

The Spending Review provides a major boost to the public services in Scotland, Wales and Northern Ireland:

- by 2005-06 provision in Scotland to invest in modern public services will be £4.1 billion higher than in 2002-03;
- provision will be £2.35 billion higher in Wales over the same period (including resources to fund Wales's Objective 1 needs); and
- provision will be £1.2 billion higher in Northern Ireland comparing 2005-06 with 2002-03.

Decisions on the use of this provision will be made by the Scotland, Wales and Northern Ireland administrations. The extra money will allow the devolved administrations to improve public services and determine their own particular public spending outcomes in line with the needs and priorities of the people of Scotland, Wales and Northern Ireland.

## DETERMINING THE BUDGETS OF THE DEVOLVED ADMINISTRATIONS

**22.1** The devolved administrations' budgets are determined within the United Kingdom framework of public expenditure control. The devolved administrations have freedom to make their own spending decisions, within the overall totals, on functions under their control in response to local priorities. The devolved administrations will make their own announcements in due course about their detailed spending plans.

### Devolved funding arrangements

**22.2** UK funding for the devolved administrations' budgets has been determined in the Spending Review alongside departments of the UK Government and in accordance with the established devolution funding arrangements. In general the changes to the devolved administrations' budgets have been linked to changes in spending plans of UK Government departments by the Barnett formula. The formula gives Scotland, Wales and Northern Ireland a population-based share of planned changes in comparable spending in UK departments, as set out in the Statement of Funding Policy published by the Treasury.

**22.3** The increases announced in the Spending Review include the allocations already announced by the Government in the Budget in relation to health spending.

**22.4** The increases include an extra allocation of £106 million a year in 2003-04, 2004-05 and 2005-06 to Wales to ensure funding of the European share of its Objective 1 needs, with resources for match funding provided for within the total spending settlement. The Government is also making available an allocation of £50 million in 2003-04, £62 million in 2004-05 and £80 million in 2005-06 for the Northern Ireland Executive's EU funded PEACE programme. In May 2002 the Government announced new borrowing powers for the Northern Ireland Executive and the establishment of a new strategic investment body, with funding of £200 million in the first three years. The costs of the Scotland and Wales Offices are met from within the total funds voted by the UK Parliament. The budget of the Northern Ireland Office has been determined separately; details are in Chapter 19.

## SPENDING PLANS

**22.5** Table 22.1 shows each devolved administrations' Departmental Expenditure Limit (DEL). Other budgetary items, defined as Annually Managed Expenditure (AME), are set annually. As the devolved administrations have freedom to reallocate spending between capital and resource budgets, the split between these budgets is indicative and reflects the consequential of the application of the Barnett formula to planned changes in UK departments' spending.

**Table 22.1: Key figures**

	£ million			
	2002–03	2003–04	2004–05	2005–06
<b>Scotland</b>				
Resource budget	16,637	18,062	19,052	20,358
Capital budget	1,876	1,953	2,146	2,288
<b>Total Departmental Expenditure Limit<sup>1</sup></b>	<b>18,207</b>	<b>19,718</b>	<b>20,884</b>	<b>22,319</b>
<b>Wales</b>				
Resource budget	8,829	9,655	10,240	11,000
Capital budget	801	830	919	999
<b>Total Departmental Expenditure Limit<sup>1</sup></b>	<b>9,424</b>	<b>10,275</b>	<b>10,941</b>	<b>11,774</b>
<b>Northern Ireland Executive</b>				
Resource budget	6,167	6,486	6,796	7,208
Capital budget	342	423	483	523
<b>Total Departmental Expenditure Limit<sup>1</sup></b>	<b>6,418</b>	<b>6,813</b>	<b>7,178</b>	<b>7,626</b>
Near-cash spending in devolved administrations DELs <sup>2</sup>	33,052	35,758	37,921	40,564

<sup>1</sup> Full resource budgeting basis, net of depreciation.

<sup>2</sup> Consistent with previous control basis.