions in accordance with Scottish needs and priorities. They have largely removed the need for annual negotiation between the Scottish Office and the Treasury. The Government have therefore concluded that the financial framework for the Scottish Parliament should be based on these existing arrangements with, in future, the Scottish Parliament determining Scottish spending priorities.”

The Wales White Paper, *A Voice for Wales*, said:

“The Government proposes that the financial arrangements for the Assembly will largely replicate the existing system.

Annual changes to the Welsh Block will be calculated by the population-based Formula used at the moment. These arrangements based on the Block and Formula have worked in practice, producing fair settlements for Wales in annual

public expenditure rounds.”

2. The Scottish Parliament and National Assembly for Wales will therefore have block budgets, which they will be free to allocate in response to local priorities among the functions under their control and for which they will be accountable to local people. This note outlines the principles set out in the White Papers and describes how they will govern changes made to these block budgets under devolution.

Setting Scotland's and Wales' shares of United Kingdom public expenditure: the "Barnett" Formula

Existing position

3. All United Kingdom tax revenues are pooled. Decisions about the allocation of United Kingdom public expenditure are made in the light of the Government's judgement of relative priorities and relative needs. Changes to the shares of public expenditure available to the Secretaries of State for Scotland and Wales are determined by a formula linked to changes in provision for equivalent spending programmes in England.
4. This formula, which has operated for almost 20 years, is known as the "Barnett" formula. It provides that, in settling new plans for public expenditure, Scotland and Wales should receive a share of the planned cash changes in provision for equivalent public services in England which is proportionate to their population. In other words, Scotland's and Wales' shares of changes in relevant planned spending in England are the same proportions as their populations represent of England's population. The formula applies only to changes in spending plans, not to the underlying baselines which remain unaffected. The formula also applies only to changes in the block budgets: expenditure in Scotland and Wales, and expenditure on nationalised industries in Scotland, is outside the block budgets at present and is settled separately.

After devolution

5. These arrangements will continue under devolution, with only minor adjustments. Changes to the block budgets for which the Scottish Parliament and the National Assembly for Wales will become responsible will continue to be determined by a formula linked to changes in provision for the equivalent spending programmes in England. The formula will continue to be based on relative populations. The spending for which the devolved administrations in Scotland and Wales will assume responsibility is set out in the annexes to this note.
6. The Government intends that these population shares will be re-calculated annually on the basis of the latest population estimates for England, Scotland and Wales published each year by the Office of National Statistics. The population ratios will next be updated for the purpose of determining changes in the Scottish and Welsh block budgets for 1999-2000.
7. The Government intends that this population-based formula will apply to changes in almost all the expenditure under the control of the Scottish Parliament and National Assembly for Wales. It will not apply to changes in agriculture programmes 100 per cent. Funded by the EU. The Government will also want to consider whether this approach or another formula is appropriate in relation to provision for Council Tax Benefit and Housing Benefit which will both come within the Scottish Block for the first time after

ANNEX A

devolution; Housing Benefit is already within the Welsh Block, but, as in Scotland, Council Tax Benefit will come within the Block for the first time.

Adjustments to the Scottish and Welsh block budgets not determined by the Barnett formula

8. There are a number of circumstances in which the block budgets under the control of the Secretary of State for Scotland and Wales are open to adjustment other than on the basis of the Barnett formula. These exceptions will continue to apply under devolution. Adjustments may be made where:
- (a) the United Kingdom Government decides to make a uniform general adjustment to public expenditure programmes;
 - (b) action taken by the Scottish or Welsh administrations in a devolved area has knock-on costs for the United Kingdom Government or vice versa. The block budgets may be adjusted downwards to compensate for costs incurred by the United Kingdom Government as a result of the action of the devolved administrations, or upwards to compensate the devolved administrations for costs which they incur as a result of actions by the United Kingdom Government and are not allowed for through the operations of the Barnett formula. The block budgets will not however be adjusted upwards by reason of additional costs incurred as a result of actions by the United Kingdom Government which the United Kingdom Government is expecting English departments with parallel responsibilities to absorb within existing spending plans;
 - (c) the devolved administrations receive capital receipts as a result of a privatisation or major change in the role of the public sectors in Scotland or Wales. In these circumstances, the block budgets may be adjusted downwards in the year in which the receipts occur to reflect the continuing interest in these receipts of United Kingdom taxpayers as a whole who financed the underlying capital assets in the past. Proceeds from the sales of other capital assets under the control of the Scottish Parliament or National Assembly for Wales will be available to be re-cycled within Scotland or Wales;
 - (d) the devolved administrations receive significant trading surpluses from the commercial exploitation of publicly-funded assets: the United Kingdom Government may take these surpluses into account in settling block budgets;
 - (e) local authority self-financed expenditure grows more rapidly than equivalent expenditure in England over a period and in such a way as to threaten targets set for public expenditure as part of the management of the United Kingdom economy. In such circumstances it will be open to the United Kingdom Government to take the excess into account in considering the level of the block budgets.
9. These principles concern the determination of changes to the block budgets under the control of the Scottish Parliament and the National Assembly for Wales, not the level of Westminster grant to support these budgets. The latter may also be affected by changes in the level of self-financed items of expenditure - local authority capital expenditure funded by borrowing, for example - which currently count towards the block Budgets.

In-year changes to the block budgets for Scotland and Wales

10. The arrangements outlined above apply to changes in the plans for expenditure in

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future years in Scotland and Wales. These paragraphs deal with changes in-year to the budgets arrived at under the arrangements outlined above and in particular with access to the United Kingdom Reserve for the devolved Scottish and Welsh administrations.

11. The general presumption, as at present, is that the Scottish and Welsh administrations will contain in-year pressures on their budgets by re-allocating priorities within their Blocks, not through access to the United Kingdom Reserve. Access to the Reserve may however be considered at the discretion of the United Kingdom Government in exceptional circumstances and specifically where:
 - (a) the Government is making available additional provision in-year for equivalent services in England in order to cope with exceptional circumstances affecting the United Kingdom as a whole unforeseen at the time spending plans for the year concerned were settled; and
 - (b) Scotland or Wales face exceptional and unforeseen domestic costs - arising, for example, from a natural disaster - which cannot be reasonably absorbed within the planned block budgets without major dislocation to existing services.

Revising these principles

12. As noted above, the formula will be updated annually to take account of population changes and from time to time to take account of other technical changes. Any more substantial revision would need to be preceded by an in-depth study of relative spending requirements and would be the subject of full consultation between the devolved administrations and the United Kingdom Government.

Spending programmes forming part of the Scottish Block

Domestic agriculture, fisheries and food (after devolution)
Forestry (after devolution)
Industry, enterprise and training
Roads and transport
Housing
Other environmental services
Law, order and protective services
Education
Arts and libraries
Health
Social Work Services
Other public services
ESF
ERDF
Nationalised Industries (after devolution)
Council Tax Benefit (after devolution)
Local authority expenditure

Spending programmes forming part of the Welsh Block

Domestic Agriculture (after devolution)
Forestry (after devolution)
Health and Personal Social Services
Transport
Industry, Trade and Employment
Training (excluding ESF)
Education

ANNEX A

Housing
Other Environmental Services
Arts and Libraries
Local Government
Central Administration
Office of Her Majesty's Chief Inspector of Schools in Wales
European Regional Development Fund
Council Tax Benefit (after devolution).

NUMERICAL EXAMPLE OF THE WORKINGS OF THE BARNETT FORMULA

1. Section 3 sets out the workings of the Barnett Formula. If we consider a single United Kingdom Government department, the three factors determining any change to the budgets of the devolved administrations in Scotland, Wales or Northern Ireland's provision are:

(i) Change to the United Kingdom Government department's DEL	X	(ii) Comparability percentage	X	(iii) Appropriate population proportion
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2. Thus, if for example:

(i) the Government decides to increase or decrease this United Kingdom Government department's DEL by £100 million; and

(ii) the comparability for each devolved administration is 75 per cent for the programme (perhaps because the department in question already carries out some expenditure at an all United Kingdom level); and

(iii) the population proportions are 10.23 per cent for Scotland, 5.89 per cent for Wales and 3.40 per cent for Northern Ireland of England's population or 2.92 per cent of Great Britain's population for Northern Ireland;

then the following changes are then added to or subtracted from each countries' overall baseline:

For the **Scotland**: $100 \times 0.75 \times 0.1029 = \text{£}7.718 \text{ million}$

For **Wales**: $100 \times 0.75 \times 0.0589 = \text{£}4.418 \text{ million.}$

For **Northern Ireland**: $100 \times 0.75 \times 0.0340 = \text{£}2.55 \text{ million}$
 2.5 per cent VAT abatement*(see paragraph 3.16) $\text{£}2.786 \text{ million}$

3. Northern Ireland: the method shown for calculating provision for Northern Ireland uses the share of England's population, consistent with the method for Scotland and Wales - this is used for the majority of programmes.

4. The devolved administrations do not have to adjust their programme spending in line with United Kingdom Government departments; they are free to adjust spending on any of their functions. The same calculations will be carried out for all comparable United Kingdom Departmental spending. The sum of these changes will give the overall change in each devolved administration's baseline.

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub- programme description	2002-03 provision	Comparability percentages for 2002 Spending Review		
	£,000	Scotland	Wales	Northern Ireland
Education & Employment				
Grants to voluntary aided schools for capital and repairs	278,394	100%	100%	100%
Central and Local Government expenditure on grant-maintained schools	2,957	100%	100%	100%
Assisted Places Scheme	46,500	100%	100%	100%
Central Government Grants under the Music and Ballet Scheme	12,569	100%	100%	100%
City Technology Colleges	72,262	100%	100%	100%
Sure Start	449,511	100%	100%	100%
Provision for 3 year olds	328,000	100%	100%	100%
Special grants	657,050	100%	100%	100%
Children's Fund	150,000	100%	100%	100%
Student loans	863,500	100%	0%	100%
Grant to the Higher Education Funding Council	4,917,253	100%	100%	100%
Grants to travellers in further education	73,203	100%	100%	100%
Local Authority current expenditure on adult education	193,691	100%	100%	100%
Administration of the Student Loans Company	33,564	100%	0%	100%
Central Government Higher Education Programmes (inc engineering bursaries)	5,680	100%	100%	100%
Higher and Further Education Access Funds	121,279	100%	100%	100%
Post Graduate Awards	272	100%	0%	100%
Central and Local Government spending on Mandatory Awards	651,800	100%	0%	100%
Expenditure on Teacher Training other than through the TTA	1,687	100%	100%	100%
The Learning and Skills Council - replacement for the Further Education Funding Council	5,973,994	100%	100%	100%
Adult Learning Inspectorate	21,580	100%	100%	100%
Higher Education: Europe and international services	406	100%	100%	100%
Education Maintenance Allowances	191,700	100%	100%	100%
Learning and Skills Council (sixth forms)	1,355,148	100%	100%	100%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub- programme description	2002-03 provision	Comparability percentages for 2002 Spending Review		
	£,000	Scotland	Wales	Northern Ireland
Education in prisons and custodial institutions	71,069	100%	100%	100%
Programmes aimed at equipping children for adult life	27,279	100%	100%	100%
Qualifications Frameworks	114,453	100%	100%	100%
Expenditure supporting the Government's aims in the European Union	323	0%	0%	0%
Specialist schools	13,000	100%	100%	100%
Under Fives Voucher Scheme	17,500	100%	100%	100%
Supporting all objectives inc. teachers' medical fees	1,030	100%	100%	100%
Student support (including dance & drama)	15,019	100%	100%	100%
Central and Local Government expenditure on the Youth Service	23,653	100%	100%	100%
Miscellaneous education programmes	334,336	100%	100%	100%
Compensation to college of education staff	10,951	100%	100%	100%
Teachers Training Agency	1,187,691	100%	100%	100%
National College for School Leadership	62,540	100%	100%	100%
Standards Fund (Formerly GEST)	2,838,017	100%	100%	100%
Office of Her Majesty's Chief Inspector	201,211	100%	100%	100%
Miscellaneous international education programmes (inc European School)	19,471	0%	0%	0%
Credit approvals: schools	800,000	100%	100%	100%
European University Initiative Subscription	2,990	100%	100%	100%
European University Initiative Bursaries	267	0%	0%	0%
British Academy	13,004	0%	0%	0%
Careers Service and employment development projects.	20,500	100%	100%	100%
Connexions youth support service	423,854	100%	100%	100%
Publicity and research	25,175	0%	0%	100%
Childcare initiative	189,200	100%	100%	100%
Departmental administration	228,332	100%	100%	100%
ESF admin payments and ILO subscription	7,175	0%	0%	0%
Youth training programme	10,371	100%	100%	100%
Further Education Competitiveness and Development Fund	10,000	100%	100%	100%
Career development for adults	103,851	100%	100%	100%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub- programme description	2002-03 provision	Comparability percentages for 2002 Spending Review		
	£,000	Scotland	Wales	Northern Ireland
TEC Strategic Budget	3,000	100%	100%	100%
Improving the training market	55,627	100%	100%	100%
Neighbourhood Support Fund	10,000	100%	100%	100%
Capacity building	2,848	100%	100%	100%
Union Learning Fund	7,000	100%	100%	100%
University for Industry	56,700	100%	100%	100%
Millennium Volunteers	15,000	100%	100%	100%
	23,324,437	99.7%	93.1%	99.8%
Health				
Meat Hygiene Service (FSA)	20,944	0%	0%	100%
Food Standards Agency - HQ	100,042	100%	100%	100%
Hospitals and community services	49,149,944	100%	100%	100%
Family Practitioner Service (Excl drugs & GP remuneration)	26,221	100%	100%	100%
Personal social services: Central Government	190,782	100%	100%	100%
Training of social services staff	57,500	100%	100%	100%
Specific Grant for the care of people with AIDS/HIV infection	16,500	100%	100%	100%
Specific Grant for people with mental illness	153,443	100%	100%	100%
Capital Grant for Secure Accommodation	6,242	100%	100%	100%
Children's Social Services Grant	461,000	100%	100%	100%
Carers' Grant	85,000	100%	100%	100%
Older Persons Grant	862,000	100%	100%	100%
Performance Fund	50,000	100%	100%	100%
Long term care (charges on homes)	30,000	100%	100%	100%
Improving information management	25,000	100%	100%	100%
Care Direct	10,000	100%	100%	100%
Young Persons Substance Misuse Planning Grant	4,500	100%	100%	100%
Teenage Pregnancy Local Implementation Grant	16,000	100%	100%	100%
EEA Medical Costs	200,444	0%	0%	0%
Central health and miscellaneous services	184,750	100%	100%	100%
Welfare Foods	119,500	100%	100%	100%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub- programme description	2002-03 provision	Comparability percentages for 2002 Spending Review		
	£,000	Scotland	Wales	Northern Ireland
NDPB'S AND SHA'S	124,803	100%	100%	100%
Departmental administration	317,561	100%	100%	100%
Estates Directorate	-87	100%	100%	100%
Medicines Control Agency	-177	0%	0%	0%
Advances to & payments on behalf of the NHS Pensions Agency	18,620	100%	100%	100%
Medical Devices Agency	8,020	100%	100%	100%
NHS Purchasing and Supplies Authority	19,206	100%	100%	100%
General medical services	1,700,013	100%	100%	100%
Pharmaceutical services - dispensing costs	902,567	100%	100%	100%
Pharmaceutical services - prescription charges income	-428,269	100%	100%	100%
General dental services	1,170,499	100%	100%	100%
General ophthalmic services	305,155	100%	100%	100%
Credit approvals: personal social services	55,729	100%	100%	100%
NHS Trusts	2,269,533	100%	100%	100%
	58,232,985	99.6%	99.6%	99.7%
Transport				
Administration costs	196,225	100%	100%	100%
Highways Agency	1,535,311	100%	100%	100%
Other highways grants (inc IDA)	2,000	100%	100%	100%
Public transport infrastructure and revenue support	116,176	100%	100%	100%
Transport Supplementary Grant	47,592	100%	100%	100%
Support for rural bus services	72,650	100%	100%	100%
GLA Transport Grant	1,058,580	100%	100%	100%
Urban Bus Challenge	18,000	100%	100%	100%
Bus fuel grants	329,000	100%	100%	100%
Freight grants	5,306	100%	100%	100%
National Freight Company - pension funds	7,000	0%	0%	0%
British Rail - pension funds	42,000	0%	0%	100%
National Freight Co - travel concessions	3,000	0%	0%	0%
Trans-European Network - payments for Channel Tunnel Rail Link	47,958	0%	0%	0%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub- programme description	2002-03 provision	Comparability percentages for 2002 Spending Review		
	£,000	Scotland	Wales	Northern Ireland
Trans-European Network - payments for other transport industries projects	3,801	100%	100%	100%
Strategic Rail Authority	2,167,535	100%	0%	100%
Shipping services	3,670	0%	0%	0%
Maritime & Coastguard Agency	113,417	0%	0%	0%
Civil aviation services	684	0%	0%	0%
International aviation services	3,464	0%	0%	0%
Credit Approvals: airports	4,000	100%	0%	100%
Credit Approvals: ports	1,520	100%	0%	100%
Miscellaneous	900	100%	100%	100%
Driving Standards Agency (Trading Fund)	-895	0%	0%	100%
Vehicle Inspectorate	-4,428	0%	0%	100%
Vehicle Certification Agency	228	0%	0%	0%
National roads and administration	100,116	100%	100%	100%
Transport security	2,205	0%	0%	0%
Publicity (road safety)	13,728	100%	100%	100%
Trans European Network: payments for other local transport projects	2,700	100%	100%	100%
Royal travel	9,932	0%	0%	0%
Transport Commission on Integrated Transport	1,500	0%	0%	0%
Airport white paper study	250	0%	0%	0%
Travel Awareness Campaign.	4,300	100%	100%	100%
Promoting green transport plans	4,000	100%	100%	100%
Rail research and consultancies	2,000	100%	0%	100%
Speed and red light camera enforcement	1	100%	100%	100%
Powershift and cleaner vehicles programmes	19,910	100%	100%	100%
Road user charging	-48,600	100%	100%	100%
International subscriptions - OECD	315	0%	0%	0%
International subscriptions - railways	119	0%	0%	0%
International subscriptions - other	1	0%	0%	0%
LRT administration	22	100%	100%	100%
Transport research - roads	17,890	100%	100%	100%
Transport research - sustainable development	1,660	100%	100%	100%
Transport research - other	22,045	100%	100%	100%
Transport research - local transport	480	100%	100%	100%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub- programme description	2002-03 provision	Comparability percentages for 2002 Spending Review		
	£,000	Scotland	Wales	Northern Ireland
Transport statistics - roads	5,198	100%	100%	100%
Travel statistics - personal travel	2,893	100%	100%	100%
Transport statistics - freight	580	100%	100%	100%
Consultancies for roads and local transport	6,711	100%	100%	100%
Government Office programme expenditure	659	100%	100%	100%
Road safety grants and programme expenditure	15,766	100%	100%	100%
Mobility	833	100%	100%	100%
Operator Licence Fee refunds	1,900	0%	0%	100%
Vehicle Inspectorate enforcement	2,057	0%	0%	100%
Vehicle Certification Agency enforcement	360	0%	0%	0%
New Vehicle Technology Fund	3,009	0%	0%	0%
Channel Tunnel consultancies and Channel Tunnel lawyer and District Valuers' fees	12	0%	0%	0%
Home Zones	12,500	100%	100%	100%
De-trunking payments to Local Authorities	5,469	100%	100%	100%
Railtrack PLC : administration	-15,000	0%	0%	0%
Centres of Excellence	150	100%	100%	100%
Driver and Vehicle Licensing	139,930	0%	0%	0%
Credit approvals: roads and transport	1,361,204	100%	100%	100%
Channel Tunnel Rail Link	509,777	0%	0%	0%
Metropolitan Railways Passenger Services Grant	10,000	100%	0%	100%
Health and Safety Commission/Executive	208,928	0%	0%	100%
Pneumoconiosis Grants	13,683	100%	100%	100%
Health and Safety Laboratory	6,005	0%	0%	100%
Civil defence	318	100%	100%	100%
Office of the Rail Regulator	191	0%	0%	0%
	8,222,401	86.6%	60.0%	87.1%
Office of the Deputy Prime Minister				
Consumer and investor protection	516	100%	0%	100%
Planning and natural resources research	10,381	100%	100%	100%
Large scale voluntary transfers pool	130,265	100%	100%	100%
Housing Corporation	1,659,685	100%	100%	100%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub- programme description	2002-03 provision	Comparability percentages for 2002 Spending Review		
	£,000	Scotland	Wales	Northern Ireland
Housing Corporation: remuneration and pensions	198	100%	100%	100%
Disabled Facilities Grant	88,000	100%	100%	100%
Housing Defects Grant	100	100%	100%	100%
Private house renewal	75	100%	100%	100%
Home improvement agencies	8,536	100%	100%	100%
Rent Assessments Panels	9,943	100%	100%	100%
Housing Mobility Grant	1,600	100%	100%	100%
Housing Management Grant	6,175	100%	100%	100%
Housing, urban & European research - publicity and publications	10,871	100%	100%	100%
Construction research, sponsorship and publicity	5,257	100%	100%	100%
Gypsy Site Grant	6,000	100%	100%	100%
Housing Award Scheme and National Building Agency	50	100%	100%	100%
Leasehold Enfranchisement Advisory Service	470	100%	100%	100%
Valuation Office Agency: Right to buy charges	800	100%	100%	100%
Efficiency improvements in local government	4	100%	100%	100%
London Rough Sleepers Unit	30,434	100%	100%	100%
Tenants Deposit Scheme	50	100%	100%	100%
Supporting people	48,500	100%	100%	100%
Home buying and Selling	3,000	100%	100%	100%
Local Authority funding of pilot letting systems.	4,000	100%	100%	100%
Starter Homes Initiative	100,000	100%	100%	100%
Safer Communities Supported Housing Fund	45,000	100%	100%	100%
CABE (Commission for Architecture and the Built Environment)	500	100%	100%	100%
Credit approvals: housing	953,427	100%	100%	100%
Ordnance Survey	17,952	0%	0%	100%
European Regional Development Fund	210,118	100%	100%	100%
Payment in advance of & in place of EC receipts	4	100%	100%	100%
Trees & hedges	160	100%	100%	100%
Fire Publicity	4,836	100%	0%	100%
Regional Development Agencies	1,136,237	100%	100%	100%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub- programme description	2002-03 provision	Comparability percentages for 2002 Spending Review		
		£,000	Scotland	Wales
LDA grants (paid direct to Local Authorities)	237,012	100%	100%	100%
Central administration	130,817	100%	100%	100%
Environmental protection	520	100%	100%	100%
Planning Inspectorate Executive Agency	32,765	100%	100%	100%
Groundwork and National Urban Forestry Unit	10,100	100%	100%	100%
PSA Services: central	7,000	0%	0%	0%
QE2 Conference Centre Agency	1,220	0%	0%	0%
QEII Conf Centre Executive Agency: short term loans	-1,486	0%	0%	0%
New Deal For Communities	349,995	100%	100%	100%
Coalfields Regeneration Trust	15,000	100%	100%	0%
Rent Officer Services Agency	41,767	100%	100%	100%
Coalfields Enterprise Fund	5,000	100%	100%	0%
Post Office Fund	5,000	100%	100%	100%
Small Area Data	5,000	100%	100%	100%
Neighbourhood Wardens	8,000	100%	100%	100%
New Ventures Fund	59,000	100%	100%	100%
Special grants programme	2,000	100%	100%	100%
Regeneration publicity	440	100%	100%	100%
Commission for the New Towns - capital	-55,000	100%	100%	100%
Supplementary Credit approvals: local environmental services	458	100%	100%	100%
SRB : Urban Regeneration Agency	143,600	100%	100%	100%
Estate Action	13,000	100%	100%	100%
Housing Action Trusts	122,800	100%	100%	100%
Fire Service statistics	57	100%	0%	100%
Fire services	2,316	100%	0%	100%
Credit Approvals: fire	59,682	100%	0%	100%
Fire Service College	-13	100%	0%	100%
Government Office of the Regions	99,356	100%	100%	100%
Administration Costs of DPM's office	5,000	100%	100%	100%
	5,793,550	99.6%	98.4%	99.5%

Local Government

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub- programme description	2002-03 provision	Comparability percentages for 2002 Spending Review		
	£,000	Scotland	Wales	Northern Ireland
National non-domestic rate payments - collection costs	83,606	100%	100%	100%
Valuation Office rating services repayment	110,067	100%	100%	100%
Valuation tribunals	11,543	100%	100%	100%
Valuation Office - Council Tax services Repayment	16,670	100%	100%	100%
Revenue Support Grant	19,928,845	100%	100%	
Revenue Support Grant excluding Capital SSA and Law & Order	14,227,217			100%
National non-domestic rate payments	16,626,000	0%	100%	0%
National non-domestic rate payments - City of London offset	6,500	0%	0%	0%
Credit Approvals: commutation	8,000	100%	100%	100%
Local Government publicity	738	100%	100%	100%
GLA preparation costs	6,992	100%	100%	100%
PFI Special Grant	210,000	100%	100%	100%
General GLA Grant	27,950	100%	100%	100%
Local Government Standards Board	7,900	100%	100%	100%
Best Value Inspectorate	21,700	100%	100%	100%
Grants to Beacon Schools	1,700	100%	100%	100%
Best value intervention costs	1,020	100%	100%	100%
LGC mapping costs	400	100%	100%	100%
Invest to Save Special Grant	11,518	100%	100%	100%
Local Government on Line	135,000	100%	100%	100%
Neighbourhood Renewal Fund	300,000	100%	100%	100%
PSA Performance Fund	130,000	100%	100%	100%
Local Government research	2,320	100%	100%	100%
	37,648,469	55.8%	100.0%	40.7%
Home Office				
Records, registrations and surveys	27,144	100%	0%	100%
Criminal policy and programmes	343,994	100%	0%	0%
Criminal Injuries Compensation: administration	29,980	100%	0%	0%
Criminal injuries Compensation: payments	183,264	100%	0%	0%
Research and statistics	14,113	100%	0%	0%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub- programme description	2002-03 provision	Comparability percentages for 2002 Spending Review		
	£,000	Scotland	Wales	Northern Ireland
Community Development Foundation	952	100%	0%	0%
Criminal Cases Review Commission	7,811	100%	0%	0%
Youth Justice Board	278,636	100%	0%	0%
National Probation Service - grant to local area boards	572,832	100%	0%	0%
Research & statistics (drugs)	4,769	100%	0%	0%
National Probation Service (drugs)	16,000	100%	0%	0%
Youth Justice Board (drugs)	9,481	100%	0%	0%
National Probation Directorate (HQ)	89,051	100%	0%	0%
Prison operations (public sector)	2,016,748	100%	0%	0%
Prison operations (contracted out)	301,867	100%	0%	0%
Prison Service headquarters and central services	143,383	100%	0%	0%
Prison Service Parole Board	3,595	100%	0%	0%
Police	4,550,268	100%	0%	0%
Police Special Grant	73,514	100%	0%	0%
Forensic Science Service	-1,747	100%	0%	0%
Police Capital Grant	193,114	100%	0%	0%
Organised and international crime	50,458	100%	0%	0%
Police Complaints Authority	3,691	100%	0%	0%
Police Information Technology Organisation	43,326	100%	0%	0%
Police Loan Charges Grant	12,553	100%	0%	0%
Criminal Records Bureau	5,250	100%	0%	0%
Probation Loan Charges	2,893	100%	0%	0%
Central Police Training and Development Agency	58,927	100%	0%	0%
National Criminal Intelligence Service	73,500	100%	0%	0%
National Crime Squad	140,828	100%	0%	0%
Organised crime (drugs)	1,825	100%	0%	0%
Police (drugs)	64,686	100%	0%	0%
Crime reduction	235,280	100%	0%	0%
Civil defence	1,754	100%	100%	100%
UK Passport Agency	3,715	0%	0%	0%
Fire	466	100%	0%	100%
Constitutional and community policy	73,482	100%	100%	100%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub- programme description	2002-03 provision	Comparability percentages for 2002 Spending Review		
	£,000	Scotland	Wales	Northern Ireland
Commission for Racial Equality	20,331	0%	0%	100%
Office for the Data Protection Registrar	52	0%	0%	0%
Central services	134,132	100%	0%	100%
Credit approvals: Police	92,316	100%	0%	0%
	9,878,234	99.8%	0.8%	2.6%
Legal Departments				
CPS: costs from central funds	105,535	100%	0%	0%
CPS: administration	302,363	100%	0%	0%
SFO: costs from central funds	5,910	100%	0%	0%
SFO: administration	16,440	100%	0%	0%
LCD: criminal policy and programmes	157,292	100%	0%	0%
LCD: costs from central funds	44,555	100%	0%	0%
Legal Services Commission: administration	70,684	100%	0%	0%
Court Service Agency	313,687	100%	0%	0%
Magistrates Courts Grant	298,749	100%	0%	0%
Magistrates' Court Grant - loan charges	16,500	100%	0%	0%
National Land Information System	1,439	100%	0%	0%
Criminal Defence Service	860,318	100%	0%	0%
Community Legal Service	711,828	100%	0%	0%
Judicial salaries paid from the Consolidated Fund - LCD departmental HQ	8,380	100%	0%	0%
Judicial Salaries paid from the Consolidated Fund - Court Service	84,442	100%	0%	0%
Children and Family Court Advisory and Support Service	70,449	100%	0%	0%
Public Guardian Office	12,031	100%	0%	0%
Office of the Information Commissioner	14,129	100%	0%	0%
Electoral Commission	20,635	0%	0%	0%
Electoral law	811	0%	0%	0%
Public Record Office	38,796	100%	0%	100%
Northern Ireland Courts Service: criminal policy and programmes	21,474	0%	0%	0%
Northern Ireland Courts Service: criminal Legal Aid	40,000	0%	0%	0%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub- programme description	2002-03 provision	Comparability percentages for 2002 Spending Review		
	£,000	Scotland	Wales	Northern Ireland
Northern Ireland Courts Service: other legal services	934	0%	0%	0%
Northern Ireland Courts Service: judicial salaries paid from the Consolidated Fund	5,166	0%	0%	0%
Northern Ireland Courts Service: accommodation Costs	35,399	0%	0%	0%
Northern Ireland Court Service: grants to sundry bodies	2,888	0%	0%	0%
Northern Ireland Court Service: policy advice and legislation	714	0%	0%	0%
Northern Ireland Court Service: Administration	25	0%	0%	0%
Treasury Solicitors Department	4,812	100%	0%	100%
Government Property Lawyers Agency	123	0%	0%	100%
Treasury Solicitors: operational costs	2,697	0%	0%	100%
Expenditure outside running costs	4,620	0%	0%	100%
Crown Prosecution Service Inspectorate: administration	3,687	100%	0%	0%
Treasury Solicitor: administration	3,254	100%	0%	0%
	3,280,766	95.9%	0.0%	1.6%
Trade & Industry				
Postal Services Commission	151	0%	0%	0%
British Trade International: inward investment	20,513	0%	0%	0%
British Trade International: export promotion	71,944	0%	0%	0%
OFGEM	-356	0%	0%	100%
OFGEM Climate Change Levy: administration costs	220	0%	0%	100%
OFTTEL	1,518	100%	100%	100%
Office of Fair Trading	53,329	100%	100%	100%
Exchange Risk Guarantee Scheme and EC Payments	129	100%	100%	100%
National Selective Assistance	-471	100%	100%	100%
Small Firms Loan Guarantee Scheme	85,139	0%	0%	0%
Co-financed ERDF: business development/technology transfer	1,489	100%	100%	100%
Regional selective assistance	72,000	100%	100%	100%
ERDF: repayments of EU/EC expenditure	3,920	100%	100%	100%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub- programme description	2002-03 provision	Comparability percentages for 2002 Spending Review		
	£,000	Scotland	Wales	Northern Ireland
ERDF agency expenditure (non Local Authority)	185,880	100%	100%	100%
ERDF agency expenditure (Local Authority)	41,728	100%	100%	100%
Co-financed ERDF: Leader Network	94	100%	100%	100%
RDA development fund	174,100	100%	100%	100%
Regional Innovation Fund	702	100%	100%	100%
Administration costs and other services related to enterprise, innovation and productivity	139,140	100%	100%	100%
Innovation	210,991	0%	0%	0%
Civil aircraft research and demonstration	20,407	0%	0%	0%
Telecommunications and posts	661	0%	0%	0%
Space technology programmes	90,850	0%	0%	0%
Nuclear decommissioning	262,544	0%	0%	0%
Non-nuclear expenditure of a regulatory nature	7,211	0%	0%	0%
Biotechnology and Biological Sciences Research Council	253,501	0%	0%	0%
Economic and Social Research Council	85,199	0%	0%	0%
Engineering and Physical Sciences Research Council	497,661	0%	0%	0%
Medical Research Council	413,466	0%	0%	0%
Natural Environment Research Council	253,315	0%	0%	0%
Particle Physics and Astronomy Research Council	240,104	0%	0%	0%
Council for the Central Laboratory of the Research Councils	49,313	0%	0%	0%
Research Councils: pensions	28,450	0%	0%	0%
Royal Society	28,745	0%	0%	0%
Royal Academy of Engineering	4,770	0%	0%	0%
OST initiatives	3,100	0%	0%	0%
UKAEA - grant in aid	18,686	0%	0%	0%
Medical Research Council	3,334	0%	0%	0%
Natural Environmental Research Council	5,572	0%	0%	0%
Council for the Central Laboratory of the Research Councils	3,085	0%	0%	0%
Non proliferation of Nuclear Chemical Technology	16,174	100%	100%	100%
Joint Infrastructure Fund	6,063	0%	0%	0%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub- programme description	2002-03 provision	Comparability percentages for 2002 Spending Review		
	£,000	Scotland	Wales	Northern Ireland
University Challenge	5,000	100%	100%	100%
Science Enterprise Challenge Scheme	5,000	100%	100%	100%
Spectrum Efficiency Scheme	-6	0%	0%	0%
Nuclear fusion	14,479	0%	0%	0%
Non nuclear expenditure directly related to the creation of open markets	74,681	0%	0%	0%
Administration costs and other services related to the Science and Engineering Board	3,648	0%	0%	0%
Administration Costs and other services related to Trans Departmental Science	6,673	0%	0%	0%
Nuclear Contract Association	3,300	0%	0%	0%
Nuclear International	2,506	0%	0%	0%
BNFL PPP	8,500	0%	0%	0%
Cambridge Massachusetts Institute for Technology	14,000	0%	0%	0%
Diamond Synchrotron - CCLRC	22,131	0%	0%	0%
Post Office Consultancy	1,299	0%	0%	0%
Post Office Network	70,000	0%	0%	0%
Nuclear support	27,126	0%	0%	0%
Knowledge White Paper	32,500	100%	100%	100%
Higher Education Innovation	20,000	100%	100%	100%
Exploitation of Discoveries	1	0%	0%	0%
Foresight Link Awards	3,000	0%	0%	0%
Science Research Investment Fund	118,937	0%	0%	0%
Aerospace support	97,561	0%	0%	0%
Assistance to shipbuilding industry	5,579	0%	0%	100%
Assistance to the steel industry	3	0%	0%	0%
Coal Authority	18,574	0%	0%	0%
Ring-fenced coal health liabilities	-356,000	0%	0%	0%
Non-ring fenced coal liabilities	128,820	0%	0%	0%
Coal Operating Subsidy	350	0%	0%	0%
British Trade International	35,818	0%	0%	0%
Consumer and investor protection	83,262	0%	0%	0%
Companies House	-1,385	0%	0%	100%
Patent Office Executive Agency	-3,066	0%	0%	0%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub- programme description	2002-03 provision	Comparability percentages for 2002 Spending Review		
	£,000	Scotland	Wales	Northern Ireland
Radiocommunications Executive Agency	8,768	0%	0%	0%
Research establishments: major capital	38,614	0%	0%	0%
National Weights and Measures Laboratory	471	0%	0%	0%
Trade policy - subscriptions	4,858	100%	100%	100%
Consumer education EU programme	1	100%	100%	100%
Postwatch	1	0%	0%	0%
Industrial relations	7,328	100%	100%	100%
Equal Opportunities Commission	5,352	0%	0%	100%
Legal and regulatory framework and markets	171,016	0%	0%	100%
LRM and OME costs	4,380	0%	0%	100%
Suppliers of Departmental Services	-116	0%	0%	0%
Insolvency Service Executive - admin costs	27,231	100%	0%	100%
Employment Tribunals Agency - admin costs	64,725	0%	0%	100%
Electronic Government	800	100%	100%	100%
Non Fossil Fuel Obligation	117,000	0%	0%	0%
British Coal Corporation	372	0%	0%	0%
Local Support Budget	202,100	100%	100%	100%
Local Support Budget - Welfare to Work	5,020	100%	100%	100%
Export Credits Guarantee Department	1,958	100%	100%	100%
	4,456,541	21.3%	20.7%	26.8%
Agriculture				
Agri-environment RPA funding: Objective 1	25,490	100%	100%	100%
Agri-environment RPA funding :Objective 4	25,489	100%	100%	100%
Agri-environment RPA funding: Objective 5	25,489	100%	100%	100%
Agri-environment RPA funding : Objective 6	25,489	100%	100%	100%
Promoting management and prudent use of natural resources	40,653	100%	100%	100%
By promoting action to alleviate flooding and coastal erosion	83,127	100%	100%	100%
Departmental operations	189,622	100%	100%	100%
ERDF	1,350	100%	100%	100%
Credit approvals	18,691	100%	100%	100%
Central Science Laboratory	1,227	100%	0%	100%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub- programme description	2002-03 provision	Comparability percentages for 2002 Spending Review		
	£,000	Scotland	Wales	Northern Ireland
Veterinary Laboratories Agency	29,711	0%	0%	100%
Pesticide Safety Directorate	-2,568	0%	0%	0%
Veterinary Medicine Directorate	-75	0%	0%	0%
Centre for Environment, Fisheries and Aquaculture Science	7,476	100%	0%	100%
Promoting sustainable, competitive and safe food supply chain (Discretionary)	11,564	0%	0%	100%
Sustain and enhance the rural and marine environment	125,068	100%	100%	100%
Protecting and improving rural, urban and global environment	20,448	100%	100%	100%
Secure a more economically rational CAP	10,139	0%	0%	0%
Assist the development of efficient markets	82,837	100%	100%	100%
Assist the development of efficient markets (Demand Determined)	15,856	100%	100%	100%
Encourage economic and social development in rural areas	114,181	100%	100%	100%
Administer payments under the CAP	46,008	100%	100%	100%
Improving enjoyment of an attractive and well-managed countryside	275,522	100%	100%	100%
Protection of high welfare standards	22,338	0%	0%	100%
Regional Development Agencies	42,095	100%	100%	100%
Safeguard availability of food and drink	2,958	100%	100%	100%
Promoting a sustainable , competitive and safe food supply chain	136,229	100%	100%	100%
Over Thirty Months Scheme	251,000	0%	0%	0%
RPA - administration	120,336	100%	100%	100%
RPA - market support under CAP (BSE)	125,819	0%	0%	0%
RPA - direct payments under CAP	1,385	0%	0%	0%
RPA - EC Subsidy school milk	1,386	0%	0%	0%
British Waterways Board	35,795	100%	0%	100%
Other water expenditure	1,376	100%	100%	100%
Environment Agency	326,264	100%	100%	100%
Environmental protection research	38,964	100%	100%	100%
Energy, environment and waste	164,600	100%	100%	100%
Environment - civil defence	3,490	100%	100%	100%
Environmental protection	46,422	100%	100%	100%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub- programme description	2002-03 provision	Comparability percentages for 2002 Spending Review		
	£,000	Scotland	Wales	Northern Ireland
Local Environment Quality Supplementary Credit Approvals	23,632	100%	100%	100%
National Parks Authorities Supplementary Grant	11,587	100%	100%	100%
Rural Development Commission	2,830	100%	100%	100%
Countryside Agency	90,522	100%	100%	100%
Nature Conservancy Council for England (English Nature)	34,620	100%	100%	100%
Countryside research	2,200	100%	100%	100%
National Forest Company	1,912	100%	100%	100%
Nature Conservancy Council - pensions	685	100%	100%	100%
Countryside publicity	535	100%	100%	100%
Countryside and wildlife initiatives	6,450	100%	100%	100%
Wildlife protection and conservation	348	100%	100%	100%
Animal welfare	3	0%	0%	0%
Hunting Bill	2	100%	0%	100%
	2,668,577	83.1%	81.4%	85.5%
Forestry				
Forestry Commission - policy, regulation and administration	70,865	100%	100%	100%
Forestry Enterprise - management of the public estate	9,053	100%	100%	100%
Forestry Commission - payment of private woodland grants	15,800	100%	100%	100%
Forestry Commission - research and development	9,950	100%	100%	100%
	105,668	100.0%	100.0%	100.0%
Culture, Media and Sport				
Small Firms Loan Guarantee Scheme	27,767	100%	100%	100%
Tourism	72,561	0%	0%	100%
Museums and galleries	400,522	100%	100%	100%
Museums Libraries and Archives Council	25,620	100%	100%	100%
Arts	297,321	100%	100%	100%
Libraries	129,917	100%	100%	100%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub- programme description	2002-03 provision	Comparability percentages for 2002 Spending Review		
	£,000	Scotland	Wales	Northern Ireland
DCMS Administration	34,825	100%	100%	100%
National Lottery Commission	90	0%	0%	0%
ERDF funded expenditure	31,000	100%	100%	100%
Gambling, alcohol licensing & horseracing	-1,296	0%	0%	0%
Gaming Board for Great Britain	3,973	0%	0%	0%
Queen's golden jubilee	3,601	0%	0%	0%
Occupied Royal Palaces and other historic buildings	19,287	100%	100%	100%
Historic Royal Palaces Agency	3,920	100%	100%	100%
Royal Parks	28,399	100%	100%	100%
Listed places of worship	35,000	0%	0%	0%
Historic Buildings and Monuments Commission	129,158	100%	100%	100%
Research surveys and other services	901	100%	100%	100%
Broadcasting Standards Council	4,084	100%	0%	100%
Sport & Recreation	115,062	100%	100%	100%
Grant for S4C	80,217	100%	0%	100%
	1,441,929	92.1%	86.3%	97.1%
Work and Pensions				
Administration of Housing Benefit (England)	84,101	0%	0%	100%
Administration of Housing Benefit (Scotland)	8,491	0%	0%	100%
Administration of Housing Benefit (Wales)	4,150	0%	0%	100%
Local Authority administration of Community Charge Benefit (England)	61,633	0%	0%	100%
Local Authority administration of Community Charge Benefit (Scotland)	7,996	0%	0%	100%
Local Authority administration of Community Charge Benefit (Wales)	3,629	0%	0%	100%
Motability	2,079	0%	0%	100%
Spend to Save - Benefit Revenues	1,500	0%	0%	100%
Verification Framework	43,335	0%	0%	100%
Verification Framework: continuation payments	20,664	0%	0%	100%
Administration costs of TV licences for over 75	8,000	0%	0%	100%
Third Party Providers	1,376	0%	0%	100%
Corporate services administration	901,741	0%	0%	100%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub- programme description	2002-03 provision	Comparability percentages for 2002 Spending Review		
	£,000	Scotland	Wales	Northern Ireland
Child Support Agency	209,877	0%	0%	100%
The Appeals Service	32,310	0%	0%	100%
Occupational Pensions Regulatory Authority	17,035	0%	0%	100%
Welfare Modernisation Fund	47,960	0%	0%	100%
Children Client Group	7,434	0%	0%	100%
Working Age Client Group	33,054	0%	0%	100%
Pensioner Client Group	8,219	0%	0%	100%
Disability Client Group	7,824	0%	0%	100%
Modernisation administration	-59,569	0%	0%	100%
Employment Opportunities Fund - lone parents	6,946	0%	0%	100%
Modernisation - corporate	216,893	0%	0%	100%
International services	-7,175	0%	0%	100%
Disability and Carers Benefits Directorate	139,742	0%	0%	100%
Child Benefit Centre	31,825	0%	0%	100%
Pensions Agency	79,372	0%	0%	100%
Job Centre Plus Agency	1,657,377	0%	0%	100%
Restructuring Fund	6,000	0%	0%	100%
Step up	12,000	0%	0%	100%
Administration funding from the NIF	908,280	0%	0%	100%
Anti-fraud incentives	49,000	0%	0%	100%
Anti-fraud initiatives	1,000	0%	0%	100%
Employment Service programmes	351,918	0%	0%	100%
Publicity and research	1,665	0%	0%	100%
Youth Enterprise Initiative	9,415	100%	100%	100%
Statutory rights and equal opportunities	903	0%	0%	100%
Training for work	18,750	0%	0%	100%
New Deal Innovation	32,700	0%	0%	100%
New Deal for Young People	311,151	0%	0%	100%
New Deal for the Long Term Unemployed	257,578	0%	0%	100%
New Deal for Lone Parents	135,326	0%	0%	100%
New Deal for the Disabled	53,000	0%	0%	100%
New Deal	4,500	0%	0%	100%
New Deal for Partners	25,322	0%	0%	100%
New Deal for Older Workers	16,200	0%	0%	100%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub- programme description	2002-03 provision	Comparability percentages for 2002 Spending Review		
	£,000	Scotland	Wales	Northern Ireland
New Deal: accounts manager	5,000	0%	0%	100%
Employment Credit Approvals	1,202	0%	0%	100%
Initiatives for disadvantaged groups	11,275	100%	100%	100%
Employment Zones	78,774	100%	100%	100%
New Deal for Schools	32,110	0%	0%	100%
Work Train	3,000	0%	0%	100%
Initiatives for the disadvantaged	5,279	0%	0%	100%
Remploy	89,059	0%	0%	100%
Europe and international issues	7,175	0%	0%	100%
ESF payments	333,123	100%	100%	100%
ERDF payments	25,712	100%	100%	100%
ERDF Local Authority capital	1,000	100%	100%	100%
ESF - payments in advance of receipts	100,000	100%	100%	100%
	6,465,236	8.7%	8.7%	100.0%
Chancellor's Departments				
ONS administration	134,658	0%	0%	100%
ONS net running costs	203	0%	0%	100%
ONS Invest to Save	792	0%	0%	100%
ONS - PAT18	10,000	0%	0%	100%
ONS Capital Modernisation Fund	11,500	0%	0%	100%
UK revenue compliance	712,881	0%	0%	0%
Detect and deter the smuggling of prohibited goods	228,466	0%	0%	0%
International trade compliance	175,957	0%	0%	0%
Government Actuary	1,127	0%	0%	0%
Tax and rate collection	2,512,114	0%	0%	0%
Inland Revenue: Valuation Office	6,127	0%	0%	100%
NIF: admin payable to other government departments	340,584	0%	0%	0%
National Savings: administration	158,970	0%	0%	0%
NILO - NDO Administration	76	0%	0%	0%
NILO - PWLB Administration	-215	0%	0%	0%
NILO - OPG Administration	420	0%	0%	0%
Functioning of parliament & Privy Council	-1,056	0%	0%	100%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub- programme description	2002-03 provision	Comparability percentages for 2002 Spending Review		
	£,000	Scotland	Wales	Northern Ireland
Economic and financial administration	194,812	0%	0%	0%
U.K. coinage	32,000	0%	0%	0%
Bank of England debt management	4,064	0%	0%	0%
Bank of England Exchange Equalisation Account	8,618	0%	0%	0%
Debt Management Agency	7,485	0%	0%	0%
Partnerships UK	1,200	0%	0%	0%
Other services	1,016	0%	0%	0%
Office of Government Commerce	-2,511	100%	100%	100%
Stats Commission	1,350	100%	100%	100%
Privatised companies :dept	597	0%	0%	0%
	4,541,235	0.0%	0.0%	3.5%
Cabinet Office				
Intelligence Agencies	1,031,719	0%	0%	0%
Central Office of Information	716	100%	100%	100%
Centre for Management and Policy Studies	5,828	0%	0%	0%
Government Car and Despatch Agency	1,713	100%	100%	100%
Cabinet Office: reorganisation	173,846	0%	0%	100%
Equal Opportunities Commission	7,005	0%	0%	100%
Equality Co-ordination Unit	655	100%	100%	100%
Emergency Planning Directorate	37,951	100%	100%	100%
Business Co-ordination Unit	300	100%	100%	100%
Office of the E-Envoy	15,000	100%	100%	100%
Privy Council Office	2,801	0%	0%	0%
	1,277,534	4.4%	4.4%	18.6%

ANNEX C

Footnotes:

1. The comparability for the Agriculture programme was determined on a Great Britain basis for the 1998 Comprehensive Spending Review . United Kingdom domestic agriculture for Scotland and Wales was calculated by allocating a population share of changes in domestic spending for England. Agriculture sub-programmes have now been re-aligned to reflect spending within England.
2. Expenditure classified as Departmental Unallocated Provision (DUP) is excluded from the comparability tables as a department's DUP is assumed to have the weighted average departmental comparability.
3. Since devolution in Northern Ireland, law and order has no longer been part of the Northern Ireland Executive's budget. Therefore, Home Office, Lord Chancellor's and Law Officers' departments are shown as non-comparable.

Glossary of terms

<i>Aggregate External Finance (AEF)</i>	Mainstream Government support for expenditure on local authority services. It comprises of <i>Revenue Support Grant (RSG)</i> , <i>non-domestic rate</i> payments and certain specific and special grants.
<i>Annually Managed Expenditure (AME)</i>	A spending aggregate that covers programmes for which multi-year limits are not appropriate or possible, but which are taken into account in public expenditure planning. See also Main Departmental Programmes in AME and Other AME.
<i>Assigned budget in DEL</i>	That part of the <i>Departmental Expenditure Limit</i> where the devolved administration has full discretion to determine where to allocate expenditure.
<i>Barnett Formula</i>	The Formula that allocates a population share of changes in planned expenditure on comparable services by Departments of the United Kingdom Government to the devolved administrations in Scotland, Wales and Northern Ireland.
<i>Base year</i>	Year immediately prior to first year of spending review period.
<i>Capital expenditure</i>	Expenditure on new construction, land, extensions and alterations of existing buildings and the purchase of fixed assets such as plant and machinery. Also includes expenditure on stocks and grants and lending for capital purposes. Also covers some intangibles, such as patents and in-house creation of software under recognised projects.
<i>Comparability</i>	The extent to which services delivered by Departments of the United Kingdom Government correspond to the services within the assigned budgets of the devolved administrations.
<i>Comprehensive Spending Review (CSR)</i>	A zero based review of all Departmental objectives, policies and spending plans, the conclusion of which sets out <i>Departmental Expenditure Limits</i> for the next three years and all other spending aggregates.
<i>Current expenditure</i>	Includes most direct expenditure on public sector pay and providing services e.g. health or education reflecting continuing programmes financed each year. It does not include the purchase of tangible assets.
<i>Departmental Expenditure Limits (DEL)</i>	A spending aggregate that sets firm expenditure limits for a three-year period.
<i>DEL Reserve</i>	A small Reserve retained centrally to deal with emergencies and genuine contingencies outside DEL provision.
<i>Departmental Unallocated Provision</i>	Internal contingency reserves within departmental spending plans that leave provision uncommitted so that these resources can be redirected to meet unexpected pressures.

ANNEX D

<i>'Devolution Acts'</i>	Scotland Act 1998, Government of Wales Act 1998 and Northern Ireland Act 1998.
<i>Devolved administrations</i>	The Scottish Executive, the National Assembly for Wales and the Northern Ireland Executive.
<i>District Rates</i>	Set by each District Council in Northern Ireland to meet their own net expenditure on the local services provided by the Council including leisure, economic development and environmental matters.
<i>End-year flexibility (EYF)</i>	The mechanism to allow unspent provision in the <i>Departmental Expenditure Limit assigned budget</i> in one year to be carried forward from to the next to encourage good financial management.
<i>EUROPES</i>	An arrangement which identifies the United Kingdom cost of financing certain European Union internal policy programmes (such as R&D, energy and environmental policies), which is then charged to departments with policy responsibility for these programmes. These internal policies do not include Structural Funds.
<i>External finance requirements</i>	The financial support in terms of lending, subsidies and grants from central government required by nationalised industries, trading funds and other public corporations and their borrowing from commercial sources. Includes movements in deposits and borrowing by way of finance leases.
<i>Grant in aid</i>	A payment by a government department to finance all or part of the costs of the body in receipt of the grant in aid. It applies where the Government has decided, subject to the necessary Parliamentary controls, that the recipient body should operate at arms length. Most bodies in receipt of grant are non-departmental public bodies (NDPBs).
<i>In-year changes</i>	Changes to expenditure allocations between spending reviews.
<i>Local Authority Self-Financed Expenditure (LASFE)</i>	LASFE is additional local government spending above that scored against departmental programmes
<i>Locally Financed Expenditure (LFE)</i>	<i>Local Authority Self-Financed Expenditure</i> plus <i>non-domestic rates</i> payments in Scotland and Wales, the yield from exercising the tax varying power in Scotland and <i>Regional Rates</i> Northern Ireland
<i>Main Departmental programmes in AME</i>	Spending on identified programmes, in which other departments have a major interest, included in the vote from the United Kingdom Parliament within <i>Annually Managed Expenditure</i> to cover <i>ring-fenced</i> items for which multi-year limits are not appropriate.
<i>National Loans Fund (NLF)</i>	The fund that handles all government borrowing

	transactions, including the payment of debt interest, and most lending transactions.
<i>Non-assigned budget in DEL</i>	Spending for those items where provision is not determined directly through the Barnett Formula. Such provision is included as ring-fenced within the <i>Departmental Expenditure Limit</i> .
<i>Non-domestic rates (also known as Business Rates)</i>	The contribution towards the cost of local authority services paid by the occupiers of non-domestic property, principally businesses. The rate bill for a property depends on its rateable value and the poundage for the year in question. Non-domestic rates are pooled at a country level. The pool is then divided between contributing authorities. This division is currently based on the number of residents each authority has.
<i>Northern Ireland Consolidated Fund (NICF)</i>	The account into which payments and receipts (not specifically directed elsewhere) to the Northern Ireland Assembly flow. Issues from the Fund are made to meet Northern Ireland Assembly expenditure.
<i>Other AME items</i>	Items included for public expenditure planning as <i>Annually Managed Expenditure</i> , as multi-year plans are not appropriate, but often not a close part of the departmental programme. Includes local authority self-financed expenditure and expenditure financed by the Scottish Variable Rate of Income Tax.
<i>Public Corporations</i>	Publicly owned trading bodies, usually statutory corporations, with a substantial degree of financial independence from central government and local authorities including the powers to borrow and maintain reserves. They include nationalised industries, trading funds and other public corporations.
<i>Regional Rates</i>	Rates struck by the Northern Ireland Assembly for the purposes of local financing of expenditure on public services in Northern Ireland. The Assembly is responsible for decisions on how the revenues raised should be used.
<i>Resource Accounting and Budgeting (RAB)</i>	An accruals based accounting and budgeting system that will focus more on resources consumed and not just cash spent; treat capital and current expenditure in a way which better reflects their economic significance; and encourage greater emphasis on outputs and the achievement of aims and objectives.
<i>Revenue Support Grant (RSG)</i>	The unhypothecated grant from central government to supplement local authorities' own finances.
<i>Ring-fenced</i>	Expenditure that is specific to a particular policy or programme and cannot therefore be used for any other purpose without the prior agreement of the Treasury. Shortfalls in expenditure on ring-fenced items will be

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surrendered to the *United Kingdom Consolidated Fund*.

<i>Scottish Consolidated Fund (SCF)</i>	The account into which payments and receipts (not specifically directed elsewhere) to the Scottish Parliament flow. Issues from the Fund are made to meet Scottish Parliament expenditure.
<i>Scottish Variable Rate of Income Tax</i>	The power of the Scottish Parliament to increase or decrease the basic rate of income tax set by the United Kingdom Parliament by a maximum of 3p. If the Scottish Parliament exercises this power the resources available to it will be adjusted upwards or downwards as appropriate.
<i>Sub-programme</i>	Component expenditure of main departmental spending programme
<i>United Kingdom Consolidated Fund (UKCF)</i>	The Exchequer account into which are paid gross United Kingdom tax revenue, less repayments, and all other Exchequer receipts not specifically directed elsewhere. Issues from the Fund are made to meet central government expenditure shown in the Supply Estimates to the United Kingdom Parliament.

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