



HM Treasury

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

A Statement of Funding Policy

July 2000

(Second edition)

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

HM Treasury
Public Enquiries Unit
Parliament Street
LONDON
SW1P 3AG

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

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

SUMMARY

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

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

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

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

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

The allocation of public expenditure between the services under the control of the devolved administrations is for the devolved administrations to determine. Consistent with the arrangements for departments of the United Kingdom Government, the devolved

administrations will normally be expected to accommodate additional pressures on their budgets, with access to the Reserve being considered in exceptional circumstances only. Unforeseen pressures should be catered for by offsetting savings and re-allocating priorities.

Further details are set out below.

SECTION 1. INTRODUCTION

1.1 This is the second edition of the Statement of Funding Policy, first published in March 1999. It has been updated to reflect developments since the first edition, for example in relation to resource budgeting, although the underlying principles and most of the text remain substantially unchanged. It sets out the arrangements which apply in setting devolved budgets in the 2000 Spending Review. The main amendments are in paragraphs 1.10, 1.11, 3.7, 3.11, 3.15, 4.6, 9.3, 13.2 and Annex C.

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

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

The United Kingdom public expenditure regime

1.4 Responsibility for United Kingdom fiscal policy, macroeconomic policy and public expenditure allocation across the United Kingdom remains with the Treasury. As a result, the devolved administrations' budgets continue to be determined within the framework of public expenditure control in the United Kingdom. However, once overall public

expenditure budgets have been determined, the devolved administrations have freedom to make their own spending decisions on devolved programmes within the overall totals.

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

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

Public expenditure categories

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

- i. **Departmental Expenditure Limits (DEL)** 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 1.5 per cent from the cumulative projections for inflation for years 2 and 3 of the spending review period). Expenditure in DEL is split between those items within the assigned budget and those within the non-assigned budget. Most spending within DEL is undifferentiated as the devolved administrations will have full discretion over their spending priorities; these are 'assigned budget' items. Changes in provision for these items are determined through the Barnett Formula (see Section 3). Some spending in DEL, however, is ring-fenced and specific to that spending priority: these are known as 'non-assigned budget' spending items; and
- ii. **Annually Managed Expenditure (AME)** covers items whose provision is reviewed and set for the coming year annually (in March) and certain self-financed expenditure. AME expenditure cannot be recycled from one AME programme to another or recycled to increase the DEL. Within AME, expenditure is classified between 'Main Departmental programmes in

AME' and 'other AME' spending. Main Departmental programme spending covers policy-specific, ring-fenced items where provision is included within the Vote from the United Kingdom Parliament. The AME element of the budget is reviewed annually, and forecast twice a year 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 will replace Appropriation Accounts with effect from the financial year 2001-02, moving accounting to an accruals basis. The aim of this move is to focus more on resources consumed rather than cash spent; to treat capital and current expenditure in a way that distinguishes their economic significance and to focus on achievement of outputs, aims and objectives.

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

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

1.11 The starting baseline in the 2000 review is the 2001-02 baseline resource and capital budgets of the devolved administrations. Changes in these budgets are determined by applying the Barnett comparability and population shares to the changes in the resource and capital budgets of comparable English programmes to arrive at DEL resource and

capital changes and hence the new resource and capital DEL budgets. The Scottish and Northern Ireland Executives and Welsh Assembly will continue to be free to allocate between capital and resource budgets within the overall DEL capital and resource budgets. An estimate will be made of the AME consequences of changes in the capital budget; 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 SE, NAW and NIE 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 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
Scotland's population as a proportion of the population of England:	10.45	10.34
Scotland's population as a proportion of the population of England and Wales:	9.86	9.77
Wales' population as a proportion of the population of England:	5.95	5.93
Northern Ireland's population as a proportion of the population of Great Britain :	2.91	2.93
Northern Ireland's population as a proportion of the population of England:	3.39	3.41
Northern Ireland's population as a proportion of the population of England and Wales:	3.2	3.22

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. Finally, in the case of Northern Ireland, the Intervention Board for Agricultural Produce, social security administration, Chancellors' departments and Cabinet Office programmes are operated at a Great Britain level and thus this population proportion 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 have, 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 This means that very few Great Britain-wide programmes remain, so there is much less of a rationale for the difference in treatment to remain. Therefore, for the 2000 spending review and for future 'in-year' changes, the population share applied in the Barnett Formula for Northern Ireland will be determined by the geographical coverage of the United Kingdom department to which it is applied and exclude changes to Scottish and Welsh devolved administrations. Northern Ireland's population as a proportion of England's population will be 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 will ensure 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 will be 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 2000 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 NIE, unlike departments in the rest of the United Kingdom, do not require provision to meet Value Added Tax expenditure since any value added tax paid by the NIE is refunded by HM Customs and Excise. Currently, Barnett Formula changes for Northern Ireland are abated by 2.5 per cent.

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

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

4.2 Departmental Expenditure Limit items in the non-assigned budget will be determined separately between the devolved administration, the Secretary of State, the Treasury and, where appropriate, the relevant United Kingdom Government department. These are currently for each devolved administration, Welfare to Work expenditure which is allocated United Kingdom-wide from a United Kingdom Departmental Expenditure Limit and on the relevant client group (New Deal for Schools is being transferred to Department for Education and Employment and devolved administrations' DELs), Hill Livestock Compensatory Allowances, set according to European Union rules on eligible stock and rates per head. For Northern Ireland, it also includes ring-fenced public expenditure provision for the European Union's Peace and Reconciliation Programme and European Regional Development Fund gas link and electricity interconnector and housing loan charges. 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 Intervention Board for Agricultural Produce and distributed according to entitlement;

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

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

4.6 Under stage I of resource budgeting AME will also include certain accrual items on DEL programmes that are thought to be potentially large and volatile such as depreciation and capital charges.

SECTION 5. SELF-FINANCED SPENDING

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

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

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

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

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

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

- iii. Adjustments for levels of rent rebates: if, in Scotland or Northern Ireland, the actual costs of rent rebate subsidy expenditure changes at a disproportionate rate (both higher and lower) relative to changes in England, then appropriate balancing adjustments are made to the Departmental Expenditure Limit of the devolved administration. In such cases the Government applies a formula to calculate balancing adjustments based on relative percentage changes in public sector rents. Separate arrangements determine Housing Revenue Account Subsidy in Wales, as set out in the Concordat between Department of Social Security and the National Assembly for Wales published on 11 January 2000;
- iv. Non-domestic rate poundage: the power to adjust this in Scotland and Wales is devolved. The devolved administrations will have to set the level of spending in line with expected receipts; and
- v. Non-domestic rates pool mechanism for Scotland and Wales: the pool mechanism through which non-domestic rates is distributed will mean that over time grants distributed from non-domestic rates income will match income raised. In-year variation of non-domestic rates income will be manageable by this mechanism. A devolved administration may, through the Secretary of State, seek a loan from the National Loans Fund to cover any shortfall over the end of the financial year (see paragraph 6.3 below).

SECTION 6. EXPENDITURE FINANCED BY BORROWING

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

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

6.3 **Loans to the devolved administrations:** each Secretary of State may lend the devolved administration sums required for meeting a temporary excess in expenditure over income or providing the devolved administration with a working balance. The Treasury may issue to the Secretary of State such sums out of the National Loans Fund. These loans should be repaid by the devolved administration to the Secretary of State at such times, methods and interest rates as the Treasury determine. 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.

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, until 31 March 2001, 100 per cent of the receipts of all assets disposals may be retained subject to certain limits. These are that the value of an individual sale does not exceed £100 million and that the value of total sales for any financial year does not exceed 3 per cent of a department's total provision (or a Non Departmental Public Body's grant-in-aid). Automatic retention does not apply to receipts from privatisations or similar sales and Public Corporations. This policy does not apply to local authorities.

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

Trading receipts

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

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

SECTION 8. EUROPEAN FUNDING ISSUES

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

- i. **EUROPES:** adjustments are made for the cost of financing certain European Union expenditure programmes which cross more than one departmental area of responsibility (these are European wide programmes and should be distinguished from Category 2, European Structural Funds expenditure). Where appropriate, these adjustments will continue to apply to the devolved administrations' baselines on a fair and equitable basis, and in line with the treatment for United Kingdom Government departments. An exercise will be conducted each year to determine the liability for each United Kingdom Government department and devolved administration. In the year of a new review, this exercise will determine, where appropriate, a revised allocation of shares of responsibility between each United Kingdom Government department and devolved administration. This will identify a liability that will go forward to the next review. Here, United Kingdom Government Ministers and devolved Ministers will continue to have the right to seek to have their identified EUROPES adjustments annulled. Fundamentally, whether or not adjustments are applied, in full or in part, in the next review will be a matter to be considered by United Kingdom Ministers, including the Secretaries of State in consultation with devolved administrations' Ministers, as part of that review.

- ii. **European Structural Funds:** There are two strands to the administration of Structural Funds receipts. First, the European Commission makes commitments to Structural Funds programmes equal to their annual allocations; the regional/devolved administrations' programme managers may make commitments to projects, which meet the programme criteria, up to the value of the annual allocation. Second, the Commission makes cash payments to the United Kingdom paying authorities which include the devolved administrations - firstly, 'payments on accounts' at the start of the programme to enable paying authorities to make immediate payments out on projects once payment applications are received and verified, and then subsequently regular reimbursement to paying authorities of sums paid out to projects. Final beneficiaries receive payments as quickly as possible and without deductions, as stipulated in the EC regulation.

European Structural Funds expenditure occurs when payments are made to projects. European Structural Funds expenditure, like expenditure under other comparable programmes, scores within Departmental Expenditure Limits. Devolved administrations, in common with all United Kingdom Governments Departments, plan for expected Structural Funds expenditure within their allocated DEL (i.e. they ensure "public expenditure cover" for forecast expenditure).

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

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

The Government is content that it has, and aims to continue to, satisfy the EC rules on additionality, as set out in the Structural Funds regulation. These require that Member States maintain domestic public or other equivalent structural expenditure in the sum of regions in receipt of Objective 1 funding, at or above the average annual level in the previous Structural Funds programming period, taking account of economic circumstances. For Objective 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 Department of Environment, Transport and the Regions (DETR) or from DETR to the Assembly. These adjustments are outside the Barnett Formula arrangements.

SECTION 10. END-YEAR FLEXIBILITY

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

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

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

Breaches of Departmental Expenditure Limits

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

SECTION 11. CHANGES TO FUNDING POLICY AND RESOLVING DISPUTES

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

11.2 If there is disagreement between Treasury Ministers and devolved administrations about changes to the Statement or about any aspect of its application to determining funding, the relevant devolved administration or Secretary of State can pursue the issue with Treasury Ministers. This is the normal procedure for resolving disputes on all financial issues and mirrors the arrangements between the Treasury and United Kingdom departments. The Treasury will consider and respond to any such representation in taking this forward with the relevant party. Such matters can also be raised at the Joint Ministerial Committee, which will include the relevant Ministers from the 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

SE Public Expenditure Regime		
1999-2000 onwards		
Assigned Budget	Non-assigned Budget	
Departmental Expenditure Limit (DEL):		Annually Managed Expenditure (AME):
Barnett Formula determined	Non-Barnett determined	Main programme spending:
Secretary of State's/Advocate General's office		
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 Scottish Renewables Obligation Bus Fuel Duty Rebates	HLCAs	CAP
	Welfare to Work	Housing support grant
		NHS and teachers' pensions
		Other AME: Certain accrual items such as capital charges and depreciation charges
		Local Authority Self Financed Expenditure (LASFE)
		Scottish Non-Domestic Rates
		Scottish Variable Rate of Income Tax
Other expenditure outside DEL: Police Loans charges		

Undifferentiated expenditure linked to changes in provision to United Kingdom

departments through the Barnett Formula;
remains part of the United Kingdom Government;
Trust Debt Remuneration includes payments and receipts;
HLCAs (Hill Livestock Compensatory Allowance), set separately in DEL, within
the non-assigned budget;
within the non-assigned budget, allocated on a United Kingdom-wide basis and on
relevant client group;
items determined or forecast annually;
post-devolution, determined by local authorities within the framework set by the
Scottish Executive and;
forecast by the Scottish Executive, approved by the Secretary of State 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

NAW Public Expenditure Regime		
1999-2000 onwards		
Assigned Budget	Non-assigned Budget	
Departmental Expenditure Limit (DEL):		Annually Managed Expenditure (AME):
Barnett Formula determined	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 2000) Capital Receipts Initiative Trust Debt Remuneration Bus Fuel Duty Rebate	HLCAs	CAP
	Welfare to Work	Housing Revenue Account Subsidy
		Other AME: Certain accrual items such as capital charges and depreciation charges
		Local Authority Self Financed Expenditure (LASFE)

Undifferentiated expenditure linked to changes in provision to United Kingdom departments through the Barnett Formula;
Trust Debt Remuneration is both payments and receipts (both interest and dividends);
HLCAs (Hill Livestock Compensatory Allowance), set separately in DEL, within the non-assigned budget;
within the non-assigned budget, allocated on a United Kingdom-wide basis and on relevant client group;
items determined or forecast annually;

post-devolution, determined by local authorities within the framework set by the Assembly.

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 DETR - 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 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) Public Expenditure Regime		
1999-2000 onwards		
Assigned Budget	Non-assigned Budget	
Departmental Expenditure Limit (DEL):		Annually Managed Expenditure (AME):
Barnett Formula determined	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 Fossil Fuel Obligation Bus Fuel Duty Rebate	Housing Loan Charges	CAP
	EU Peace and Reconciliation Programme	Social security benefits
	ERDF gas link and electricity interconnector	NHS and teachers' pensions
	HLCAs	Other AME: Certain accrual items such as capital charges and depreciation charges
	Welfare to Work	District Councils' self-financed expenditure
		Regional Rates

Undifferentiated expenditure linked to changes in provision to United Kingdom departments through the Barnett Formula;
 Trust Debt Remuneration includes both payments and receipts;
 within the non-assigned budget, set separately in DEL. Periodically updated in light of latest expenditure estimate;
 within the non-assigned budget, HLCAs (Hill Livestock Compensatory Allowance) set separately in DEL;
 within the non-assigned budget, allocated on a United Kingdom-wide basis and on relevant client group;
 items determined or forecast annually;
 Regional Rates will be determined by the Northern Ireland Executive and District Councils' self-financed expenditure will be 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 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 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 NIO, not through the Assembly's Assigned budget.

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

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

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

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

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

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

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

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

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

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

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

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

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

Existing position

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

After devolution

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

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

8. There are a number of circumstances in which the block budgets under the control of the Secretary of State for Scotland and Wales are open to adjustment other than on the basis of the Barnett formula. These exceptions will continue to apply under devolution. Adjustments may be made where:

Annex A

- (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:
- (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 UK 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 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 10.34 per cent for Scotland, 5.93 per cent for Wales and 3.41 per cent for Northern Ireland of England's population or 2.93 per cent of Great Britain's population for Northern Ireland;

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

For the **Scotland**: $100 \times 0.75 \times 0.1034 = \text{£}7.76$ million

For **Wales**: $100 \times 0.75 \times 0.0593 = \text{£}4.45$ million.

For **Northern Ireland**:

<i>Pre-1999 method:</i>	English change:	$100 \times 0.75 \times 0.0292 = \text{£}2.19$ million
	Aggregate* Scotland and Wales change:	$(7.84 + 4.46) \times 0.0292 = \text{£}0.36$ million
	Northern Ireland Total*:	$\text{£}2.55$ million
	7 per cent VAT abatement*(see paragraph 3.16):	$\text{£}2.37$ million

<i>Post-1998 method:</i>	English change:	$100 \times 0.75 \times 0.0341 = \text{£}2.55$ million
	7 per cent VAT abatement*(see paragraph 3.16)	$\text{£}2.37$ million

The current VAT abatement is 2.5 per cent (see paragraph 3.16).

Annex B

3. Northern Ireland: two methods are shown for calculating provision for Northern Ireland. The first uses the share of Great Britain's population for England, Scotland and Wales changes - this was applied up to and including the 1998 Comprehensive Spending Review. The second uses the share of England's population, consistent with the method for Scotland and Wales - this will be applied in future reviews.

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	2000-01 Provision	Comparability percentages for 2000 Spending Review		
	£,000s	Scotland	Wales	Northern Ireland
Education and Employment				
Grants to Voluntary Aided schools for capital and repairs	148,944	100%	100%	100%
Central and local government expenditure on grant-maintained schools	18,526	100%	100%	100%
Assisted places scheme baseline	93,184	100%	100%	100%
Central Govt. Grants under the music and ballet scheme	11,224	100%	100%	100%
City Technology Colleges	62,965	100%	100%	100%
Sure Start	184,400	100%	100%	100%
Class Size reductions	219,300	100%	100%	100%
Provision for 3 year olds	110,000	100%	100%	100%
student loans	938,350	100%	0%	100%
Grant to the Higher education funding council	4,333,122	100%	100%	100%
Grants to travellers in further education	82	100%	100%	100%
Local Authority current expenditure on Adult Education	121,326	100%	100%	100%
Administration of the Student Loans Company	28,286	100%	0%	100%
Central Govt. Higher Education Programmes (inc Engineering Bursaries)	600	100%	100%	100%
Higher and Further Education Access Funds	69,808	100%	100%	100%
Post Graduate Awards	261	100%	0%	100%
Central and Local Govt. Spending on Mandatory Awards	706,373	100%	0%	100%
Further Education Funding Council	3,581,264	100%	100%	100%
European Regional Development Fund (Net)	200	100%	100%	100%
Expenditure on Teacher Training other than through the TTA	99,300	100%	100%	100%
Miscellaneous programmes aimed at equipping children for Adult life (including IT in School)	30,677	100%	100%	100%
Qualifications Frameworks	90,515	100%	100%	100%
Expenditure supporting the Government's aims in the European Union	608	0%	0%	0%
Specialist schools	59,660	100%	100%	100%
Under fives voucher scheme	135,318	100%	100%	100%
Programmes Supporting all objectives including Teachers' Medical Fees	900	100%	100%	100%
Central and Local Government expenditure on the Youth Service	4,653	100%	100%	100%
Miscellaneous Education Programmes	266,457	100%	100%	100%
Compensation to college of education staff	5,480	100%	100%	100%

Annex C

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub-programme description	2000-01 Provision	Comparability percentages for 2000 Spending Review		
	£,000s	Scotland	Wales	Northern Ireland
Teachers Training Agency	835,119	100%	100%	100%
Standards Fund (Formerly GEST)	1,387,478	100%	100%	100%
Office of Her Majesty's Chief Inspector	105,050	100%	100%	100%
Miscellaneous International Education Programmes (including European Schools)	15,357	0%	0%	0%
Rents received from Minor Occupiers	-20	100%	100%	100%
Credit approvals: schools	563,000	100%	100%	100%
European University Initiative Subscription	2,901	100%	100%	100%
European University Initiative Bursaries	254	0%	0%	0%
British Academy	33,821	0%	0%	0%
Careers Service and Employment Development Projects.	245,932	100%	100%	100%
Employment Service Programmes	244,825	0%	0%	100%
Publicity and Research	23,322	0%	0%	100%
Youth Enterprise Initiative	5,808	0%	0%	100%
Equal Opportunities Commissions and Fairplay to Women	8,686	0%	0%	100%
Training for Work	317,972	100%	100%	100%
Childcare Initiative	66,450	100%	100%	100%
New Deal for Young People	67,500	0%	0%	100%
New Deal for Long Term Unemployed	18,000	0%	0%	100%
New Deal for Lone Parents	826	0%	0%	100%
Training inspection	7,113	100%	100%	100%
Services Development Fund	23,000	100%	100%	100%
Dfee Capital Modernisation Fund	198,000	100%	100%	100%
Departmental Administration	268,486	100%	100%	100%
Employment Service Administration	797,784	0%	0%	100%
ESF Admin Payments and ILO Subscription	7,633	0%	0%	0%
ESF payments	288,123	100%	0%	100%
ERDF payments	25,712	100%	100%	100%
ERDF-LA Capital	1,000	100%	100%	100%
ESF payments in advance of receipts	100,000	100%	0%	100%
Credit approvals: employment	1,202	0%	0%	0%
Youth Training Programme	925,332	100%	100%	100%
Further Education competitiveness and development funds	10,000	100%	100%	100%
Career development for adults	63,105	100%	100%	100%
Local Competitiveness Budget	66,596	100%	100%	100%
Work experience Programme	9,766	0%	0%	100%
TEC Strategic Budget, Performance related Funding and discretion Fund)	144,796	100%	100%	100%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub-programme description	2000-01 Provision	Comparability percentages for 2000 Spending Review		
	£,000s	Scotland	Wales	Northern Ireland
Initiatives for disadvantaged groups including Disability Discrimination Helpline	14,620	100%	100%	100%
Improving the training market	8,802	100%	100%	100%
Neighbourhood Support Fund	20,000	100%	100%	100%
Capacity Building	1,000	100%	100%	100%
Employment Zones	53,574	100%	100%	100%
University for Industry	45,000	100%	100%	100%
Millennium Volunteers	15,000	100%	100%	100%
		93.3%	82.0%	99.7%
Health				
Meat Hygiene Service (FSA)	8,419	0%	0%	100%
Food standards agency - HQ	78,030	100%	100%	100%
Hospitals and community services	39,890,946	100%	100%	100%
Family Practice Service (NHS Mgt Ex Drugs & GP Remuneration)	26,221	100%	100%	100%
Personal social services: Central government	36,477	100%	100%	100%
Training of Social Services Staff	42,500	100%	100%	100%
Specific grant for the care of people with AIDS/HIV infection	16,000	100%	100%	100%
Specific grant to voluntary organisations for alcohol & drug misusers	6,780	100%	100%	100%
Specific Grant for People with mental illness	129,475	100%	100%	100%
Capital grants for secure accommodation	6,242	100%	100%	100%
Unaccompanied asylum seeking children	3,000	100%	100%	100%
Promoting Independence: Partnership Grant	216,000	100%	100%	100%
Promoting Independence: Prevention Grant	30,000	100%	100%	100%
Children's Social Services Grant	117,920	100%	100%	100%
Promoting Independence: Carers' Grant	50,000	100%	100%	100%
EEA medical costs/welfare foods	270,671	0%	0%	0%
Central health and miscellaneous services	218,930	100%	100%	100%
NDPB'S and SHA'S	88,667	100%	100%	100%
Local Authority grants funded from Invest to Save Budget	4,254	100%	100%	100%
Departmental administration	263,844	100%	100%	100%
Estates Directorate	240	100%	100%	100%
Medicines Control Agency	9,327	0%	0%	0%
Advances to and payments on behalf of the NHS	14,894	100%	100%	100%
Pensions Agency				
Youth Treatment Service	17	100%	100%	100%
Medical Devices Agency	7,940	100%	100%	100%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub-programme description	2000-01 Provision	Comparability percentages for 2000 Spending Review		
	£,000s	Scotland	Wales	Northern Ireland
NHS Purchasing and Supplies Authority	19,576	100%	100%	100%
General medical services	2,314,020	100%	100%	100%
Pharmaceutical services - dispensing costs	855,435	100%	100%	100%
Pharmaceutical services - prescription charges income	-378,521	100%	100%	100%
General dental services	1,091,362	100%	100%	100%
General ophthalmic services	302,398	100%	100%	100%
Credit approvals: personal social services	55,729	100%	100%	100%
NHS Trusts	245,229	100%	100%	100%
		99.7%	99.7%	99.7%
DETR - Transport				
Motorways and trunk roads etc.	1,429,921	100%	100%	100%
Priority routes in London	10,278	100%	100%	100%
TENS offset	1,701	100%	100%	100%
Other highways grants (inc IDA)	2,000	100%	100%	100%
Public transport infrastructure and revenue support	2,000	100%	100%	100%
Transport Supplementary Grant	21,773	100%	100%	100%
Support for rural bus services	52,500	100%	100%	100%
GLA transport grant	300,172	100%	100%	100%
Bus fuel grants	317,500	100%	100%	100%
Freight grants	52,000	100%	100%	100%
National Freight Company pension funds	6,823	0%	0%	0%
British Rail pension funds	42,000	0%	0%	100%
National Freight Co - travel concessions	2,662	0%	0%	0%
Trans-European Networks (Tens) Pay for Channel Tunnel Rail Link (CTRL)	45,812	0%	0%	0%
Trans-Euro Networks (Tens) Pay for other Transport Industries Projects	3,701	100%	100%	100%
Residuary BR grant	60,000	0%	0%	100%
Shipping services	-12	0%	0%	0%
Maritime & Coastguard Agency	100,801	0%	0%	0%
British Railways Board	-18,600	0%	0%	0%
Civil Aviation Authority	-2,300	0%	0%	0%
London Regional Transport	159,668	100%	100%	100%
Civil aviation services	-3,682	0%	0%	0%
International aviation services	4,110	0%	0%	0%
National Air Traffic Services Privatisation Studies	1	0%	0%	0%
Other	451	100%	100%	100%
Research and support for planning roads, and local transport	54,534	100%	100%	100%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub-programme description	2000-01 Provision	Comparability percentages for 2000 Spending Review		
	£,000s	Scotland	Wales	Northern Ireland
Driving Standards agency (Trading fund)	4,500	0%	0%	100%
Vehicle inspectorate	2,929	0%	0%	100%
Vehicle Certification Agency	-55	0%	0%	0%
National roads and administration	78,391	100%	100%	100%
Transport security	2,205	0%	0%	0%
Vehicle and traffic enforcement	5,197	100%	100%	100%
Statistics censuses and surveys	7,091	100%	100%	100%
Publicity (road safety)	17,300	100%	100%	100%
Government office programme expenditure	2,630	100%	100%	100%
Trans European Network payments (TENS) for other local transport projects	2,600	100%	100%	100%
Royal Travel	9,681	0%	0%	0%
Transport Commission on Integrated Transport	1,500	0%	0%	0%
Airport white paper study	1,000	0%	0%	0%
Travel Awareness Campaign.	4,300	100%	100%	100%
Promoting Green Transport Plans	8,000	100%	100%	100%
Grants, services and consultancies for roads and local transport	2,371	100%	100%	100%
Rail research and consultancies	2,000	100%	0%	100%
Speed and red light camera enforcement	1	100%	100%	100%
Driver and vehicle licensing	106,422	0%	0%	0%
Credit approvals: roads and transport	777,855	100%	100%	100%
Other rail consultancies	325	0%	0%	0%
DOA Ltd	23,000	0%	0%	0%
Channel Tunnel Rail Link	48,000	0%	0%	0%
Metropolitan Railways Passenger Services grant	204,131	100%	0%	0%
Office of passenger rail franchising	997,889	0%	0%	100%
Rail Passenger Partnership & Infrastructure investment fund	35,000	100%	100%	100%
Office of the rail regulator	1	0%	0%	0%
		71.2%	67.1%	89.3%
DETR - Housing & other Environmental Services				
Reg trading pract consumer protection	309	0%	0%	0%
Planning and natural resources research	6,465	100%	100%	100%
Large scale voluntary transfers pool	121,430	100%	100%	100%
Approval Development Plan Capital Grants and Lending	947,089	100%	100%	100%
Housing Corporation Board remuneration and pensions	193	100%	100%	100%
Disabled facilities grants	72,000	100%	100%	100%

Annex C

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub-programme description	2000-01 Provision	Comparability percentages for 2000 Spending Review		
	£,000s	Scotland	Wales	Northern Ireland
Housing defects grants	100	100%	100%	100%
Private house renewal	1,000	100%	100%	100%
Home improvement agencies	6,536	100%	100%	100%
Rent Assessments Panels	9,477	100%	100%	100%
Housing mobility grants	1,600	100%	100%	100%
Housing management grants (incl. - Tenant Participation)	11,795	100%	100%	100%
Housing, urban & European research, publicity and publications	7,497	100%	100%	100%
Construction research, sponsorship and Publicity	23,110	100%	100%	100%
Housing Award schemes and National building Agency	30	100%	100%	100%
Leasehold Enfranchisement Advisory Service	375	100%	100%	100%
valuation Office Agency Right to buy charges	800	100%	100%	100%
Coalfields housing	10,000	100%	100%	0%
London Rough Sleepers Unit	30,394	100%	100%	100%
Tenants deposit scheme	180	100%	100%	100%
LA Credit approvals for housing	1,809,603	100%	100%	100%
Ordnance Survey	19,000	0%	0%	100%
British Waterways Board	63,090	100%	0%	100%
Other water expenditure	1,476	100%	100%	100%
Environment agency	510,100	100%	100%	100%
National Parks & broads Authority Supplementary Grant	19,750	100%	100%	100%
European Regional Development Fund (DETR)	231,546	100%	100%	100%
Payment in advance of & in place of EC receipts	54,676	100%	100%	100%
Rural Development Commission	455	100%	100%	100%
Regional Development Agency	628,503	100%	100%	100%
Countryside Agency	61,876	100%	100%	100%
LDA grants (paid direct to LAs)	241,786	100%	100%	100%
Central administration	233,392	100%	100%	100%
Environmental protection	19,363	100%	100%	100%
Environmental protection research	29,813	100%	100%	100%
Planning inspectorate executive agency	28,193	100%	100%	100%
Nature Conservancy Council for England	49,681	100%	100%	100%
Countryside research	2,107	100%	100%	100%
National Forest Company	3,300	100%	100%	100%
Health and safety commission/executive	184,541	0%	0%	100%
Pneumoconiosis grants	12,483	100%	100%	100%
Groundwork and National Urban Forestry Unit	7,700	100%	100%	100%
Nature Conservancy Council - Pensions	1,336	100%	100%	100%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub-programme description	2000-01 Provision	Comparability percentages for 2000 Spending Review		
	£,000s	Scotland	Wales	Northern Ireland
Countryside Publicity	427	100%	100%	100%
Energy, Environment and Waste	179,792	100%	100%	100%
PSA services: central	8,500	0%	0%	0%
Health and safety laboratory	1,980	0%	0%	100%
QE2 Conference Centre Agency	501	0%	0%	0%
New Deal For Communities	121,957	100%	100%	100%
Coalfields Regeneration Trust	15,000	100%	100%	0%
Rent Officer Services Agency	37,079	100%	0%	100%
Government Offices Administration	39,583	100%	100%	100%
Wildlife protection and conservation	1,352	100%	100%	100%
Special grants programme	1,440	100%	100%	100%
Regeneration Publicity	440	100%	100%	100%
Commission for the New Towns - capital	10,000	100%	100%	100%
Supplementary credit approvals: Local Environmental Services	24,243	100%	100%	100%
SRB : Urban Regeneration Agency	179,408	100%	100%	100%
Estate Action	63,857	100%	100%	100%
Housing Action Trusts	24,947	100%	100%	100%
Docklands Light Railway	34,652	100%	100%	100%
SRB: Partnerships	-100	100%	100%	100%
Civil defence	3,738	100%	0%	100%
		96.5%	94.9%	99.4%
DETR - Local Government				
National non-domestic rate payments - collection costs	83,476	100%	100%	100%
Valuation office rating services repayment	111,054	100%	100%	100%
Valuation tribunals	11,493	100%	100%	100%
Valuation Office Council Tax Services Reput	15,629	100%	100%	100%
Audit Commission	1,332	100%	100%	100%
Revenue Support Grants	19,469,642	100%	100%	
RSG excluding Capital SSA and Law & Order	14256726			100%
National non-domestic rate payments	15,400,000	0%	100%	0%
National non-domestic rate payments - City of London offset	6,500	0%	0%	0%
Local Government Commission	2,613	100%	100%	100%
SSA reduction grant	3,997	100%	100%	100%
SSA reduction grant: Police Funding Review	14,068	100%	0%	0%
Commutation supplementary credit approvals	9,000	100%	100%	100%
Transitional costs of reorganisation	35,000	100%	100%	100%
Local Government Publicity	1,959	100%	100%	100%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub-programme description	2000-01 Provision	Comparability percentages for 2000 Spending Review		
	£,000s	Scotland	Wales	Northern Ireland
GLA Preparation Costs	3,750	100%	100%	100%
PFI Special Grant	88,493	100%	100%	100%
GLA Election Costs	1,800	100%	100%	100%
General GLA Grant	22,300	100%	100%	100%
Local Government Standards Board	4,000	100%	100%	100%
Best Value Inspectorate	17,750	100%	100%	100%
Grants to beacon councils	700	100%	100%	100%
Central Support Reduction Grant	34,133	100%	100%	100%
GLA transitional costs	1	100%	100%	100%
GLA election returning officers expenses	2,000	100%	100%	100%
Invest to Save special grant	12,065	100%	100%	100%
Local government research	1,300	100%	100%	100%
		56.4%	99.9%	41.6%
Home Office				
Records, registrations and surveys	21,176	100%	0%	100%
Criminal Policy and Programmes	428,590	100%	0%	0%
Criminal Injuries Compensation: administration	44,176	100%	0%	0%
Criminal injuries compensation	361,171	100%	0%	0%
Research and statistics	18,286	100%	0%	0%
Community Development Foundation	902	100%	0%	0%
Criminal cases review Commission	5,072	100%	0%	0%
Youth Justice Board	34,001	100%	0%	0%
Prison Operations(Public Sector)	1,452,332	100%	0%	0%
Prisons: operations (contracted-out)	340,112	100%	0%	0%
Offender Programmes	374,060	100%	0%	0%
Prison service headquarters and central services	68,251	100%	0%	0%
Police	4,027,086	100%	0%	0%
Police special grants	13,592	100%	0%	0%
Police capital grants	91,114	100%	0%	0%
Offender programmes capital grants	11,285	100%	0%	0%
Organised and international crime	23,930	100%	0%	0%
Firearms compensation	1	100%	0%	0%
Police complaints authority	3,540	100%	0%	0%
Police Information Technology Organisation	48,370	100%	0%	0%
Civil defence	34,861	100%	0%	0%
Immigration and Nationality	613,612	0%	0%	0%
United Kingdom Passport agency	-12	0%	0%	0%
Fire	12,346	100%	100%	100%
constitutional and community policy	58,544	100%	0%	100%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub-programme description	2000-01 Provision	Comparability percentages for 2000 Spending Review		
	£,000s	Scotland	Wales	Northern Ireland
Commission for Racial Equality	16,540	0%	0%	0%
Gaming board for Great Britain	3,454	0%	0%	0%
Office for the Data Protection Registrar	3,657	0%	0%	0%
Electoral Commission	300	0%	0%	0%
Central Services	85,749	100%	0%	100%
Credit approvals: Police	53,316	100%	0%	0%
Credit approvals: Fire	35,752	100%	100%	100%
Credit approvals: offender Programmes	2,321	100%	0%	0%
Special grant to Local Authorities for Kosovan evacuees	4,184	100%	100%	100%
		92.3%	0.6%	2.6%
Legal Departments				
Costs from central funds	80,800	100%	0%	0%
LSLO Administration	235,000	100%	0%	0%
Costs from central funds	5,681	100%	0%	0%
Costs from central funds - running costs	3,420	100%	0%	0%
LSLO Administration	8,128	100%	0%	0%
Records, registrations and surveys - Land Registry	11,836	100%	0%	100%
Criminal Policy and Programmes	94,608	100%	0%	0%
Costs from central funds	34,955	100%	0%	0%
Legal Aid: Criminal (was Legal aid (non administration))	462,947	100%	0%	0%
Legal Services Commission: administration (was Legal aid: administration)	60,045	100%	0%	0%
Court Service Agency	255,077	100%	0%	0%
Public Trust Office	-254	100%	0%	0%
Magistrates Courts Grants	301,904	100%	0%	0%
Criminal Defence Service	461,971	100%	0%	0%
Community Legal Service	747,800	100%	0%	0%
Judicial salaries paid from the consolidated fund - LCD departmental HQ	8,380	100%	0%	0%
Judicial Salaries paid from the consolidated Fund - Court Service	79,466	100%	0%	0%
Records, registrations and surveys	29,327	100%	0%	100%
Criminal Policy and Programmes	10,953	0%	0%	0%
Legal Aid: Criminal (was Legal aid (non administration))	31,783	0%	0%	0%
Other legal services	850	0%	0%	0%
Judicial salaries paid from the Consolidated Fund	5,166	0%	0%	0%
Accommodation Costs	8,760	0%	0%	0%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub-programme description	2000-01 Provision	Comparability percentages for 2000 Spending Review		
	£,000s	Scotland	Wales	Northern Ireland
Northern Ireland Court Service: grants to sundry bodies	2,656	0%	0%	0%
Northern Ireland Court Service: Policy Advice and Legislation	757	0%	0%	0%
Northern Ireland Court Service: Administration - LAD	25	0%	0%	0%
Treasury Solicitors Department (Agency)	3,046	100%	0%	100%
Government Property Lawyers Agency	800	0%	0%	100%
Treasury Solicitors Operational Costs	1,515	0%	0%	100%
Expenditure outside running costs	1,054	0%	0%	100%
Crown Prosecution Service Inspectorate Administration	2,379	100%	0%	0%
		97.8%	0.0%	1.6%
Trade and Industry				
Reg trading pract consumer protection	3,951	100%	100%	100%
Reg trading pract consumer protection	94	100%	100%	100%
Reg trading pract consumer protection	2,400	100%	100%	100%
Reg trading pract consumer protection	25,486	100%	100%	100%
Exchange Risk Guarantee Scheme and EC Payments	100	100%	100%	100%
National Selective Assistance (NCL)	-443	100%	100%	100%
Small Firms Loan Guarantee Scheme	72,527	100%	100%	100%
ERDF Funded Expenditure (Cash Limited)	7,496	100%	100%	100%
Regional selective assistance	130,752	100%	100%	100%
ERDF funded expenditure (non-cash limit)	7,000	100%	100%	100%
DETR-ERDF Agency Expenditure (Non-cash Limited)	108,900	100%	100%	100%
DETR-ERDF Non-Agency Expenditure (Non-cash Limited)	20,600	100%	100%	100%
Expenditure on Leader Network Projects	123	100%	100%	100%
RDA development fund (Regional Development Agency)	20,200	100%	100%	100%
Administration Costs and Other Services related to Enterprise, Innovation and Productivity	141,909	100%	100%	100%
Innovation	221,533	0%	0%	0%
Civil aircraft research and demonstration	20,000	0%	0%	0%
Inward Investment	16,800	100%	100%	100%
Telecommunications and posts	544	0%	0%	0%
Space technology programmes	89,984	0%	0%	0%
Nuclear-Decommissioning	158,544	0%	0%	0%
Nuclear Energy Other	157	0%	0%	0%
Non-Nuclear Expenditure of a regulatory nature	6,177	0%	0%	0%

Annex C

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub-programme description	2000-01 Provision	Comparability percentages for 2000 Spending Review		
	£,000s	Scotland	Wales	Northern Ireland
Biotechnology and biological sciences research council	204,557	0%	0%	0%
Economic and social research council	71,301	0%	0%	0%
Engineering and physical sciences research council	412,026	0%	0%	0%
Medical research council	321,651	0%	0%	0%
Natural environment research council	181,474	0%	0%	0%
Particle physics and astronomy research council	205,774	0%	0%	0%
Council for the central laboratory of the research councils	3,351	0%	0%	0%
Research councils pensions	23,639	0%	0%	0%
Royal society	24,622	0%	0%	0%
Royal academy of engineering	4,025	0%	0%	0%
OST initiatives	8,522	0%	0%	0%
UKAEA - Grant in aid	19,778	0%	0%	0%
Medical Research Council	3,253	0%	0%	0%
Natural Environmental Research Council	5,436	0%	0%	0%
Council for the Central Laboratory of the Research Councils	3,010	0%	0%	0%
Non profit of nuclear chemical technology	16,319	100%	100%	100%
Infrastructure Fund	100,000	0%	0%	0%
University Challenge	10,000	0%	0%	0%
Spectrum Efficiency Scheme	668	0%	0%	0%
Nuclear Fusion	14,330	0%	0%	0%
Non nuclear expenditure directly related to the creation of open markets	21,107	0%	0%	0%
Administration Costs and Other Services related to the Science and Engineering Board	3,583	0%	0%	0%
Administration Costs and other services related to Trans Departmental Science	7,285	0%	0%	0%
Nuclear Contract of Association	3,300	0%	0%	0%
Nuclear International	6,073	0%	0%	0%
Cambridge Massachusetts Institute for technology	14,000	0%	0%	0%
Synchrotron radiation source	14,084	0%	0%	0%
Post Office Consultancy and Other expenditure	1,846	0%	0%	0%
Aerospace support	-62,521	0%	0%	0%
Assistance to ship building industry	8,350	0%	0%	100%
Assistance to the steel industry	28	0%	0%	0%
Coal authority	28,000	0%	0%	0%
Ring-fenced coal health liabilities	221,199	0%	0%	0%
Non ring-fenced coal liabilities	67,291	0%	0%	0%
Coal Operating Subsidy	45,000	0%	0%	0%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub-programme description	2000-01 Provision	Comparability percentages for 2000 Spending Review		
	£,000s	Scotland	Wales	Northern Ireland
Export promotion	67,549	0%	0%	0%
Reg trading pract consumer protection	63,322	0%	0%	0%
Companies House	2,340	0%	0%	100%
Patent office executive agency	2,174	0%	0%	0%
Radiocommunications executive agency	-797	0%	0%	0%
Research Establishments Major Capital	8,038	0%	0%	0%
National weights and measures laboratory	-102	0%	0%	0%
Trade policy and related subscription	4,638	100%	100%	100%
Consumer Education EU Programme	1	100%	100%	100%
Postal Services Commission	1	0%	0%	0%
Business Links	1,200	100%	100%	100%
Industrial relations	6,906	100%	100%	100%
TUPE liabilities	60,000	0%	0%	0%
Legal and Regulatory Framework and Markets	146,366	0%	0%	100%
LRM and OME costs	3,547	0%	0%	100%
Suppliers of Departmental Services	-116	0%	0%	0%
Insolvency Service Executive - Running Costs	26,253	100%	0%	100%
Employment Tribunals Agency - Running Costs	44,994	0%	0%	100%
Enemy property claims	5,000	0%	0%	0%
Non Fossil Fuel Obligation	81,000	0%	0%	0%
British Coal Corporation	3,000	0%	0%	0%
Local Support Budget	138,529	100%	100%	100%
Legal and Regulatory Framework and Markets	533	100%	100%	100%
		20.2%	19.5%	25.7%
Intervention Board				
IB Administration cost	67,589	0%	0%	100%
		0.0%	0.0%	100.0%
Domestic Agriculture				
Covent Garden Market Authority	1,080	100%	100%	100%
By promoting action to alleviate flooding and coastal erosion	67,217	100%	100%	100%
Departmental operations	181,413	100%	100%	100%
ERDF	1,350	100%	100%	100%
Credit approvals	18,691	100%	100%	100%
Central Science Laboratory	-929	0%	0%	100%
Veterinary Laboratories Agency	-5,160	0%	0%	100%
Pesticide Safety Directorate	-2,771	0%	0%	0%
Veterinary Medicine Directorate	-367	0%	0%	0%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub-programme description	2000-01 Provision	Comparability percentages for 2000 Spending Review		
	£,000s	Scotland	Wales	Northern Ireland
Centre for Environment, Fisheries and Aquaculture Science (CEFAS)	-6,151	0%	0%	100%
Farming and Rural Conservation Agency (FRCA)	-1,453	100%	100%	100%
Protection of public health	91,523	0%	0%	0%
Protection of public health (Demand determined)	23,684	0%	0%	0%
Sustain and enhance the rural and marine environment	151,578	100%	100%	100%
Secure a more economically rational CAP	4,814	0%	0%	0%
Assist the development of efficient markets	135,584	100%	100%	100%
Assist the development of efficient markets (Demand Determined)	5,563	100%	100%	100%
Encourage economic and social development in rural areas	51,682	100%	100%	100%
Administer payments under the CAP	34,458	100%	100%	100%
Conservation of fish stocks	27,159	100%	100%	100%
Protection of high welfare standards	21,578	0%	0%	100%
Safeguard availability of food and drink	3,074	100%	100%	100%
		84.3%	84.3%	85.5%
Forestry				
Forestry Authority (net) and Forestry Enterprise (gross) - Woodland Grant	13,465	100%	100%	100%
Forestry Enterprise receipts (Gross)	-7,678	100%	100%	100%
Forestry commission, Payment of private woodland grants	18,823	100%	100%	100%
Forestry Commission, Pensions Payments	24,535	100%	100%	100%
Forestry Commission, Research and Development	10,283	100%	100%	100%
		100.0%	100.0%	100.0%
Culture, Media and Sport				
Small Firms Loan Guarantee Scheme	24,569	100%	100%	100%
Tourism	48,113	0%	0%	100%
Museums and galleries	226,323	100%	100%	100%
Museums Libraries and archives council	18,884	100%	100%	100%
Arts	237,621	100%	100%	100%
Libraries	88,781	100%	100%	100%
DCMS administration	25,463	100%	100%	100%
National Lottery Commission	1	0%	0%	0%
Space for sports and Arts	15,000	100%	100%	100%
ERDF funded expenditure	31,000	100%	100%	100%
Occupied Royal Palaces and other historic buildings	22,268	100%	100%	100%
Historic Royal Palaces Agency	275	100%	100%	100%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
	2000-01 Provision	Comparability percentages for 2000 Spending Review		
Sub-programme description	£,000s	Scotland	Wales	Northern Ireland
Royal parks	22,220	100%	100%	100%
Historic Buildings and Monuments Commission	122,377	100%	100%	100%
Research surveys and other services	996	100%	100%	100%
Broadcasting Standards Council	3,990	100%	0%	100%
Sport and recreation	52,023	100%	100%	100%
Grant for Welsh Fourth Channel Authority	75,127	100%	0%	100%
		95.3%	87.5%	100.0%
Social Security				
Administration of housing benefit (England)	74,148	0%	0%	100%
Administration of housing benefit (Scotland)	8,293	0%	0%	100%
Administration of housing benefit (Wales)	4,081	0%	0%	100%
Local Authority administration of Community Charge Benefit (England)	62,256	0%	0%	100%
Local Authority administration of Community Charge Benefit (Scotland)	8,217	0%	0%	100%
Local Authority administration of Community Charge Benefit (Wales)	3,710	0%	0%	100%
Motability	2,099	0%	0%	100%
Administration of Housing Benefit (Scotland)	295	0%	0%	100%
Spend to Save - Benefit Revenues	5,000	0%	0%	100%
Verification Framework	10,002	0%	0%	100%
Verification Framework: Continuation Payments	19,998	0%	0%	100%
Administration	918,236	0%	0%	100%
Benefits Agency Administration	1,757,956	0%	0%	100%
Child Support Agency	206,125	0%	0%	100%
War Pensions Agency (WPA)	26,811	0%	0%	100%
Funding for ONE Pilot Scheme	750	0%	0%	0%
The Appeals Service (TAS)	30,278	0%	0%	100%
Occupational Pensions Regulatory Authority	11,082	0%	0%	100%
Anti-Fraud Incentives	49,000	0%	0%	100%
Anti Fraud Initiatives	1,990	0%	0%	100%
Anti Fraud Initiatives (NT'S)	10	0%	0%	100%
		0.0%	0.0%	100.0%
Chancellor's Departments				
ONS administration	132,244	0%	0%	100%
ONS net running costs	203	0%	0%	100%
Invest to Save	744	0%	0%	100%
Tax and rate collection	904,644	0%	0%	0%
Government Actuary	667	0%	0%	0%

SCHEDULE OF COMPARABLE SUB-PROGRAMMES				
Sub-programme description	2000-01 Provision	Comparability percentages for 2000 Spending Review		
	£,000s	Scotland	Wales	Northern Ireland
Tax and rate collection	1,929,121	0%	0%	0%
Inland Revenue: Valuation Office	-8,930	0%	0%	0%
NIF: admin payable to other government departments	337,660	0%	0%	0%
Payments in lieu of tax relief	174,853	0%	0%	0%
Payments in lieu of tax relief	102	0%	0%	0%
Functioning of parliament & Privy Council	19,230	0%	0%	100%
Payments in lieu of tax relief	51,425	0%	0%	0%
United Kingdom. coinage	32,000	0%	0%	0%
Bank of England debt management	4,586	0%	0%	0%
Bank of England exchange equalisation account	8,215	0%	0%	0%
Debt Management Agency	5,619	0%	0%	0%
carrying out of insurance sponsorship and supervision responsibilities	14,500	0%	0%	0%
Provision of information to business about the euro	7,500	0%	0%	0%
Partnerships UK	17,450	0%	0%	0%
Other services	5,243	0%	0%	0%
Office of Government Commerce	7,979	100%	100%	100%
CCTA	-725	100%	100%	100%
PACE	62,166	100%	100%	100%
The Buying Agency	300	100%	100%	100%
OGC, Gershon projects	6,500	100%	100%	100%
Stats Commission	900	0%	0%	100%
		2.1%	2.1%	6.2%
Cabinet Office				
Secret and Intelligence Services	802,820	0%	0%	0%
Central Office of Information	711	100%	100%	100%
Civil Service College	3,933	0%	0%	0%
Chessington computer centre		0%	0%	0%
Cabinet Office: reorganisation	142,582	0%	0%	100%
Records, registrations and surveys - Land Registry	-14,870	0%	0%	100%
Civil superannuation	68,000	0%	0%	100%
Functioning of parliament & Privy Council	2,585	0%	0%	0%
		0.1%	0.1%	19.5%

Footnotes:

1. MAFF sub-programmes were on a Great Britain basis for the CSR. United Kingdom domestic agriculture for Scotland and Wales was therefore determined by allocating a population share of changes in domestic spending for England. MAFF's sub-programmes have now been re-aligned to reflect spending within England. The Forestry Commission comparability assumes that financial responsibility will transfer to the NAW, subject to agreement on the transfer.

Annex C

2. CL is cash limited; NCL is non-cash limited.
3. Home Office, Lord Chancellor's and Law Officers' departments show the position for Northern Ireland if the Northern Ireland Office's law and order functions are shown as non-comparable - as is the case after devolution. In the 1998 Comprehensive Spending Review, the programme level percentages that applied were 96.6% for the Home Office and 12.3% for the departments of Lord Chancellor and the Law Officers.

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

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

Annex D

<i>Sub-programme</i>	Component expenditure of main departmental spending programme
<i>United Kingdom Consolidated Fund (UKCF)</i>	The Exchequer account into which are paid gross United Kingdom tax revenue, less repayments, and all other Exchequer receipts not specifically directed elsewhere. Issues from the Fund are made to meet central government expenditure shown in the Supply Estimates to the United Kingdom Parliament.

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