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National Assembly for Wales
and
Northern Ireland Assembly**

A Statement of Funding Policy

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Further copies of this document may be obtained on request from:

HM Treasury
Correspondence and Enquiries Unit
1 Horse Guards Road
LONDON
SW1A 2HQ

Telephone: 020 7270 4558
Email: public.enquiries@hm-treasury.gov.uk
Website: <http://www.hm-treasury.gov.uk>

If you have access to the Internet, you can also find the document at:

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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 administrations¹ 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

¹ In the context of Northern Ireland references throughout this statement to "devolved administrations / Northern Ireland Executive" are deemed, during suspension of devolution, to refer to the Secretary of State for Northern Ireland and Northern Ireland Office Ministers with responsibility for previously devolved Northern Ireland Departments.

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 fourth edition of the Statement of Funding Policy, first published in March 1999. It has been updated to reflect developments since the third edition, for example in relation to the introduction of prudential borrowing, 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 2004 Spending Review.

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 Executive¹.

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 and they ensure their plans meet the fiscal rules.

¹ In the context of Northern Ireland references throughout this statement to "devolved administrations / Northern Ireland Executive" are deemed, during suspension of devolution, to refer to the Secretary of State for Northern Ireland and Northern Ireland Office Ministers with responsibility for previously devolved Northern Ireland Departments.

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 for the Department for Constitutional Affairs, but separately identified within the DCA Estimate with their own requests for resources. Any changes in Scotland Office and Wales Office DEL are netted off the Scotland and Wales DEL as before the creation of the DCA in 2003. 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. Spending within DEL is generally 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). If spending in DEL, however, is exceptionally 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 introduced 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 was 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 were moved into DEL.

1.11 In the 2002 spending review, the 2003-04 baseline was the starting baseline. It included 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 reflected 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.

1.12 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.

1.13 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. For the 2004 spending review the 2003 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	2003
Scotland's population as a proportion of the population of England:	10.45	10.34	10.23	10.20
Scotland's population as a proportion of the population of England and Wales:	9.86	9.77	9.66	9.63
Wales' population as a proportion of the population of England:	5.95	5.93	5.89	5.89
Northern Ireland's population as a proportion of the population of Great Britain:	2.91	2.93	2.92	2.95

ONS mid-year population estimates (per cent)	1996	1999	2001	2003
Northern Ireland's population as a proportion of the population of England:	3.39	3.41	3.40	3.42
Northern Ireland's population as a proportion of the population of England and Wales:	3.2	3.22	3.21	3.23

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 2004 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 valued 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 which are based on economic assumptions produced by the Treasury and forecasts by the Department for Work and Pensions 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 Regional Rates for Northern Ireland, determined by the relevant devolved administration.

4.6 Under stage I 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; most of 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 overall rates and therefore 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 have the reserve power to set maximum capital expenditure for capital investment by local authorities (District Councils in Northern Ireland) and other public bodies. 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 borrowing, 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 borrowing 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) have been introduced in 2004-05. In the 2004 spending review, increases in supported local authority borrowing (which replace credit approvals) will continue to be classified as DEL. Increases in self financed unsupported borrowing are classified as AME. Appropriate borrowing limits for increases in unsupported borrowing may be introduced if necessary in the light of the overall fiscal position. There is no local authority prudential borrowing regime in Northern Ireland. In the light of the operation of Northern Ireland Executive prudential borrowing regime, the provisions in paragraph 5.3 are not currently applied in Northern Ireland.

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.

SECTION 8. EUROPEAN FUNDING ISSUES

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

8.2 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 - 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 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.

8.3 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 DEL (i.e. they ensure public expenditure cover for forecast expenditure).

8.4 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.

8.5 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.

8.6 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;
- iii **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 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. EYF for capital and resource DEL is separately identified and controlled.

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.

Management of cash balances

10.5 The devolved administrations are responsible for managing their consolidated funds and bank accounts according to the following principles:

- balances should be placed on overnight deposit and the interest received should be returned to the United Kingdom Consolidated Fund where appropriate through the usual channels;
- the balances held at the year end should be reflected in the following year's calculation of grant requirement;

- the process of calculation of the grant should be done using data from the Treasury's public expenditure database
- there should be a presumption that Consolidated Funds (and the equivalent Wales account) should not have negative balances other than occasional 24 hour overdrawn balances because of cash management; and
- the state of the consolidated funds and account including end year balances should be transparently reported, including cross-reference in the appropriate departmental reports to references in SE/NIE/NAW accounts.

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		
2004-05 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 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
		Supporting People
		EMAs
		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 the Scottish Executive;
- 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		
2004- 05 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 Trust Debt Remuneration ² Bus Fuel Duty Rebate		Common Agricultural Policy ³
		Housing Revenue Account Subsidy ³
		Other AME: Certain accrual items such as capital charges for roads
		Supporting people
		EMAs
		LA business growth incentive scheme
		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		
2004- 05 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 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
		Supporting People
		EMAS
		Certain RRI self financed borrowing and 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 These and other AME items of expenditure are 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.

**⌘ 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

An 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:

AThe 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.@

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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's 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's 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 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

ANNEX A

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 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:

ANNEX A

- (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
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 10.20 per cent for Scotland, 5.89 per cent for Wales and 3.42 per cent for Northern Ireland of England's population or 2.95 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 **Scotland**: $100 \times 0.75 \times 0.1020 = \text{£}7.65 \text{ million}$

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

For **Northern Ireland**: $100 \times 0.75 \times 0.0342 = \text{£}2.565 \text{ million}$
 2.5 per cent VAT abatement(see paragraph 3.15) $\text{£}2.501 \text{ million}$

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	2004-05 provision	Comparability percentages for 2004 Spending Review		
		£,000	Scotland	Wales
Education & Skills				
Grants to Voluntary Aided Schools for Capital and Repairs	590,990	100%	100%	100%
Central and Local Government Expenditure on Grant-maintained Schools	1,553	100%	100%	100%
Assisted Places Scheme Baseline	10,000	100%	100%	100%
Central Govt. Grants under the Music and Ballet Scheme	15,979	100%	100%	100%
City Technology Colleges	1,700	100%	100%	100%
Sure Start	889,746	100%	100%	100%
Special Grants	745,624	100%	100%	100%
Childrens Fund	195,467	100%	100%	100%
Student Loans	952,071	100%	0%	100%
Grant to the Higher Education Funding Council	5,835,744	100%	100%	100%
Further Education Miscellaneous (Including Grants to Travellers)	84,818	100%	100%	100%
Local Authority Current Expenditure on Adult Education	176,445	100%	100%	100%
Administration of the Student Loans Company	43,549	100%	0%	100%
Central Govt. Higher Education Programmes (inc Engineering Barsaries)	13,830	100%	100%	100%
Higher and Further Education Access Funds	27,645	100%	100%	100%
Post Graduate Awards	279	100%	0%	100%
Central and Local Govt. Spending on Mandatory Awards	740,370	100%	0%	100%
Expenditure on Teacher Training other than through the Teacher Training Agency	87,184	100%	100%	100%
The Learning and Skills Council - R+G40eplacement for the Further Education Funding Council	5,783,157	100%	100%	100%
Adult Learning Inspectorate	24,630	100%	100%	100%
Sector Skills Development Agency	61,910	100%	100%	100%
Higher Education: Europe and International Services	671	100%	100%	100%
Learning and Skills Council: Sixth Forms	1,476,000	100%	100%	100%
Education in Prisons and Custodial Institutions	127,397	100%	100%	100%
DTI Funding for HEFCE	-306,138	100%	100%	100%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub- programme description	2004-05 provision	Comparability percentages for 2004 Spending Review		
	£,000	Scotland	Wales	Northern Ireland
Misc Progs Aimed at Equipping Children for Adult life (inc.IT in Schools)	28,541	100%	100%	100%
Qualifications Frameworks	78,721	100%	100%	100%
Expenditure Supporting the Governments Aims in the European Union	21,958	0%	0%	0%
Specialist Schools	26,200	100%	100%	100%
Progs Supporting all Objectives inc.Teachers' Medical Fees	12,793	100%	100%	100%
Student Support (Including Dance and Drama)	11,107	100%	100%	100%
Children and Family - Equipping Children for Adult Life	789	100%	100%	100%
Central and Local Govt.Expenditure on the Youth Service	42,222	100%	100%	100%
Recreational Services and RE	889,934	100%	100%	100%
Compensation to College of Education Staff	355	100%	100%	100%
Teacher Training Agency	1,483,664	100%	100%	100%
National College for School Leadership	64,635	100%	100%	100%
Standards Fund (Formerly GEST)	2,950,394	100%	100%	100%
Office of Her Majesty's Chief Inspector of Schools	195,460	100%	100%	100%
Miscellaneous International Education Programmes (inc.European Sch.)	19,976	100%	100%	100%
Children and Family - Misc Programmes	67,631	100%	100%	100%
Children and Family - Standards Fund Capital	1,000	100%	100%	100%
Children and Family - Youth Service	16,500	100%	100%	100%
Family and Policy unit - Community Services	17,937	100%	100%	100%
Supported Borrowing: Schools	1,458,000	100%	100%	100%
European University Initiative Subscription	2,759	100%	100%	100%
European University Initiative Bursaries	274	0%	0%	0%
British Academy	13,330	0%	0%	0%
Children and Families - Justice	5,247	100%	100%	100%
Children and Family Court Advisory and Support Service	94,872	100%	100%	100%
Children and Families - Personal Social Services	27,772	100%	100%	100%
Children and Families - Health and Misc Services	16,186	100%	100%	100%
Children and Families - Secure administration	6,242	100%	100%	100%
Children and Families - Childrens Services Grants	66,000	100%	100%	100%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub- programme description	2004-05 provision	Comparability percentages for 2004 Spending Review		
	£,000	Scotland	Wales	Northern Ireland
Children and Families - Teenage Pregnancy	29,000	100%	100%	100%
Children and Families - Children and Adolescent MH Grants	3,000	100%	100%	100%
Children and Families - LA Supported Borrowing	9,302	100%	100%	100%
Children and Families - Hosp and Community Services	596	100%	100%	100%
Connexions Youth Support Service	533,117	100%	100%	100%
Publicity and Research	34,988	100%	100%	100%
E-Portals	1,374	100%	100%	100%
Departmental Administration	253,216	100%	100%	100%
ESF Admin Payments and ILO Subscription	9,454	0%	0%	0%
Youth Training Programme	3,533	100%	100%	100%
Career Development for Adults	42,657	100%	100%	100%
TEC Strategic Budget, Performance Related Funding and Discretion Fund)	3,675	100%	100%	100%
Improving the Training Market	57,539	100%	100%	100%
Neighbourhood Support Fund	10,000	100%	100%	100%
Capacity Building	2,150	100%	100%	100%
Union Learning Fund	8,200	100%	100%	100%
Learning and Skills Council - Adults	1,284,000	100%	100%	100%
Learning and Skills Council - Other	49,100	100%	100%	100%
University for Industry	44,000	100%	100%	100%
Millennium Volunteers	15,000	100%	100%	100%
	27,595,021	99.8%	93.5%	99.8%
Health				
Meat Hygiene Service	29,325	100%	100%	100%
Food Standards Agency - HQ	110,350	100%	100%	100%
Hospitals and Community Services	63,707,181	100%	100%	100%
Family Practitioner Service (Excl Drugs & GP Remuneration)	26,221	100%	100%	100%
Personal Social Services: Central Government	230,474	100%	100%	100%
Training of Social Services Staff	53,300	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	133,500	100%	100%	100%
Children's Social Services Grant	1,000	100%	100%	100%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub- programme description	2004-05 provision	Comparability percentages for 2004 Spending Review		
	£,000	Scotland	Wales	Northern Ireland
Promoting Independence: Carers' Grant	125,000	100%	100%	100%
Improving Information Management	25,000	100%	100%	100%
Young Persons Substance Misuse Planning Grant	4,500	100%	100%	100%
Preserved Rights Grant	458,279	100%	100%	100%
Residential Allowance Grant	409,480	100%	100%	100%
National Training Strategy	30,979	100%	100%	100%
Delayed Discharge Grant	100,000	100%	100%	100%
Access and System Capacity Grant	386,000	100%	100%	100%
Human Resources Development Strategy	23,900	100%	100%	100%
Child and Adolescent Mental Health Services	64,000	100%	100%	100%
EEA MEDICAL COSTS	325,396	0%	0%	0%
Central Health and Miscellaneous Services	518,155	100%	100%	100%
Welfare Food	119,500	100%	100%	100%
NDPBs and Special Health Authorities	164,325	100%	100%	100%
Departmental Administration	289,605	100%	100%	100%
Estates Directorate	-73	100%	100%	100%
Medical Devices Agency	12,667	100%	100%	100%
NHS Purchasing and Supplies Authority	20,536	100%	100%	100%
Medicines and Health Care Product Regulatory Grant	241	100%	100%	100%
Pharmaceutical Services - Dispensing Costs	972,883	100%	100%	100%
Pharmaceutical Services - Prescription Charges Income	-444,163	100%	100%	100%
General Dental Services	1,024,957	100%	100%	100%
General Ophthalmic Services	341,777	100%	100%	100%
Supported Borrowing: Personal Social Services	52,920	100%	100%	100%
NHS Trusts	1,837,249	100%	100%	100%
Independent Regulator for NHS Foundation Trusts	5,000	100%	100%	100%
	71,175,964	99.5%	99.5%	99.5%
Transport				
Highway Agency Programme	1,966,594	100%	100%	100%
Other Highways Grants (inc IDA)	2,000	100%	100%	100%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub- programme description	2004-05 provision	Comparability percentages for 2004 Spending Review		
	£,000	Scotland	Wales	Northern Ireland
Public Transport Infrastructure and Revenue Support	173,791	100%	100%	100%
Transport Supplementary Grant	214,938	100%	100%	100%
Support for Rural Bus Services	71,005	100%	100%	100%
GLA Transport Grant	1,155,111	100%	100%	100%
Urban Bus Challenge	20,000	100%	100%	100%
Bus Fuel Grants	346,500	100%	100%	100%
Freight Grants	9,608	100%	100%	100%
National Freight Company Pension Funds	1,600	0%	0%	0%
British Rail Pension Funds	46,215	0%	0%	100%
National Freight Company - Travel Concessions	3,000	0%	0%	0%
Trans-European Networks - Payments for Channel Tunnel Rail Link	45,967	0%	0%	0%
Trans-European Networks - Payments for Other Transport Industries Projects	3,801	100%	100%	100%
Strategic Rail Authority - HQ costs & Grants to Network Rail	2,385,212	0%	0%	100%
Revenue Support to Local Authorities	27,000	100%	100%	100%
RP-Rail Research & Consultancies	500	0%	0%	0%
RSR-Rail Research & Consultancies	1,500	0%	0%	0%
Strategic Rail Authority - Grants to Train Operating Companies	809,653	100%	0%	100%
Shipping Services	13,110	0%	0%	0%
Maritime & Coastguard Agency	112,964	0%	0%	0%
Marine Accident Investigation Branch	1,713	0%	0%	0%
VOSA - Other Enforcement & Development	8,135	0%	0%	0%
WHO study into Airline Travel and DVT	551	0%	0%	0%
WHO study into Airline Travel and DVT - Contributions from DH & DfT	142	0%	0%	0%
London Underground/Jubilee Line Extension	1,070,000	100%	100%	100%
Civil Aviation Services	7,668	0%	0%	0%
International Aviation Services	3,251	0%	0%	0%
Supported Borrowing for Airports	4,000	100%	100%	100%
Supported Borrowing for Ports	1,750	100%	0%	100%
Air Accident Investigation Branch	3,198	0%	0%	0%
Driving Standards Agency (Trading Fund)	-1,096	0%	0%	100%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub- programme description	2004-05 provision	Comparability percentages for 2004 Spending Review		
	£,000	Scotland	Wales	Northern Ireland
Vehicle and Operator Service Agency	-4,611	0%	0%	100%
Vehicle Certification Agency	193	0%	0%	0%
Highway Agency Administration	107,899	100%	100%	100%
Transport S+G185security	4,157	0%	0%	0%
Publicity for Road Safety	14,118	100%	100%	100%
Trans European Network - Payments for Other Local Transport Projects	2,700	100%	100%	100%
Royal Travel	6,500	0%	0%	0%
Transport Commission on Integrated Transport	1,500	0%	0%	0%
Airport White Paper Study	250	0%	0%	0%
Promoting Sustainable Travel Initiatives	8,300	100%	100%	100%
Speed and Red Light Camera Enforcement	1	100%	100%	100%
Powershift and Cleaner Vehicles Programmes	22,241	100%	100%	100%
Road User Charging	-67,000	100%	100%	100%
International Subscriptions - OECD	315	0%	0%	0%
International Subscriptions - Railways	119	0%	0%	0%
International Subscriptions - Other	1	0%	0%	0%
Transport Research - Roads	14,109	100%	100%	100%
Transport Research - Sustainable Development	1,660	100%	100%	100%
Transport Research - Local Transport	4,500	100%	100%	100%
Transport Statistics - Roads	4,579	100%	100%	100%
Travel Statistics - Personal Travel	2,045	100%	100%	100%
Transport Statistics - Freight	580	100%	100%	100%
Government Office Programme Expenditure	659	100%	100%	100%
Road Safety Grants and Programme Expenditure	16,882	100%	100%	100%
Mobility Uniy	3,482	100%	100%	100%
Vehicle Certification Agency Enforcement	1,324	0%	0%	0%
New Vehicle Technology Fund	4,000	0%	0%	0%
Channel Tunnel Consultancies and Channel Tunnel Lawyer and District Valuers Fees	12	0%	0%	0%
De-Trunking Payments to Local Authorities	53,141	100%	100%	100%
Centres of Excellence	100	100%	100%	100%
Transport Direct	17,000	100%	100%	100%
Central Administration	160,985	100%	100%	100%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub- programme description	2004-05 provision	Comparability percentages for 2004 Spending Review		
	£,000	Scotland	Wales	Northern Ireland
Transport Technology Research	4,407	100%	100%	100%
Transport Analysis and Economics Research	6,024	100%	100%	100%
Transport Technology Consultancies	800	100%	100%	100%
Transport Analysis and Economics Consultancies	500	100%	100%	100%
Strategic Transport Studies	5,432	100%	100%	100%
WHO PEP programme	60	0%	0%	0%
Rail Accident Investigation Branch	1,435	0%	0%	100%
London Underground PPP Arbiter	1,600	100%	100%	100%
Consultancy - Local Transport	600	100%	100%	100%
Driver Information Research	800	100%	100%	100%
Transport Consultancies - Roads	100	100%	100%	100%
European Regional Development Fund - Transport Services Receipts	6,670	100%	100%	100%
Haulage Efficiency and Modernisation Projects	3,000	100%	100%	100%
Driver & Vehicle Operator Group - Licensing Road Worthiness & Insurance Division	4,000	0%	0%	100%
DVLA Trading Fund	150,537	0%	0%	100%
Supported Borrowing: Roads and Transport	1,554,760	100%	100%	100%
Channel Tunnel Rail Link	357,869	0%	0%	0%
Metropolitan Railways Passenger Services Grant	10,000	100%	0%	100%
Civil Defence	318	100%	100%	100%
Office of the Rail Regulator	501	0%	0%	0%
	11,000,535	71.3%	63.8%	94.7%
Office of the Deputy Prime Minister				
Planning and Publicity	8,470	100%	100%	100%
Planning Delivery Grant	130,000	100%	100%	100%
Housing Corporation	1,660,717	100%	100%	100%
Housing Corporation Board Remuneration and Pensions	230	100%	100%	100%
The National Approved Letting scheme	84	100%	100%	100%
Disabled Facilities Grants	101,000	100%	100%	100%
Housing Defects Grants	200	100%	100%	100%
HIAs - Home Improvement Agencies	423	100%	100%	100%
Residential Property Tribunal Service	10,220	100%	100%	100%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub- programme description	2004-05 provision	Comparability percentages for 2004 Spending Review		
	£,000	Scotland	Wales	Northern Ireland
Housing Mobility Grants	6,742	100%	100%	100%
Housing Management G+G21 grants (incl. - Tenant Participation)	5,100	100%	100%	100%
Building Regulation	6,179	100%	100%	100%
Gypsy Site Grant	8,000	100%	100%	100%
Leasehold Enfranchisement Advisory Service	580	100%	100%	100%
Valuation Office Agency Right to Buy Charges	1,800	100%	100%	100%
Efficiency Improvements in Local Government	466	100%	100%	100%
Homelessness	60,000	100%	100%	100%
Supporting People Administration	63,500	100%	100%	100%
Home Buying and Selling	1,500	100%	100%	100%
Local Authority Funding of Pilot Letting Systems.	1,000	100%	100%	100%
Commission for Architecture and the Built Environment	6,000	100%	100%	100%
Housing Market Renewal Fund	150,000	100%	100%	100%
Supporting People Programme	228,239	100%	100%	100%
Best Intervention in Housing	1,000	100%	100%	100%
Private Landlords in Low Demand Areas	1,000	100%	100%	100%
Payments to the Audit Commission for RSL Inspections	1,800	100%	100%	100%
LA Supported Borrowing for housing	882,000	100%	100%	100%
Arms Length Management Organisations	593,614	100%	100%	100%
Housing Capital receipts	-30,000	100%	100%	100%
Ordnance Survey	23,704	0%	0%	100%
Ordnance Survey Trading Fund	-20	100%	100%	100%
ERDF ODPM expenditure	217,348	100%	100%	100%
Payment in Advance of & in Place of EC Receipts	832	100%	100%	100%
INTERREG	5,000	100%	100%	100%
Fire Publicity	6,836	100%	100%	100%
Design Awards	50	100%	100%	100%
Research	9,769	100%	100%	100%
Urban Design Skills	6,500	100%	100%	100%
Liveability Fund	40,500	100%	100%	100%
Thames Gateway (Direct Funding)	198,000	100%	100%	100%
Other Growth Areas (Direct Funding)	58,500	100%	100%	100%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub- programme description	2004-05 provision	Comparability percentages for 2004 Spending Review		
	£,000	Scotland	Wales	Northern Ireland
New Horizon	680	100%	100%	100%
Regional Development Agencies - ODPM Support	1,234,983	100%	100%	100%
LDA: ODPM support	276,882	100%	100%	100%
Regional Chambers	6,000	0%	0%	0%
Central Administration	210,886	100%	100%	100%
Mersey Basin	520	100%	100%	100%
Planning Inspectorate Executive Agency	29,479	100%	100%	100%
Groundwork	23,000	100%	100%	100%
PSA Services: Central	1,500	0%	0%	0%
QE2 Conference Centre Agency	1	0%	0%	0%
QEII Conf Centre Executive Agency Trading Fund Short Term Loans	-1,494	0%	0%	0%
NDC - New Deal for Communities	272,000	100%	100%	100%
Coalfields Regeneration Trust	17,650	100%	100%	0%
Government Offices Administration	108,798	100%	100%	100%
New Ventures Fund	98,750	100%	100%	100%
Special grants programme	2,250	100%	100%	100%
Sustainable Communities Development Unit - Communications	440	100%	100%	100%
Commission for the New Towns	-13,485	100%	100%	100%
Lee Valley Regional Park	458	100%	100%	100%
SRB : Urban Regeneration Agency	117,282	100%	100%	100%
HATs - Housing Action Trusts	43,800	100%	100%	100%
Fire Service Statistics	476	100%	100%	100%
Fire Services	9,866	100%	100%	100%
Fire Supported Borrowing	61,682	100%	100%	100%
Fire Service College	-1,309	100%	100%	100%
New Dimension - Search & Rescue	20,000	100%	100%	100%
New Dimension Search & Rescue (Capital Modernisation Fund)	25,000	100%	100%	100%
Firelink	30,000	100%	100%	100%
	7,042,978	99.6%	99.6%	99.7%

Local Government

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub- programme description	2004-05 provision	Comparability percentages for 2004 Spending Review		
	£,000	Scotland	Wales	Northern Ireland
Emergency Financial Assistance to Local Authorities	5,000	100%	100%	100%
National Non-Domestic Rate Payments - Collection Costs	84,106	100%	100%	100%
Valuation Office Agency	158,515	100%	100%	100%
Valuation Tribunals	11,543	100%	100%	100%
Revenue Support Grants	27,006,209	100%	100%	
Revenue Support Grants excl Capital SSA & Law & Order	19,848,909			100%
National Non-Domestic Rate Payments	15,000,000	0%	100%	0%
Commutation Supplementary Supported Borrowing	8,000	100%	100%	100%
Local Government Publicity	619	100%	100%	100%
PFI Special Grant	415,000	100%	100%	100%
General GLA Grant	36,328	100%	100%	100%
Local Government Standards Board	8,000	100%	100%	100%
Best Value Inspectorate	20,000	100%	100%	100%
Best Value Intervention Costs	5,000	100%	100%	100%
LGC Mapping Costs	300	100%	100%	100%
Invest to Save Special Grant	11,786	100%	100%	100%
Local Government On-Line	189,000	100%	100%	100%
Neighbourhood Renewal Fund	450,250	100%	100%	100%
PSA Performance Fund	227,000	100%	100%	100%
Mayoral Referendums	1,000	100%	100%	100%
Best Value Parishes Grant	1,200	100%	100%	100%
Capacity Building	42,720	100%	100%	100%
Local Government Research	2,520	100%	100%	100%
	43,684,096	65.7%	100.0%	49.3%
Home Office				
Charity Commission - Records, Registrations and Surveys	29,934	100%	0%	100%
Criminal Justice	-453	100%	0%	0%
Criminal Injuries Compensation: Administration	30,103	100%	0%	0%
Criminal injuries Compensation: Payments	149,264	100%	0%	0%
Research and Statistics	17,383	100%	0%	0%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub- programme description	2004-05 provision	Comparability percentages for 2004 Spending Review		
	£,000	Scotland	Wales	Northern Ireland
Community Development Foundation	1,495	100%	0%	100%
Criminal Cases Review Commission	8,549	100%	0%	0%
Youth Justice Board	344,863	100%	0%	0%
National Probation Service - Grant to Local Area Boards	659,620	100%	0%	0%
Research & Statistics (Drugs)	100	100%	0%	0%
National Probation Service (Drugs)	56,000	100%	0%	0%
Youth Justice Board (Drugs)	16,000	100%	0%	0%
National Probation Directorate (HQ)	130,429	100%	0%	0%
Criminal Justice IT (The Unit)	68,000	100%	0%	0%
Correctional Policy	62,850	100%	0%	0%
Prison Operations (Public Sector)	2,175,257	100%	0%	0%
Prisons: Operations (Contracted-Out)	343,653	100%	0%	0%
Prison Service Headquarters and Central Services	155,981	100%	0%	0%
Prison Service Parole Board	4,245	100%	0%	0%
Police	5,245,303	100%	0%	0%
Police Special Grants	94,000	100%	0%	0%
Forensic Science Service	-1,747	100%	0%	0%
Police Capital Grants	215,000	100%	0%	0%
Organised and International Crime	112,818	100%	0%	0%
Police Complaints Authority	3,640	100%	0%	0%
Police Information Technology Organisation	43,066	100%	0%	0%
Police Loan Charges: Grants	12,553	100%	0%	0%
Probation Loan Charges	2,893	100%	0%	0%
Central Police Training and Development Agency	85,048	100%	0%	0%
National Criminal Intelligence Service	79,783	100%	0%	0%
National Crime Squad	153,583	100%	0%	0%
Organised Crime (Drugs)	184,650	100%	0%	0%
Crime Reduction	211,584	100%	0%	0%
Security Industry Authority	26,200	100%	0%	0%
Independent Police Complaints Commission	24,000	100%	0%	0%
UK Passport agency	106	0%	0%	0%
European Refugee Fund EU Expenditure	7,013	0%	0%	0%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub- programme description	2004-05 provision	Comparability percentages for 2004 Spending Review		
	£,000	Scotland	Wales	Northern Ireland
Community Policy	107,031	100%	100%	100%
Commission for Racial Equality	20,109	0%	0%	100%
Office for the Data Protection Registrar	3	0%	0%	0%
Community Policy - Future builders	57,000	100%	100%	100%
Central Services	179,469	100%	0%	100%
Supported Borrowing: Police	73,316	100%	0%	0%
Operation	12,120	0%	0%	0%
Support	3,375	0%	0%	0%
	11,205,189	99.6%	1.5%	3.5%
Legal Departments				
Crown Prosecution Service: Central Funds	103,087	100%	0%	0%
Crown Prosecution Service: Administration	361,360	100%	0%	0%
Serious Fraud Office: Central Funds	9,100	100%	0%	0%
Serious Fraud Office: Administration	24,790	100%	0%	0%
Treasury Solicitors Department (Agency)	3,182	100%	0%	100%
Treasury Solicitors: Operational Costs	2,697	0%	0%	100%
Treasury Solicitors Other Expenditure	3,370	0%	0%	100%
Crown Prosecution Service Inspectorate	3,971	100%	0%	0%
Treasury Solicitors: Administration	3,723	100%	0%	0%
Electoral Commission	39,022	0%	0%	0%
Criminal Justice	354,979	100%	0%	0%
Dept Const. Affairs: Central Funds	45,000	100%	0%	0%
Legal Services Commission: Administration	79,376	100%	0%	0%
Court Service Agency	445,040	100%	0%	0%
Magistrates Courts Grants	330,068	100%	0%	0%
Magistrates Court Grants on Loan Charges	16,500	100%	0%	0%
Criminal Defence Service	1,133,848	100%	0%	0%
Community Legal Service	641,240	100%	0%	0%
Court Service: Judicial Salaries Paid from the Consolidated Fund	90,058	100%	0%	0%
Public Guardian Office	6,464	100%	0%	0%
Office of the Information Commissioner	10,100	100%	0%	0%
National Arcives: Records, Registrations and	38,887	100%	0%	100%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub- programme description	2004-05 provision	Comparability percentages for 2004 Spending Review		
	£,000	Scotland	Wales	Northern Ireland
Surveys				
Historical Manuscripts Commission	1,159	100%	0%	100%
NI Courts: Judicial Salaries Paid from the Consolidated Fund	5,166	0%	0%	0%
NI Courts: Grants to Sundry Bodies	25	0%	0%	0%
NI Courts: Operation of the Courts	59,928	0%	0%	0%
NI Courts: Legal Services Commission	41,688	0%	0%	0%
	3,853,828	96.1%	0.0%	1.3%
Trade & Industry				
Postal Services Commission	151	0%	0%	0%
Inward Investment	19,689	0%	0%	0%
Trade Development	77,846	0%	0%	0%
OFGEM Post Merger	951	0%	0%	100%
OFGEM Climate Change Levy - Admin Costs	700	0%	0%	100%
OFT: Consumer and Investor Protection	57,282	100%	100%	100%
Exchange Risk Guarantee Scheme and EC Payments	100	100%	100%	100%
Regional selective assistance	75,750	100%	100%	100%
ODPM-ERDF Agency (Non-Local Authority)	155,480	100%	100%	100%
ODPM-ERDF Non-Agency (Local Authority)	32,900	100%	100%	100%
Co-financed ERDF: Leader Network Projects	94	100%	100%	100%
Regional Development Agencies	219,899	100%	100%	100%
Regional Innovation Fund	8,200	100%	100%	100%
Administration Costs and Other Services Related to Enterprise, Innovation and Productivity	3,354	100%	100%	100%
Civil Aircraft Research and Demonstration	21,000	0%	0%	0%
Telecommunications and Posts	438	0%	0%	0%
Space Technology Programmes	33,000	0%	0%	0%
UKAEA - Decommissioning	291,544	0%	0%	0%
Non-Nuclear Expenditure of a Regulatory Nature	6,791	0%	0%	0%
Biotechnology and Biological Sciences Research Council	284,708	0%	0%	0%
Economic and Social Research Council	105,954	0%	0%	0%
Engineering and Physical Sciences Research Council	493,316	0%	0%	0%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub- programme description	2004-05 provision	Comparability percentages for 2004 Spending Review		
	£,000	Scotland	Wales	Northern Ireland
Medical Research Council	453,612	0%	0%	0%
Natural Environment Research Council	311,470	0%	0%	0%
Particle Physics and Astronomy Research Council	274,037	0%	0%	0%
Council for the Central Laboratory of the Research Councils	123,194	0%	0%	0%
Swindon Research Councils Pensions Scheme	31,140	0%	0%	0%
Royal Society	31,045	0%	0%	0%
Royal Academy of Engineering	5,600	0%	0%	0%
OST Initiatives	5,305	0%	0%	0%
UKAEA - Grant in aid	43,445	0%	0%	0%
Medical Research Council (EU DEL Cover)	3,334	0%	0%	0%
Natural Environmental Research Council (EU DEL Cover)	5,572	0%	0%	0%
Council for the Central Laboratory of the Research Councils (EU DEL Cover)	3,085	0%	0%	0%
Non-Proliferation (Nuclear)	16,550	100%	100%	100%
Spectrum Efficiency Scheme	1	0%	0%	0%
Non Nuclear Expenditure Directly Related to the Creation of Open Markets	47,365	0%	0%	0%
Administration Costs and Other Services Related to the Science and Engineering Board	4,874	0%	0%	0%
Administraion Costs and Other Services related to Trans Departmental Science	7,986	0%	0%	0%
EURATOM (European Nuclear Fusion)	3,300	0%	0%	0%
Nuclear Safety and Security	2,500	0%	0%	0%
Nuclear Liabilities Management	41,000	0%	0%	0%
Cambridge Massachusetts Institute for Technology	14,000	0%	0%	0%
Diamond Synchrotron - CCLRC	86,867	0%	0%	0%
Post Office Consultancy and Other Expenditure	1,500	0%	0%	0%
Nuclear Support for Former Soviet Union	34,675	0%	0%	0%
Higher Education Innovation Fund	60,306	100%	100%	100%
Exploitation of Discoveries at Public Sector Research Establishments	4,654	0%	0%	0%
Foresight Link Awards	2,000	0%	0%	0%
Science Research Investment Fund	296,570	0%	0%	0%
Aerospace Support	-94,676	0%	0%	0%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub- programme description	2004-05 provision	Comparability percentages for 2004 Spending Review		
	£,000	Scotland	Wales	Northern Ireland
Assistance to Ship Building Industry	1,000	0%	0%	100%
Coal Authority	25,715	0%	0%	0%
Coal ex-Employee Liability (non-health)	94,163	0%	0%	0%
Coal Operating Subsidy	-50	0%	0%	0%
Enterprise Fund/Small Firms Loan Guarantee Scheme	94,820	0%	0%	0%
British Trade International Administration Costs	34,866	0%	0%	0%
Consumer and Investor Protection	72,988	0%	0%	0%
Companies House	-385	0%	0%	100%
Patent Office Executive Agency	-30,166	0%	0%	0%
Research Establishments Major Capital	26,577	0%	0%	0%
National Weights and Measures Laboratory	453	0%	0%	0%
Trade Policy	10,481	100%	100%	100%
Postwatch - Consumer Council for Postal Services	459	0%	0%	0%
Employment Policies	9,946	100%	100%	100%
Equal Opportunities Commissions and Fairplay to Women	5,721	0%	0%	100%
Legal and Regulatory Framework and Markets	350,499	0%	0%	100%
LRM and OME costs	4,522	0%	0%	100%
Insolvency Service Executive Agency - Running Costs	1,625	100%	0%	100%
Employment Tribunals Service Executive Agency - Running Costs	65,903	0%	0%	100%
Non Fossil Fuel Obligation (NFFO)	60,000	0%	0%	0%
British Shipbuilders (Merchant)	1,260	0%	0%	0%
Small Business Service	237,008	100%	100%	100%
UKAEA Superannuation Funds	60	0%	0%	0%
Legal and Regulatory Framework and Markets	1,218	100%	100%	100%
	4,778,141	18.6%	18.6%	27.6%
Environment & Rural Affairs				
Front Line Services (DWI)	2,483	100%	100%	100%
Countryside Stewardship	7,799	100%	100%	100%
Administration-EPDG-EQW	7,774	100%	100%	100%
Government Offices	3,999	100%	100%	100%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub- programme description	2004-05 provision	Comparability percentages for 2004 Spending Review		
	£,000	Scotland	Wales	Northern Ireland
Administration-EPDG-CEER	9,782	100%	100%	100%
Other Environmental Protection Measures	32,208	100%	100%	100%
Marine Environment Issues & Water Supply Regulation Grants	14,807	100%	100%	100%
Developing DEFRA	2,705	100%	100%	100%
Salmon, Whaling & Inland Fisheries	7,478	100%	100%	100%
Royal Botanic Gardens, Kew	27,153	100%	100%	100%
Administration-EPDG-W	8,809	100%	100%	100%
British Waterways Board	59,090	100%	0%	100%
Water Supply and Sewerage Policy	407	100%	0%	100%
Environment Agency - Flood Management	453,547	100%	100%	100%
Contaminated Land	19,986	100%	100%	100%
Sustainable Energy Consumption & Production	7,348	100%	100%	100%
English Nature	70,914	100%	100%	100%
Fuel Poverty	166,338	100%	100%	100%
Wildlife and Biodiversity Promotion	5,398	100%	100%	100%
Water Publicity & Research	2,277	100%	0%	100%
Drinking Water	103	100%	0%	100%
ERDP-LURA	72,394	100%	100%	100%
Administration-FFFDG-EUIP	2,479	100%	100%	100%
Administration-FFFDG-FIC	13,375	100%	100%	100%
Plant Genetic Resources	10,271	100%	100%	100%
Administration-FFFDG-SALP	5,528	100%	100%	100%
National Parks and Broads Authority	28,330	100%	100%	100%
Waste & Recycling Programmes	210,700	100%	100%	100%
Administration-Waste & Recycling Programmes	4,258	100%	100%	100%
Countryside Agency	94,500	100%	0%	100%
Rural Economy	32,711	100%	100%	100%
Administration-LURA-LMRD	7,994	100%	100%	100%
Payments to Regional Development Agencies	45,559	100%	100%	100%
Air Quality and Noise	20,222	100%	100%	100%
Support for Development of Arable Crops Policy	6,196	100%	100%	100%
Exports of Animals & Their Products	774	0%	0%	0%
Administration-LURA-WCLUBR	9,662	100%	100%	100%

ANNEX C

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub- programme description	2004-05 provision	Comparability percentages for 2004 Spending Review		
	£,000	Scotland	Wales	Northern Ireland
Administration-LURA-RP	5,035	100%	100%	100%
Marketing Inspections	11,083	100%	100%	100%
Administration-AHWDG-VDC	16,102	100%	100%	100%
Fishing Industry & Market Support	1,762	100%	100%	100%
Plant Health	5,219	100%	100%	100%
Administration-AHWDG-TSE	4,766	100%	100%	100%
FFF - ERDP	9,762	100%	100%	100%
Landscape Protection, Recreation & Public Access	10,151	100%	100%	100%
Front Line Services (Pet Passports)	400	0%	0%	0%
National Forest Company	3,325	100%	100%	100%
Rural Development	45,000	100%	100%	100%
Administration-AHWDG-AH	11,344	100%	100%	100%
Rural Support Services	15,724	100%	100%	100%
Co-ordination of EU/Agric Policy Issues	-61	0%	0%	0%
Trade Policy & EU Enlargement	366	0%	0%	0%
Administration-OSDDG_SVS	56,081	100%	100%	100%
Sustainable Livestock Farming	12,770	100%	100%	100%
Promoting and Assisting the Food Chain	10,597	100%	100%	100%
Plant Varieties and Seeds	1,802	100%	100%	100%
Fish Farming & Shellfish Production	4,788	100%	100%	100%
Reducing Greenhouse Gases	175,761	100%	100%	100%
Conservation of Sea Fish Stocks	13,015	100%	100%	100%
Fishing Fleet Structure and Effort	925	100%	100%	100%
Fishery Management and Enforcement	14,714	100%	100%	100%
Flood Management (core Defra)	76,219	100%	100%	100%
BSE (and Other TSEs)	96,067	100%	100%	100%
Endemic Disease & Zoonoses (inc Bovine TB)	64,292	100%	100%	100%
Veterinary Medicines (Core DEFRA)	5,580	100%	100%	100%
Administration-OSDDG-RDS	37,749	100%	100%	100%
National Scrapie Plan	54,361	100%	100%	100%
Livestock ID	13,913	100%	100%	100%
Animal Welfare	6,111	100%	100%	100%
Science Policy	27,736	100%	100%	100%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub- programme description	2004-05 provision	Comparability percentages for 2004 Spending Review		
	£,000	Scotland	Wales	Northern Ireland
Corporate Communications	12,624	100%	100%	100%
Legal Services	8,027	100%	100%	100%
Economics and Statistics	11,310	100%	100%	100%
Information Technology Services	34,043	100%	100%	100%
Financial Planning, Management and Resource Control	156,482	100%	100%	100%
Management of Accommodation and Property Resources	103,444	100%	100%	100%
Ministers and Top Management	1,670	100%	100%	100%
Management of Human Resources	1,824	100%	100%	100%
Policy and Corporate Strategy Unit	2,091	100%	100%	100%
Better Regulation	1,882	100%	100%	100%
Central Science Laboratory	3,162	100%	0%	100%
Veterinary Laboratories Agency	22,034	100%	100%	100%
Pesticides Safety Directorate	-252	100%	100%	100%
Veterinary Medicines Directorate	-290	0%	0%	0%
Centre for Environment, Fisheries and Aquaculture Science	853	100%	0%	100%
Rural Payments Agency - Other Funding	9,305	0%	0%	0%
ERDF	1,350	100%	100%	100%
Rural Payments Agency - Market support under CAP - BSE/OTMS	165,500	0%	0%	0%
Rural Payments Agency - ERDP	120,206	0%	0%	0%
Rural Payments Agency+G564 - Direct payments under CAP -BSE	193,161	0%	0%	0%
Environment Agency - Water Resources	21,906	100%	100%	100%
Environment Agency - Environmental Protection	150,004	100%	100%	100%
Consumer and Investor Protection	131	100%	0%	100%
	3,308,284	85.2%	80.4%	85.2%
Forestry				
Forestry Commission - Policy, Regulation and Administration (GB core)	6,728	100%	100%	100%
Forestry Enterprise, Management of the Public Estate	1,953	100%	100%	100%
Forestry Commission, Payment of Private Woodland Grants	13,000	100%	100%	100%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub- programme description	2004-05 provision	Comparability percentages for 2004 Spending Review		
	£,000	Scotland	Wales	Northern Ireland
Forestry Commission, Research and Development	10,627	100%	100%	100%
Forestry Commission (England) - Policy, Regulation & Administration	47,153	100%	100%	100%
	79,461	100.0%	100.0%	100.0%
Culture,Media and Sport				
Small Firms Loan Guarantee Scheme	28,597	100%	100%	100%
Tourism	55,140	0%	0%	100%
Museums & Galleries	398,619	100%	100%	100%
Museums Libraries and Archives Council	35,545	100%	100%	100%
Arts	367,154	100%	100%	100%
Libraries	137,962	100%	100%	100%
DCMS Administion	50,489	100%	100%	100%
National Lottery Commission	79	0%	0%	0%
Olympics	10,100	0%	0%	0%
ERDF Funded Expenditure	31,000	100%	100%	100%
Gambling, Alcohol Licensing & Horseracing	-1,985	0%	0%	0%
Gaming Board for Great Britain	5,440	0%	0%	0%
Queen's Golden Jubilee	1	0%	0%	0%
Occupied Royal Palaces and Other Historic Buildings	18,610	100%	100%	100%
Royal Parks	28,031	100%	100%	100%
Listed Places of Worship	250	0%	0%	0%
Historic Buildings and Monuments Commission	137,323	100%	100%	100%
Research Surveys and Other Services	501	100%	100%	100%
Regional Cultural Consortia	1,600	100%	100%	100%
Broadcasting Standards Council	3,081	100%	0%	100%
Sport & Recreation	117,877	100%	100%	100%
Grant for Welsh Fourth Channel Authority	92,217	100%	0%	100%
OFCOM	1,059	0%	0%	0%
	1,518,690	95.4%	89.1%	99.0%
Work & Pensions				
Administration of Housing Benefit (England)	202,703	0%	0%	100%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub- programme description	2004-05 provision	Comparability percentages for 2004 Spending Review		
	£,000	Scotland	Wales	Northern Ireland
Administration of Housing Benefit (Scotland)	18,524	0%	0%	100%
Administration of Housing Benefit (Wales)	4,150	0%	0%	100%
Local Authority Administration of Community Charge Benefit (England)	130,431	0%	0%	100%
Local Authority Administration of Community Charge Benefit (Scotland)	17,444	0%	0%	100%
Local Authority Administration of Community Charge Benefit (Wales)	3,629	0%	0%	100%
Motability	2,379	0%	0%	100%
Spend to Save - Benefit Revenues	1,500	0%	0%	100%
Verification Framework	-10,665	0%	0%	100%
Verification Framework: Continuation Payments	20,665	0%	0%	100%
Admin Costs of TV Licences for Over 75s	8,000	0%	0%	100%
Third Party Providers	1,375	0%	0%	100%
Corporate Services Administration	929,972	0%	0%	100%
Child Support Agency	254,891	0%	0%	100%
Admin Costs of Measures to Help Unemployed People Move from Welfare to Work	1,506,272	0%	0%	100%
The Appeals Service	35,427	0%	0%	100%
Occupational Pensions Regulatory Authority	18,566	0%	0%	100%
Better Government	564	0%	0%	100%
Welfare Moderniation Fund	48,533	0%	0%	100%
Children Client Group	-1,054	0%	0%	100%
Working Age Client Group	51,267	0%	0%	100%
Pensioner Client Group	8,711	0%	0%	100%
Disability Client Group	2,424	0%	0%	100%
Modernisation Administration	-62,346	0%	0%	100%
Modernisation - Corporate	512,500	0%	0%	100%
International Services	-7,354	0%	0%	100%
Disability and Carers Benefits Directorate	139,657	0%	0%	100%
Pensions Agency	328,345	0%	0%	100%
Job Centre Plus Agency	1,798,240	0%	0%	100%
Restructuring Fund	6,000	0%	0%	100%
Admin funding from NIF	908,280	0%	0%	100%
Health and Safety Executive	287,241	0%	0%	100%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub- programme description	2004-05 provision	Comparability percentages for 2004 Spending Review		
	£,000	Scotland	Wales	Northern Ireland
Health and Safety Laboratory	4,200	0%	0%	100%
HSSD (HSE sponsorship Branch)	766	0%	0%	100%
Mortgage Lenders Receipts	-2,200	0%	0%	100%
Third Age Services	4,000	0%	0%	100%
Receipts iro ESF Match-funding projects	-8	0%	0%	100%
The Rent Service Executive Agency	40,267	0%	0%	100%
Anti Fraud Initiatives (1)	49,000	0%	0%	100%
Anti Fraud Initiatives (2)	1,000	0%	0%	100%
Employment Service Programmes	39,717	0%	0%	100%
Publicity and Research	1,652	0%	0%	100%
Employment Supported Borrowing	1,202	0%	0%	100%
Initiatives for Disadvantaged Groups	15,304	100%	100%	100%
Work Train	-35,000	0%	0%	100%
Remploy	96,709	0%	0%	100%
Pneumoconiosis	47	0%	0%	0%
Europe and International Issues	7,354	0%	0%	100%
ESF Payments	84,065	100%	100%	100%
ERDF Payments	25,712	100%	100%	100%
ERDF-LA Capital	1,000	100%	100%	100%
ESF Payments in Advance of Receipts	376,058	100%	100%	100%
	7,877,116	6.4%	6.4%	100.0%
Chancellor's Departments				
ONS Administration	128,102	0%	0%	100%
ONS Net Running Costs	374	0%	0%	100%
ONS Invest to Save	1,850	0%	0%	100%
ONS: PAT 18	12,000	0%	0%	100%
C&E: UK Revenue Compliance	937,147	0%	0%	0%
C&E: Detect and Deter the Smuggling of Prohibited and Restricted Goods	269,432	0%	0%	0%
C&E: Prosecution Group	28,074	0%	0%	0%
C&E: G668E Government - UK Revenue Compliance	62,950	0%	0%	0%
C&E: E Government - Detect and Deter the Smuggling of Prohibited and Restricted Goods	13,450	0%	0%	0%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub- programme description	2004-05 provision	Comparability percentages for 2004 Spending Review		
	£,000	Scotland	Wales	Northern Ireland
C&E: Ship Builders Relief	4,819	0%	0%	0%
Government Actuary	1,309	0%	0%	0%
IR: Tax and rate collection	2,798,829	0%	0%	0%
Inland Revenue Valuation Office	9,013	0%	0%	100%
IR NIF: Admin Payable to Other Government Departments	331,418	0%	0%	0%
DNS: Economic and Financial Administration	172,026	0%	0%	0%
HMT: Functioning of parliament & Privy Council	1,534	0%	0%	100%
HMT: Economic and Financial administration	108,310	0%	0%	0%
U.K. coinage	33,700	0%	0%	0%
Bank of England debt management	3,598	0%	0%	0%
Bank of England exchange equalisation account	8,737	0%	0%	0%
Debt Management Agency	15,170	0%	0%	0%
Partnerships U.K.	762	100%	0%	0%
NILO - NDO Administration	3	0%	0%	0%
NILO - PWLB Administration	2	0%	0%	0%
HMT: Other services	105	0%	0%	0%
Office of Government Commerce	43,117	100%	100%	100%
Stats Commission	1,750	100%	100%	100%
Privatised Companies	379	0%	0%	0%
	4,987,960	0.9%	0.9%	4.0%
Cabinet Office				
Secret and Intelligence Services	1,274,301	0%	0%	0%
Central Office of Information	716	100%	100%	100%
Centre for Management and Policy Studies	3,740	0%	0%	0%
Government Car and Despatch Agency	1,110	100%	100%	100%
Cabinet Office: Central Services	265,037	0%	0%	100%
Emergency Planning Directorate	29,225	100%	100%	100%
Honours and Dignities	1,052	0%	0%	0%
Functioning of Parliament & Privy Council	4,227	0%	0%	0%
	1,579,408	2.0%	2.0%	18.7%

Footnotes:

ANNEX C

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 Chancellors 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.
<i>Devolution Acts</i>	Scotland Act 1998, Government of Wales Act 1998 and Northern Ireland Act 1998.

ANNEX D

<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 the next to encourage good financial management.
<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 surrendered to the <i>United Kingdom Consolidated Fund</i> .
<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

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