



HM TREASURY

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

Statement of Funding Policy

October 2010



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1

Summary

1.1 The arrangements set out in this Statement represent, in many 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.

1.2 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.

1.3 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, the Northern Ireland regional rate 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 with United Kingdom Government Departments, European Structural Funds expenditure falls within the devolved administrations' Departmental Expenditure Limits.

1.4 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.

1.5 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.

1.6 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.

2

Introduction

2.1 This is the sixth edition of the Statement of Funding Policy (SFP), first published in March 1999. It has been updated to reflect developments since the fifth edition, for example in relation to the Government's Clear Line of Sight project, 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 2010 Spending Review.

2.2 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.

2.3 The arrangements set out in this Statement represent, in many cases, the continuation of long-standing conventions that have guided funding for Scotland, Wales and Northern Ireland prior to devolution and are consistent with the Devolution White Papers, Scotland's Parliament (Cm 3658) and A Voice for Wales (Cm 3718), published in July 1997 and the subsequent Scotland Act 1998, Government of Wales Acts 1998 and 2006 and Northern Ireland Act of 1998 (the Devolution Acts) and the devolution of policing and justice functions in Northern Ireland in 2010. In line with the principle of mutual respect, 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 Welsh Assembly Government and the Northern Ireland Executive.

Principles for interadministration financial relations

2.4 In determining and operating the system of devolved finance, the Government and devolved administrations work together in a spirit of mutual respect, and aim to reach agreement wherever possible.

2.5 The UK Government and the devolved administrations have shared interests including:

- encouraging sustainable economic growth;
- maintaining and improving the disciplined management of public finances;
- achieving the best value provision of high quality public services; and
- maintaining and improving the internationally competitive position of the UK as a whole and for the benefit of people in England, Wales, Scotland and Northern Ireland.

2.6 The key principles which underlie interadministration financial relations include:

- accountability: each administration takes the decisions on managing the resources it plans to invest;
- autonomy: each administration has fiscal responsibilities and freedoms to match its executive and legislative powers within the terms of the devolution settlements and UK wide public spending framework;
- transparency: the system is readily understood and its operation is open to scrutiny;
- economic efficiency: the system promotes sustainable economic growth and ensures that the costs and benefits of financial decisions are aligned;
- stability and predictability: the system promotes stability and manages volatility, to allow sensible planning and good management, and is predictable in operation;
- discipline: the system of devolved finance is subject to overall UK macroeconomic and fiscal policy; and
- consent: the system commands the support of governments, parliaments and people and is equitable and predictable in operation.

The United Kingdom public expenditure regime

2.7 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 and budgeting guidance in the United Kingdom. However, once overall public expenditure budgets have been determined, the devolved administrations have freedom to make their own spending decisions on devolved programmes within the overall totals and they ensure their plans meet the fiscal rules.

2.8 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. In recognition of this process, UK Ministers may, if invited, attend the Scottish Parliament, and Wales and Northern Ireland Assemblies to explain the budget allocation. Provision for the costs of the Scotland Office and Wales Office is found from within the total resources voted by the United Kingdom Parliament for the Ministry of Justice, but separately identified within the Ministry of Justice Estimate with their own requests for resources. Any changes in Scotland Office, Wales Office and Northern Ireland Office DEL are netted off the Scotland, Wales and Northern Ireland DEL (except the costs of any new Northern Ireland public inquiries initiated by the UK Government).

2.9 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

2.10 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 a period of years and Annually Managed Expenditure (AME) set yearly. The tables in Chapters 13 to 15 below detail the current position for each devolved administration. In summary:

- 1 Departmental Expenditure Limits (DELs) set firm, multi-year spending limits. Expenditure in DEL is split between those items within the assigned budget and those within the non-assigned budget. Spending within DEL is generally undifferentiated, as the devolved administrations will have full discretion over their spending priorities; these are 'assigned budget' items. Changes in provision for these items are determined through the Barnett Formula (see Chapter 4). If spending in DEL, however, is exceptionally ring-fenced and specific to that spending priority, these are known as 'non-assigned budget' spending items; and
- 2 Annually Managed Expenditure (AME) covers items whose provision is reviewed and set for the coming year annually (at spring Budget) 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 Annually Managed Expenditure' and 'other AME' spending. Main Departmental programme spending covers policy-specific, ring-fenced items where provision is included within the Vote from the United Kingdom Parliament. The AME element of the budget is reviewed twice-annually, and forecasts are made for a number of 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

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

2.12 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 Chapter 4 below) will continue to be applied to determine changes in provision.

2.13 Resource budgeting is the process by which the Government plans and controls the expenditure of resources to meet its objectives. The main changes this introduced are the definition of current expenditure to encompass the consumption of fixed assets and the cost of holding them, and the separate plans for capital expenditure to reflect long-term investment rather than cash spent in the year of acquisition. Resource budgeting was introduced in two stages. In stage I, in the 2000 Spending Review, the largest non cash elements of resource budgets (such as depreciation, cost of capital charges and provisions and also release from donated assets reserve, release from government grant reserve, impairments, implied loan subsidies, stock write offs/write downs, interest income from private sector and abroad) were

put into Annually Managed Expenditure (AME) rather than Departmental Expenditure Limits (DEL); and in Stage II, in the 2002 Spending Review, these items were moved into DEL.

2.14 In the 2002 Spending Review, the 2003-04 baseline was the starting baseline. It included non-cash charges, which were previously in AME, such as depreciation, capital charges and provisions (with the exception of items such as capital charges for roads, which are considered too unpredictable to include in DEL at this stage and therefore remain in AME). The baseline therefore reflected the existing asset base of the devolved administrations. Changes in resource and capital budgets are determined by applying the Barnett comparability factors and population shares to the changes in the resource and capital budgets of comparable United Kingdom Government departments' programmes to arrive at DEL resource and capital changes, including cash and non-cash changes. Significant switches between near-cash and non-cash resource budgets required Treasury approval. Switches resulting from improved management decisions of up to £20 million in total per financial year could be made without specific Treasury approval.

2.15 As part of the alignment project in 2010 the Treasury is, as far as possible, aligning the treatment of spending in departmental budgets, Supply Estimates and Resource Accounts.

2.16 The main change to the budgeting framework is the removal of the near-cash/non-cash boundary from resource budgets, as this distinction is not recognised within resource accounting. Further changes to budgets are divided into four categories:

- removal of the cost of capital charge (also removed from Supply Estimates and Resource Accounts);
- movement from DEL to AME of certain transactions (mainly provisions) previously recorded within the non-cash budget (see below for further detail);
- inclusion of Communities and Local Government's debt repayment grants to local government in their capital AME budget (previously non-budget); and
- movement from capital to resource budgets of profit/loss on disposal of assets.

2.17 As noted above the near-cash/non-cash boundary is being removed from resource budgets. The main elements of non-cash remaining in resource DEL are:

- depreciation;
- DEL impairments; and
- notional audit fees.

2.18 The following elements are therefore being moved into departmental resource AME:

- provisions not relating to pensions;
- write-off of bad debts;
- exchange rate losses/gains;
- revaluations below historic cost (where not already treated as AME); and
- other notional costs.

2.19 More information is contained in the February 2010 National Statistics release, which used 2008-09 outturn to illustrate the changes to departmental budgets associated with the alignment project. Further details of the new budgeting framework are set out in the Consolidated Budgeting Guidance from 2010-2011 published by the Treasury in March 2010.

2.20 The Scottish and Northern Ireland Executives and the Welsh Assembly Government will be free to allocate their capital and resource budgets determined in spending reviews to reflect their own priorities. They may also switch provision from resource DEL to capital DEL, and in exceptional circumstances they may consider with the Treasury in year a switch from capital DEL to resource DEL.

2.21 An estimate will be made of the AME consequences of changes in the capital budget for those items which remain in AME; these AME forecasts can be updated on a six monthly basis.

2.22 Payments will continue to be made by the Scotland, Wales and Northern Ireland Offices to the Scottish, Welsh and Northern Ireland Consolidated Funds from their Resource Estimates and will continue to be current cash grants.

The Calman and Holtham Commissions in Scotland and Wales

2.23 The Calman Commission on Scottish devolution was set up to review the provisions of the Scotland Act 1998 and recommend any changes to the present constitutional arrangements that would enable the Scottish Parliament to serve the people of Scotland better, improve the financial accountability of the Scottish Parliament, and continue to secure the position of Scotland within the United Kingdom.

2.24 The Holtham Commission was set up by the Welsh Assembly Government to look at the pros and cons of the present formula-based approach to the distribution of public expenditure resources to the Welsh Assembly Government; and identify possible alternative funding mechanisms including the scope for the Welsh Assembly Government to have tax varying powers as well as greater powers to borrow.

2.25 In the 2010 Coalition programme for government the Government has committed to implementing the proposals of the Calman Commission. The Government recognises that this Statement of Funding Policy may need to be revised in response to these proposals in due course. In the programme for government the Government recognises the concerns expressed by the Holtham Commission on the system of devolution funding. However at this time the priority must be to reduce the deficit and therefore any change to the system must await the stabilisation of the public finances. Depending on the outcome of the forthcoming Welsh referendum, the Government will establish a process to consider the final Holtham Report.

3

Key principles of allocating public expenditure within the United Kingdom

3.1 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). 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.

3.2 The principles are that:

- 1 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;
- 2 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;
- 3 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;
- 4 the allocation of public expenditure between the services under the control of the devolved administrations will be for the devolved administrations to determine;
- 5 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;
- 6 the devolved administrations will meet all the operational and capital costs associated with devolution from within their allocated budgets;
- 7 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;

- 8 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;
- 9 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, taking into account any effects on annual budgets which have already been agreed by the devolved parliament and assemblies when implementing these cuts;
- 10 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
- 11 responsibility for contributions to and distribution of receipts from the European Commission rests solely with the United Kingdom Government.

3.3 Details of how these principles apply are set out in Chapters 4 to 15 below.

4

Public expenditure changes determined by the Barnett Formula

4.1 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 Chapter 5, determined by applying the population-based Barnett Formula to changes in planned spending on comparable services in United Kingdom Government departments.

4.2 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

4.3 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 Government 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.

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

- 1 the quantity of the change in planned spending in United Kingdom Government departments;
- 2 the extent to which the relevant United Kingdom departmental programme is comparable with the services carried out by each devolved administration; and
- 3 each country's population as a proportion of England, England and Wales or Great Britain as appropriate.

4.5 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 Chapters 13 to 15 below). It is for each administration to allocate spending within those budgets according to their own priorities.

4.6 Annex A shows an example of how changes are calculated using the Barnett Formula.

Population proportions

4.7 The population proportions used reflect the annual mid-year estimates published by the Office for National Statistics in the summer. For the 1998 Comprehensive Spending Review, these were the 1996 mid-year estimates. The latest available mid-year estimates are used for future allocations, including 'in-year' changes; for the 2000 Spending Review, the 1999 mid-year estimates applied; for the 2002 Spending Review the 2001 mid-year estimates applied and for the 2004 Spending Review the 2003 mid-year estimates applied. The 2007 mid-year estimates applied in the 2007 Comprehensive Spending Review. The mid – year estimates published in 2010 apply in the 2010 Spending Review. The Treasury notifies the devolved administrations of the population proportions that will be applied in advance. Allocations which have already been set, such as those over a spending review period, will not be adjusted to reflect subsequent population estimate changes. Population proportions are:

ONS mid-year population estimates (per cent)	1996	1999	2001	2003	2007	2010
Scotland's population as a proportion of the population of England:	10.45	10.34	10.23	10.20	10.08	10.03
Scotland's population as a proportion of the population of England and Wales:	9.86	9.77	9.66	9.63	9.52	9.48
Wales' population as a proportion of the population of England:	5.95	5.93	5.89	5.89	5.84	5.79
Northern Ireland's population as a proportion of the population of Great Britain:	2.91	2.93	2.92	2.95	2.96	2.98
Northern Ireland's population as a proportion of the population of England:	3.39	3.41	3.40	3.42	3.43	3.45
Northern Ireland's population as a proportion of the population of England and Wales:	3.20	3.22	3.21	3.23	3.24	3.26

4.8 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.

4.9 Prior to and during the 1998 Comprehensive Spending Review, Northern Ireland's population as a proportion of Great Britain's population had been applied to the planned spending changes of each departmental programme including the allocations for Scotland and

Wales. The rationale for applying a proportion of Great Britain's population, in contrast to Scotland and Wales where an England population was applied, was that United Kingdom Government departments previously had greater Great Britain-wide responsibilities which more directly matched those functions and services carried out by the Northern Ireland departments. However, the Scottish and Welsh Offices had, in recent years, been steadily taking responsibility for more policy areas which, hitherto, had been the responsibility of United Kingdom Government departments, culminating with further policy responsibility after devolution.

4.10 Therefore, for the 2000 Spending Review and for future 'in-year' changes, the population share applied in the Barnett Formula for Northern Ireland is determined by the geographical coverage of the United Kingdom department to which it is applied and excludes changes to Scottish and Welsh devolved administrations. Northern Ireland's population as a proportion of England's population is applied for the Formula except where the programme in question generally has a wider coverage than England only, such as those listed in paragraph 4.8, where using England and Wales' or Great Britain's population is appropriate. This ensures Northern Ireland receives its public expenditure funding on the same basis as Scotland and Wales. In practice, this change has little effect on provision for Northern Ireland and Northern Ireland is no worse off as a result.

Comparability percentages and in-year transfers

4.11 Comparability is the extent to which services delivered by United Kingdom Government departments correspond to services within the budgets of the devolved administrations in terms of their primary function. For each departmental programme, defined by Departmental Expenditure Limits (DEL), a comparability percentage is calculated by examining the component (programme object) within that programme. (In editions of the SFP previous to 2007, sub-programmes were used at the component level; sub-programmes have now been replaced by programme objects.) Each programme object 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 B lists the comparable programme objects used for the 2010 Spending Review. Departmental Unallocated Provision programme objects are assumed to have the weighted average departmental comparability and therefore do not affect the calculations of departmental comparabilities. The comparability factors are summarised in the table below.

	Scotland	Wales	Northern Ireland
Education	100.0%	100.0%	100.0%
Health	99.1%	99.1%	99.1%
Transport	98.0%	73.1%	100.0%
CLG Communities	99.5%	99.5%	99.3%
CLG Local Government	17.3%	100.0%	17.3%
Business, Innovation and Skills	79.1%	78.4%	79.2%
Home Office	76.0%	0.0%	76.0%
Justice	99.7%	0.0%	99.5%
Law Officers' Departments	100.0%	0.0%	94.0%
Energy and Climate Change	20.6%	20.6%	20.7%
Environment, Food and Rural Affairs	93.2%	91.6%	98.7%
Culture, Media and Sport	96.0%	90.2%	96.0%
Work and Pensions	0.0%	0.0%	100.0%
Chancellor's Departments	0.5%	0.5%	0.7%
Cabinet Office	7.4%	6.3%	14.3%
Independent Bodies	0.3%	0.3%	37.1%

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

- 1 other arrangements are in place to determine each devolved administration's share of a budget. In such cases, the programme object in question corresponds to a function falling outside the devolved administration's assigned budget;
- 2 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 programme object level; or
- 3 a small number of exceptional programme objects that are regarded as unique at a United Kingdom level, such as the Channel Tunnel Rail Link.

4.13 Assessment of whether a programme object is unique at a UK level should always be evidence based, be undertaken in a timely manner and in consultation with the devolved administrations and Territorial Secretaries of State. Where classification, transfer or machinery of government changes occur in United Kingdom Government departments between spending reviews 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 and comparability factors will not be revisited, while changes will be reflected in the next spending review. The devolved administrations and Secretaries of State will be consulted on these changes before they are applied as detailed in the following paragraph. Existing plans will not be revisited in the case of in year reprioritisation and transfer of spending between UK Government departments where there is no net change in spending by UK departments.

4.14 The Treasury, in good time, consults with each devolved administration and Secretary of State 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 programme object within each Departmental Expenditure Limit; and the provision for that programme object in the base year (the year immediately preceding the first year covered by a spending review). If a new Departmental Expenditure Limit is being established, normally this will be made up of existing programme objects with established comparability percentages and the overall comparability factor for that DEL will be calculated in the normal way. Where a different approach is proposed for establishing a new DEL, the Treasury will advise why a different approach is being proposed, what the proposed comparability percentage is and what the evidence base is for the proposed comparability percentage. 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 Chapter 12 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.

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

5

Public expenditure changes not determined by the Barnett Formula

5.1 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 Chapters 13 to 15 below show these various categories of expenditure, which are the responsibility of the devolved administrations.

5.2 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. Non-assigned items may change between spending reviews with the agreement of the Treasury.

5.3 Main programme spending items within Annually Managed Expenditure are determined periodically and included within the grant paid out of Supply Estimates voted by 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. (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.

5.4 The Office of Budget Responsibility commissions forecasts from departments and devolved administrations twice yearly in order to inform the spring Budget and the autumn Fiscal Forecast. Main Programme Spending items within Annually Managed Expenditure are:

- 1 housing support provision in Scotland which are based on economic assumptions produced by the Treasury and forecasts by the Department for Work and Pensions of the impact of all factors, other than changes in rent policy, on the demand for gross rent rebates;
- 2 pensions which are calculated on the basis of forecasts provided by the devolved administration of gross expenditure and of income from employee and employer contributions;
- 3 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 issues and repayments of Student Loans;
- 5 Housing Revenue Account subsidy;
- 6 other charges moved into resource AME as part of the Alignment project including provisions, the write off of bad debts, exchange rate losses/gains and revaluations below historic cost;
- 7 non cash charges relating to services in Northern Ireland that are classified to the Central Government sector that are in the local authority sector in England, Scotland and Wales (principally education, local transport and social services).

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

5.6 The costs of Parliament/Assembly and Local Authority elections in Scotland, Wales and Northern Ireland are deemed to be a cost of devolution. Funds for these are found from within the relevant Block and where appropriate the provision transferred to the UK body responsible for running the appropriate election. The Electoral Commission's costs are paid from the UK Consolidated Fund. Where spending review settlements include provision for either Westminster or European elections and the devolved administrations receive Barnett consequentials, then the costs of those elections will be met by the devolved administrations and transferred to the UK body running the relevant election.

6

Self-financed spending

6.1 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.

6.2 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:

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

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

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

- 1 Council Tax Benefit adjustments: if, due to decisions by the Scottish Executive or the Welsh Assembly Government 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 balancing adjustments may be made if appropriate 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;
- 2 Rates levels in Northern Ireland: the Regional Rate is set by the Northern Ireland Executive and District Rates are set by District Councils. Together the two Rates determine overall rates and therefore rate rebate expenditure in Northern Ireland. The principles set out above in relation to Council Tax Benefit expenditure in Wales and Scotland also apply in Northern Ireland and equivalent mechanisms will be used;
- 3 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 balancing adjustments may be made if appropriate 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 the Department of Social Security (now the Department for Work & Pensions) and the National Assembly for Wales published on 11 January 2000;

- 4 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
- 5 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 7.3 below).

7

Expenditure financed by borrowing

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

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

7.3 Each Secretary of State may lend the devolved administration sums required for meeting temporary excess in expenditure over income or providing the devolved administration with a working balance. The Treasury may issue to the Secretary of State such sums out of the National Loans Fund. These loans should be repaid by the devolved administration to the Secretary of State at such times, methods and interest rates as the Treasury determines. Sums received by the Secretary of State will be paid into the National Loans Fund. The aggregate outstanding amount of principal loans made shall not exceed £500 million for the Scottish Executive and the Welsh Assembly Government 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. In addition there is a statutory limit of £3 billion for NLF borrowing by the Northern Ireland Executive in the NI (Misc Provision) Act 2006.

7.4 Prudential borrowing regimes for local authorities in England, Scotland and Wales (and for the Northern Ireland Executive in the case of Northern Ireland) have been introduced in 2004-05. Following the 2004 Spending Review, increases in supported local authority borrowing (which replace credit approvals) continue to be classified as DEL. Increases in self financed unsupported borrowing are classified as AME. Appropriate borrowing limits for increases in unsupported borrowing may be introduced if necessary in the light of the overall fiscal position. There is no local authority prudential borrowing regime in Northern Ireland.

8

Receipts and charges

8.1 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

8.2 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, Treasury directions under Section 88 of the Government of Wales Act 1998 lists those receipts that will not be surrendered to the UKCF; under the Government of Wales Act 2006 a Treasury direction will list those receipts that will be surrendered.

8.3 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 15.2 below. The exceptions where the devolved administrations' budgets will not be affected are:

- 1 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 8.1 above; and
- 2 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

8.4 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.

8.5 Current rules applying to all United Kingdom Government departments state that 100 per cent of the receipts of all asset disposals taken into account in the spending review may be retained and may also retain negative DEL income up to 20 per cent above the level envisaged for that year as part of the spending review settlement. If more income is expected than provided for above, this should be discussed with the Treasury. Automatic retention does not apply to receipts from privatisations or similar sales and Public Corporations. This policy does not apply to local authorities.

8.6 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

8.7 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.

9

European funding issues

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

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

9.3 European Structural Funds expenditure occurs when payments are made to projects. European Structural Funds expenditure, like expenditure under other comparable programmes, scores within Departmental Expenditure Limits but is offset by Structural Fund receipts which score as negative DEL. Devolved administrations, in common with all United Kingdom Governments Departments, plan for expected Structural Funds expenditure and receipts within their DEL.

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

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

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

10

In-year changes and access to the DEL Reserve

10.1 The Departmental Expenditure Limits set firm, multi-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, where appropriate, 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.

10.2 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:

- 1 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
- 2 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. Access to the Reserve may also be considered for Northern Ireland in accordance with the specific agreement reached for the devolution of policing and justice issues.

10.3 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.

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

- 1 the United Kingdom Government decides to make a uniform across the board general adjustment to public spending programmes across departments;
- 2 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 3.2.8 above;
- 3 funding for police authorities in Wales and England is decided by a common Home Office formula each year; this may require transfers from the Assembly to the Department of Communities and Local Government (DCLG) or from DCLG to the Assembly. These adjustments are outside the Barnett Formula arrangements.

11

End year flexibility

11.1 End Year Flexibility (EYF) arrangements are set out in Treasury budgeting guidance and apply in a similar way to departments and devolved administrations unless otherwise stated.

11.2 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.

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

Breaches of Departmental Expenditure Limits

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

Management of cash balances

11.5 The devolved administrations are responsible for managing their Consolidated Funds according to the following principles:

- balances should be placed on overnight deposit and the interest received should be returned to the United Kingdom Consolidated Fund, where appropriate through the usual channels;
- the balances held at the year-end should be reflected in the following year's calculation of grant requirement;
- the process of calculation of the grant should be done using data from the Treasury's public expenditure database;
- there should be a presumption that Consolidated Funds should not have negative balances, other than occasional 24 hour overdrawn balances because of cash management, and should not have positive balances in excess of need; and
- the state of the Consolidated Funds and account including end year balances should be transparently reported, including cross-references in the appropriate departmental reports to references in Scottish Executive/Northern Ireland Executive/Welsh Assembly Government accounts.

12

Changes in funding policy and resolving disputes

12.1 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 Welsh Assembly Government 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. The Treasury will consult in good time with the devolved administrations and each Secretary of State to agree any proposed changes to the Statement or the policies to which it applies. 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.

12.2 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 through the Joint Ministerial Committee in line with the agreement on dispute avoidance and resolution in the Memorandum of Understanding between the United Kingdom Government and devolved administrations. Funding policy and public expenditure allocation across the United Kingdom, as non-devolved or reserved matters, remain the responsibility of the United Kingdom Government. In cases where disputes still cannot be resolved by Ministers through the Joint Ministerial Committee, devolved administrations can request that the respective Secretary of State raises the issue at Cabinet for a final decision.

12.3 The Statement of Funding Policy may need to be revised to reflect any significant changes in the structure of funding allocations to one or more of the devolved administrations, as in the case of the forthcoming implementation of the Calman Commission proposals.

13

Scottish Executive

Scottish Executive

Public Expenditure Regime

Assigned Budget	
Departmental Expenditure Limit (DEL): Barnett Formula determined ¹ Secretary of State's/Advocate General's Office ² Education and arts, health and social work, industry, enterprise and training, transport and roads, Housing, Scottish Homes external finance, Law and order, Crown Office Domestic Environmental services, Forestry CalMac and HIAL's External Finance Requirements Student Loans: implied subsidies and provision for bad debts Rail services in Scotland Agriculture	Annually Managed Expenditure (AME): Main programme spending: Housing support grant ³ Public sector pensions ^{3 5} Student loans: Issue and repayment of principle Capital expenditure of public corporations Other AME: Certain accrual items Local Authority Self Financed Expenditure (LASFE) ⁴ Scottish Non-Domestic Rates ⁵ Scottish Variable Rate of Income Tax

¹ Undifferentiated expenditure linked to changes in provision to United Kingdom Government departments the Barnett formula;

² Secretary of State's and Advocate General's Offices remain part of the United Kingdom Government

³ Items of expenditure determined or forecast annually;

⁴ Post-devolution, determined by local authorities within framework set by the Scottish Executive;

⁵ Forecast by the Scottish Executive, approved by the Secretary of State for Scotland and the Treasury and voted by the United Kingdom Parliament

The Scottish Variable Rate of Income Tax

13.1 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

13.2 The Scottish Executive 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 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 A to the Department for Communities and 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.

13.3 The principles adopted in the 1998 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.

14

Welsh Assembly Government

Welsh Assembly Government

Public Expenditure Regime

Assigned Budget	
Departmental Expenditure Limit (DEL): Barnett Formula determined ¹ Secretary of State's Office	Annually Managed Expenditure (AME): Main programme spending: Housing Revenue Account Subsidy ²
Economic development, industry and training, Education and arts, transport, planning and environment, local government, housing and social services and health Domestic agriculture Forestry Student support: implied subsidies and provision for bad debts	Student loans: Issue and repayment of principle Public sector pensions Other AME: Certain accrual items LA business growth incentive scheme Local Authority Self Financed Expenditure (LASDW) ³

¹ Undifferentiated expenditure linked to changes in provision to United Kingdom Government departments the Barnett Formula;

² Items of expenditure determined or forecast annually;

³ Post-devolution, determined by local authorities within framework set by Welsh Assembly Government;

Changes in Provision to Local Government

14.1 The Welsh 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 A to the Department for Communities and 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.

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

15

Northern Ireland Executive

Northern Ireland Executive

Public Expenditure Regime

Assigned Budget	
Departmental Expenditure Limit (DEL): Barnett Formula determined ¹ 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. Policing and justice.	Annually Managed Expenditure (AME): Main programme spending: Student loans: Issue and repayment of principle Capital expenditure of public corporations Social security benefits ² Public sector pensions Other AME: Certain accrual items Certain RRI self financed borrowing and District Councils' self-financed expenditure ³ Regional Rates ³

¹ Undifferentiated expenditure linked to changes in provision to United Kingdom Government departments the Barnett Formula;

² These and other AME items of expenditure are determined or forecast annually;

³ Regional rates are determined by the Northern Ireland Executive, and District Councils' self-financed expenditure is determined by District Councils.

Northern Ireland Office and Northern Ireland Courts Service

15.1 Provision for law, order and protective services and the Northern Ireland Courts Service was transferred to the Northern Ireland Executive in 2010.

Non-Formula adjustments

15.2 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

15.3 The Executive 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 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 A to the Department for Communities and 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.

A Numerical example of the workings of the Barnett Formula

A.1 Chapter 4 sets out the workings of the Barnett Formula. If we consider a single United Kingdom Government department, the three factors determining any change to the budgets of the devolved administrations in Scotland, Wales or Northern Ireland’s provision are:

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

- 1 the Government decides to increase or decrease this United Kingdom Government department’s DEL by £100 million; and
- 2 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
- 3 the population proportions are 10.03 per cent for Scotland, 5.79 per cent for Wales and 3.45 per cent for Northern Ireland of England’s population or 2.98 per cent of Great Britain’s population for Northern Ireland;

A.3 Then the following changes are then added to or subtracted from each country’s overall baseline:

- For Scotland: $100 \times 0.75 \times 0.1003 = \text{£}7.523$ million
- For Wales: $100 \times 0.75 \times 0.0579 = \text{£}4.343$ million.
- For Northern Ireland: $100 \times 0.75 \times 0.0345 = \text{£}2.588$ million
- 2.5 per cent VAT abatement (see paragraph 4.15) $\text{£}2.523$ million

A.4 The method shown for calculating provision for Northern Ireland uses the share of England’s population, consistent with the method for Scotland and Wales - this is used for the majority of programmes.

A.5 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.

B

Schedule of comparable Programme Objects

PO/Group	2010-11 Provision	Scotland	Wales	NI
Education				
Administration	194,996	100%	100%	100%
Assisted Places Scheme	50	100%	100%	100%
Children and Families	1,412,549	100%	100%	100%
Children and Family Court Advisory and Support Service	131,123	100%	100%	100%
City Technology Colleges	284,312	100%	100%	100%
Compensation to college of education staff	11,791	100%	100%	100%
Connexions	973,812	100%	100%	100%
Credit approvals: schools	544,700	100%	100%	100%
Dedicated Schools Grant	31,891,031	100%	100%	100%
Education in Prisons and Custodial Institutions	31,568	100%	100%	100%
Education Maintenance Allowances	530,000	100%	100%	100%
E-Portals	700	100%	100%	100%
Equipping children for Adult life	913,594	100%	100%	100%
Family and Policy Unit: Community Services	25,742	100%	100%	100%
Grant-maintained Schools	1,309	100%	100%	100%
Learning and Skills Council	7,173,630	100%	100%	100%
Music and Ballet Scheme	31,500	100%	100%	100%
National College for School Leadership	70,900	100%	100%	100%
Office of Qualifications and Examinations Regulation	23,400	100%	100%	100%
OFSTED	186,535	100%	100%	100%
Partnerships for Schools	42,707	100%	100%	100%
Publicity and Research	13,776	100%	100%	100%
Qualifications Frameworks	201,550	100%	100%	100%
Recreational Services	2,314,023	100%	100%	100%
School Foods Trust	7,001	100%	100%	100%
Schools Family and Children's Benefit	43,393	100%	100%	100%
Schools Standards Grant	1,593,281	100%	100%	100%
Secondary Education	103,630	100%	100%	100%
Standards Fund	4,494,111	100%	100%	100%
Strategy and Communication	29,398	100%	100%	100%
Sure Start	1,917,809	100%	100%	100%
Teacher Training (non-TTA)	13,080	100%	100%	100%
Teachers' Medical Fees	1,014	100%	100%	100%
Teachers Training Agency	719,345	100%	100%	100%
Voluntary Aided Schools	1,256,077	100%	100%	100%
Youth Co-ordination	240	100%	100%	100%
Youth Service	225,964	100%	100%	100%
Youth Training Programme	1,455	100%	100%	100%
	57,411,096	100.0%	100.0%	100.0%

PO/Group	2010-11 Provision	Scotland	Wales	NI
Health				
Administration	255,023	100%	100%	100%
Area Based Grant	987,743	100%	100%	100%
Central Health and Miscellaneous Services	364,029	100%	100%	100%
Common Assessment Framework	11,000	100%	100%	100%
EEA Medical Costs	947,252	0%	0%	0%
Food Standards Agency	130,989	100%	100%	100%
General Medical Services	7,952,131	100%	100%	100%
Hospitals and community services	91,968,522	100%	100%	100%
Independent regulator for NHS Foundations Trusts	15,949	100%	100%	100%
Infrastructure Support Grant	40,000	100%	100%	100%
Learning Difficulties	51,000	100%	100%	100%
Medicines and health care product regulatory grant	-1	100%	100%	100%
Mental Health Capital Grant	22,593	100%	100%	100%
NDPB'S & Special Health Authorities	188,242	100%	100%	100%
NHS Trusts	1,605,849	100%	100%	100%
Personal social services	614,674	100%	100%	100%
Pharmaceutical Services: Dispensing Costs	1	100%	100%	100%
Pharmaceutical Services: Prescription Charges				
Income	-1	100%	100%	100%
Research and Development	1,025,000	100%	100%	100%
Social Care Capital Grant	27,727	100%	100%	100%
Social Care Infrastructure	17,000	100%	100%	100%
Specific Grant for the care of people with HIV/AIDS infection	28,600	100%	100%	100%
Stroke Strategy	15,000	100%	100%	100%
Welfare Food	120,027	100%	100%	100%
	106,388,349	99.1%	99.1%	99.1%

PO/Group	2010-11 Provision	Scotland	Wales	NI
Transport				
Administration	185,748	100%	100%	100%
Air Accident Investigation Branch	7,976	0%	0%	0%
Airport white paper study	1,000	0%	0%	0%
Area Based Grants: De-Trunking	135,767	100%	100%	100%
Area Based Grants: Road Safety Grants	59,107	100%	100%	100%
Area Based Grants: Rural Buses	60,000	100%	100%	100%
British Transport Police	31,605	100%	0%	100%
Bus Service Operators Grant	483,350	100%	100%	100%
Capital Rail Projects	46,883	100%	0%	100%
Centres of Excellence	8,800	100%	100%	100%
Channel Tunnel Rail Link	-7,046	0%	0%	0%
Civil aviation services	20,713	0%	0%	0%
Civil defence	8,277	100%	100%	100%
Compensation on Private tolled undertakings	270	100%	100%	100%
Congestion Performance Reward Fund	12,000	100%	100%	100%
Consultancy - Local Transport	235,714	100%	100%	100%
Crossrail	314,297	100%	100%	100%
Cycling England Initiative	58,050	100%	100%	100%
De-Trunking payments to Local Authorities	27,223	100%	100%	100%
DfT: Infrastructure Investment	26,500	100%	100%	100%
Driver Vehicle Operator	8,680	0%	0%	100%
DVLA Trading Fund	240,324	0%	0%	100%
Freight grants	28,900	100%	100%	100%
GLA transport grant	2,764,000	100%	100%	100%
Government Car and Despatch Agency	700	100%	100%	100%
Government Office programme expenditure	475	100%	100%	100%
Grants to NEXUS	59,300	100%	100%	100%
Highway Agency	3,643,546	100%	100%	100%
HR Programme Expenditure	4,552	100%	100%	100%
Humber Bridge	-14,168	100%	100%	100%
International aviation services	5,375	0%	0%	0%
International Subscriptions - OECD	615	0%	0%	0%
Loans to NATS	-8,301	0%	0%	0%
Local Transport Integrated Transport Block	451,621	100%	100%	100%
Local Transport Major Schemes (Public Transport)	514,927	100%	100%	100%
Local transport research	2,500	100%	100%	100%
Local Transport Road Maintenance	810,339	100%	100%	100%
London and Continental Railways Expenditure	-255,570	0%	0%	0%
London Underground PPP Arbiter	3,988	100%	100%	100%
Marine Accident Investigation Branch	4,173	0%	0%	0%
Maritime & Coastguard Agency	144,637	0%	0%	0%
Mobility Unit	3,235	100%	100%	100%
Network Rail	3,232,100	100%	0%	100%
Office of Rail Regulation	560	0%	0%	100%
Other highways grants (inc IDA)	1	100%	100%	100%
Personal Travel Statistics	4,179	100%	100%	100%
Powershift and Cleaner Vehicles	43,381	100%	100%	100%
Promoting Sustainable Travel Initiatives	4,285	100%	100%	100%
Publicity (road safety)	7,300	100%	100%	100%
Rail Accident Investigation Branch	5,931	0%	0%	100%
Rail Franchising	-292,371	100%	100%	100%
Rail Heritage Committee	140	0%	0%	0%
Rail Passengers Council	8,700	0%	0%	100%
Rail Pensions	26,700	0%	0%	100%
Rail Research & Consultancies	30,712	0%	0%	100%
Renewable Fuels Agency (NDPBs costs)	1,500	0%	0%	0%

Transport (continued)				
Research and Support	26,999	100%	100%	100%
Research Funding (RTP)	14,620	100%	100%	100%
Road Performance & Strategy Research	5,000	100%	100%	100%
Road Safety & Standards Research	8,486	100%	100%	100%
Road Safety Strategy Grants and Programme	995	100%	100%	100%
Road User Charging	-72,000	100%	100%	100%
Royal Travel	7,500	0%	0%	0%
Second Mersey Tunnel	-2,663	100%	100%	100%
Shared Service Programme	3,350	100%	100%	100%
Shipping services	17,181	0%	0%	0%
Strategic Transport Studies	2,015	100%	100%	100%
Sustainable distribution research	1,500	100%	100%	100%
TENs Government Departments Projects	1	100%	100%	100%
TENs Other Transport Industry Projects	1	100%	100%	100%
TENs Rail Projects	1	100%	100%	100%
Transport Analysis and Economics Research	4,300	100%	100%	100%
Transport Commission on Integrated Transport	1,200	100%	100%	100%
Transport Consultancies - Roads	600	100%	100%	100%
Transport Direct	10,250	100%	100%	100%
Transport security	12,658	100%	100%	100%
Transport statistics	8,603	100%	100%	100%
Transport Technology Standards Research				
Development	6,322	100%	100%	100%
Trust Ports	5,000	100%	100%	100%
Vehicle Certification Agency	240	0%	0%	100%
	13,265,359	98.0%	73.1%	100.0%

PO/Group	2010-11 Provision	Scotland	Wales	NI
CLG Communities				
Academy for Sustainable Communities'	5,500	100%	100%	100%
Administration	178,079	100%	100%	100%
Analytical Services	10,375	100%	100%	100%
Area Based Grant Expense	2,162,655	100%	100%	100%
Arms Length Management Organisations	509,000	100%	100%	100%
Capacity Building & Efficiency Improvements in Housing	364	100%	100%	100%
Capital Pooled Housing Receipts.	-13,200	100%	100%	100%
Choice Based Lettings	500	100%	100%	100%
CLG & Government Office Restructuring	13,204	100%	100%	100%
Coalfields Enterprise Fund	5,000	100%	100%	0%
Coalfields Regeneration Trust	17,650	100%	100%	0%
Cohesion & Race Equality	6,604	100%	100%	100%
Commission for Architecture and the Built Environment	6,690	100%	100%	100%
Communications	451	100%	100%	100%
Community Development Foundation	1,525	100%	100%	100%
Community Empowerment	19,997	100%	100%	100%
Community Infrastructure Fund	135,025	100%	100%	100%
Community Policy	10,334	100%	100%	100%
Control Rooms	58,825	100%	100%	100%
Disabled Facilities Grants	169,000	100%	100%	100%
Efficient geographic & stats data gather & share	8,790	100%	100%	100%
Emergency Fire Service	70	100%	100%	100%
E-Planning	6,755	100%	100%	100%
ERDF	2	100%	100%	100%
ERDF: (Losses and Write-offs etc.)	92,400	100%	100%	100%
Extend Social Housing Regs to LA Stock	1,000	100%	100%	100%
Fire & Rescue Service Improvement Programme	61,535	100%	100%	100%
Fire Centre of Excellence	520	100%	100%	100%
Fire Credit Approvals	70,824	100%	100%	100%
Fire Service Statistics	271	100%	100%	100%
Firebuy	1,253	100%	100%	100%
Firelink	29,837	100%	100%	100%
GAP funding for Larg	80,000	100%	100%	100%
Government Offices Administration	101,707	100%	100%	100%
Government Offices Administration	4,812	100%	100%	100%
Growth Areas New Growth Points & Eco Towns	29,068	100%	100%	100%
Gypsy site grant	245	100%	100%	100%
Home & Communities Agency	3,406,773	100%	100%	100%
Homelessness and Housing Reform	92,842	100%	100%	100%
Homeowners Mortgage Support	2,000	100%	100%	100%
Housing defects grants	100	100%	100%	100%
Housing Design Awards	49	100%	100%	100%
Housing Management	15,032	100%	100%	100%
Housing Market Renewal Fund	232,000	100%	100%	100%
Housing Mobility Services	2,055	100%	100%	100%
Housing Strategy for Older People	20,000	100%	100%	100%
Implementing EU Energy Performance of Building Directive & HIPs	1,440	100%	100%	100%
Implementing Planning Reforms	22,972	100%	100%	100%
Independent Housing Ombudsman Limited	114	100%	100%	100%
Infrastructure Planning Commission	6,865	100%	100%	100%
INTERREG	3,737	100%	100%	100%
LA Supported Capital Expenditure for Making Homes Decent	258,755	100%	100%	100%

CLG Communities (continued)

Leaders Boards	16,000	100%	100%	100%
Leasehold Advisory Services	1,482	100%	100%	100%
Local Enterprise Growth Initiative	18,649	100%	100%	100%
Migration Impacts Fund	12,250	100%	100%	100%
National Housing and Planning Advice Unit	1,219	100%	100%	100%
New Deal for Communities	78,419	100%	100%	100%
New Dimension	46,254	100%	100%	100%
New Horizons Research	674	100%	100%	100%
Ordnance Survey Trading Fund	47,160	0%	0%	0%
Other Growth Areas: West Northants UDC	11,471	100%	100%	100%
Payments to the Audit Commission for RSL				
Inspections	1,800	100%	100%	100%
Planning Inspectorate	49,582	100%	100%	100%
Procurement Efficiency and Social Housing	2,000	100%	100%	100%
QEII Conference Centre	-1,409	0%	0%	0%
Regeneration Monitoring and Digital Inclusion	1,300	100%	100%	100%
Regeneration Strategy	230	100%	100%	100%
Regional Development Agencies - ODPM Support	901,326	100%	100%	100%
Regional Housing Pot Grant	301,752	100%	100%	100%
Renewing Neighbourhoods	19,875	100%	100%	100%
Rent officer services and pensions liabilities	2,540	100%	100%	100%
Residential Property Tribunal Service	11,590	100%	100%	100%
Sub National Economic Development	170	100%	100%	100%
Support for Voluntary & Community Sector				
Sustainability	41,734	100%	100%	100%
Supporting People: Administration	4,100	100%	100%	100%
Sustainable Buildings	4,794	100%	100%	100%
Sustainable Communities Bill	250	100%	100%	100%
Tackling Extremism	5,994	100%	100%	100%
Tenant Empowerment	1,171	100%	100%	100%
Tenant Services Authority	33,238	100%	100%	100%
Thames Gateway	66,751	100%	100%	100%
Valuation Office Agency Right to buy charges	1,600	100%	100%	100%
Zero Carbon Buildings	6,000	100%	100%	100%
	9,541,367	99.5%	99.5%	99.3%

PO/Group	2010-11 Provision	Scotland	Wales	NI
CLG Local Government				
Best Value Inspectorate	9,772	100%	100%	100%
Emergency financial assistance to local authorities etc	8,006	100%	100%	100%
General GLA Grant	48,136	100%	100%	100%
Improvement, Transformation and Efficiency	82,778	100%	100%	100%
LGC mapping costs	100	100%	100%	100%
Local Government Publicity	612	100%	100%	100%
Local government Research	2,066	100%	100%	100%
Local Government Standards Board	6,419	100%	100%	100%
National non-domestic rate payments	21,500,000	0%	100%	0%
National non-domestic rate payments - collection costs	84,442	100%	100%	100%
PFI Special Grant	909,000	100%	100%	100%
Revenue Support Grants	3,167,008	100%	100%	100%
The Commission for Local Administration in England	14,839	100%	100%	100%
Valuation Office Agency	150,196	100%	100%	100%
Valuation Tribunals	10,235	100%	100%	100%
	25,993,609	17.3%	100.0%	17.3%

PO/Group	2010-11 Provision	Scotland	Wales	NI
Business, Innovation and Skills				
Administration	289,961	100%	100%	100%
Advisory Conciliation and Arbitration Service	43,937	100%	100%	100%
Aerospace support	-183,900	0%	0%	0%
Arts and Humanities Research Council	110,233	0%	0%	0%
Assistance to ship building industry	640	0%	0%	0%
Better Regulation	4,420	0%	0%	0%
Biotechnology and biological sciences research council	489,565	0%	0%	0%
British Academy	28,048	0%	0%	0%
British Shipbuilders	5,000	0%	0%	0%
Business Growth	386,294	100%	100%	100%
Career Development for Adults	79,000	100%	100%	100%
Central Government 'Student Fee Loans'	743,000	100%	100%	100%
Central Govt. Higher Education Programmes (inc Engineering Bursaries)	268,542	100%	100%	100%
Companies House	5,369	100%	0%	100%
Consumer Focus	4,164	0%	0%	0%
Consumer Protection	97,964	100%	0%	100%
Economic and social research council	186,374	0%	0%	0%
Education in Prisons and Custodial Institutions	32,116	100%	100%	100%
Employment Policies	26,250	0%	0%	100%
Enemy Property Claims	985	0%	0%	0%
Engineering and Physical Sciences Research Council	844,816	0%	0%	0%
Enterprise Fund/Small Firms Loan Guarantee	133,180	0%	0%	0%
ESF Admin Payments and ILO Subscription	14,274	0%	0%	0%
European University Initiative	4,363	0%	0%	0%
Exploitation of Discoveries at Public Sector Research Establishments	12,500	0%	0%	0%
Export Credits Guarantee Department	24,800	0%	0%	0%
External Legal Fees and Office of Manpower Economics Consultancy	2,326	100%	100%	100%
Further Education Miscellaneous (including grants to travellers)	107,130	100%	100%	100%
Higher Education	8,697,354	100%	100%	100%
Higher Education: Learning Fund	44,904	100%	100%	100%
Improving the Training Market	8,911	100%	100%	100%
Insolvency Service Executive Agency	34,771	100%	0%	100%
Investor Protection	4,402	0%	0%	0%
Local Authority current expenditure on Adult Education	105,410	100%	100%	100%
Medical Research Council	699,961	0%	0%	0%
Miscellaneous International Education Programmes	40,604	0%	0%	0%
National Weights and Measures Laboratory	431	0%	0%	0%
Natural Environment Research Council	419,384	0%	0%	0%
Office For Fair Access to Higher Education	464	100%	100%	100%
Office of Communications (Ofcom)	3,240	0%	0%	0%
Office of Fair Trading	63,405	0%	0%	0%
Patent Office Executive Agency	-3,325	0%	0%	0%
Post Graduate Awards	279	100%	100%	100%
Post Office	164,000	0%	0%	0%
Postal Services Commission	161	0%	0%	0%
Publicity and Research	1,415	100%	100%	100%
Regional Development Agencies	443,543	100%	100%	100%
Regional selective assistance	28,800	100%	100%	100%
Research Base Initiatives	6,598	0%	0%	0%
Research Establishments Major Capital	71,450	0%	0%	0%

Business, Innovation and Skills (continued)

Royal Academy of Engineering	12,826	0%	0%	0%
Royal Society	48,558	0%	0%	0%
Science and Society	17,441	0%	0%	0%
Science and Technology Facilities Council	593,804	0%	0%	0%
Science Research Investment Fund	31,431	0%	0%	0%
Sector Skills Development Agency	59,383	100%	100%	100%
Shareholder Executive	8,882	0%	0%	0%
Skills Funding Agency	4,285,846	100%	100%	100%
Small Business Service	5,020	100%	100%	100%
Space technology programmes	1,500	0%	0%	0%
Strategic Investment Fund	353,900	0%	0%	0%
Student Loan Debt Sale	35,500	100%	100%	100%
Student loans	742,640	100%	100%	100%
Student Loans Company: Administration	111,779	100%	100%	100%
Technology Strategy	3,000	0%	0%	0%
Trade Policy	8,992	0%	0%	0%
UK Trade and Investment	40,846	0%	0%	0%
UK Trade and Investment	95,986	0%	0%	0%
UKAEA - Decommissioning	10,937	0%	0%	0%
United Kingdom Atomic Energy Authority	-2,880	0%	0%	0%
	21,062,904	79.1%	78.4%	79.2%

PO/Group	2010-11 Provision	Scotland	Wales	NI
Home Office				
Central Services	263,622	100%	0%	100%
Credit approvals: Police	73,300	100%	0%	100%
Crime Policing Group	-65,803	100%	0%	100%
Crime Reduction	710,905	100%	0%	100%
Criminal Records Bureau (CRB)	175	100%	0%	100%
European Refugee Fund	1,000	0%	0%	0%
Forensic Science Service	7,700	100%	0%	100%
Immigration and Nationality	1,821,306	0%	0%	0%
Independent Police Complaints Commission	35,965	100%	0%	100%
Office of Security & Counter Terrorism	620,800	100%	0%	100%
Office of the Immigration Services Commissioner	4,200	0%	0%	0%
Organised and international crime	381,767	100%	0%	100%
Police	5,676,091	100%	0%	100%
Security Industry Authority	225	100%	0%	100%
Serious Organised Crime Agency (SOCA)	459,254	0%	0%	0%
UK Passport agency	146,438	0%	0%	0%
	10,136,945	76.0%	0.0%	76.0%

PO/Group	2010-11 Provision	Scotland	Wales	NI
Justice				
Electoral Commission	24,742	0%	0%	0%
MOJ: Administration	232,523	100%	0%	100%
MOJ: Community Legal Service	926,000	100%	0%	100%
MOJ: Costs from Central Funds	94,000	100%	0%	100%
MOJ: Criminal Cases Review Commission	6,845	100%	0%	0%
MOJ: Criminal Defence Service	1,081,375	100%	0%	100%
MOJ: Criminal Injuries Compensation Authority	204,360	100%	0%	100%
MOJ: Criminal Justice Group	175,154	100%	0%	100%
MOJ: HM Courts Service	733,131	100%	0%	100%
MOJ: Judicial Appointments Commission	7,660	100%	0%	100%
MOJ: Judicial Costs HM Courts Service	289,476	100%	0%	100%
MOJ: Legal Services Board	188	100%	0%	100%
MOJ: Legal Services Commission - administration	132,900	100%	0%	100%
MOJ: National Offender Management Service	4,701,582	100%	0%	100%
MOJ: Office of Legal Complaints	3,600	100%	0%	100%
MOJ: Office of the Information Commissioner	8,910	100%	0%	0%
MOJ: Office of the Public Guardian and Court of Protection	-1,408	100%	0%	100%
MOJ: Parole Board	11,340	100%	0%	100%
MOJ: Policy, Corporate Services and Associated Offices	334,340	100%	0%	100%
MOJ: Tribunals Service	19,000	100%	0%	100%
MOJ: Youth Justice Board	434,490	100%	0%	100%
The National Archives	46,257	100%	0%	100%
United Kingdom Supreme Court	6,405	0%	0%	0%
	9,472,870	99.7%	0.0%	99.5%

PO/Group	2010-11 Provision	Scotland	Wales	NI
Law Officers				
Crime Prosecution Service	633,640	100%	0%	100%
Serious Fraud Office	41,269	100%	0%	0%
Treasury Solicitors Department	16,555	100%	0%	100%
	691,464	100.0%	0.0%	94.0%

PO/Group	2010-11 Provision	Scotland	Wales	NI
Energy & Climate Change				
Administration, central programme and capital	121,673	100%	100%	100%
British Energy Liabilities	213,000	0%	0%	0%
Civil Nuclear Police Authority	4,874	0%	0%	0%
Coal authority	42,004	0%	0%	0%
Committee on Climate Change	4,321	0%	0%	0%
Concessionary fuel coal liabilities	58,056	0%	0%	0%
External legal costs	308	100%	100%	100%
Global threat Reduction	36,200	0%	0%	0%
International Climate Change: Adaptation	11,497	0%	0%	0%
International Mitigation: Climate Change	250,000	0%	0%	0%
National Nuclear Laboratory	-555	0%	0%	0%
Nuclear Decommissioning Authority	1,690,234	0%	0%	0%
Nuclear Non-Proliferation	27,419	0%	0%	0%
Office of Gas and Electricity Markets	2,351	0%	0%	100%
Oil and gas Support	7,034	0%	0%	0%
Reducing Greenhouse Gas Emissions	157,658	100%	100%	100%
Rural Economy	38,768	100%	100%	100%
Sustainability and Renewable Energy	132,029	0%	0%	0%
Tackling Fuel Poverty	326,093	100%	100%	100%
	3,122,964	20.6%	20.6%	20.7%

PO/Group	2010-11 Provision	Scotland	Wales	NI
Environment, Food & Rural Affairs				
Administration	282,750	100%	100%	100%
Air Quality	15,916	100%	100%	100%
Animal Diseases	159,139	0%	0%	100%
Animal Health	130,991	100%	100%	100%
Animal Welfare	6,564	100%	100%	100%
Area Based Grant	2,997	100%	100%	100%
Better Products	14,132	100%	100%	100%
Biodiversity	25,296	100%	100%	100%
British Waterways Board	47,027	100%	0%	100%
CAP Reform	468	100%	100%	100%
Centre for Environment, Fisheries & Aquaculture Science				
Science	5,900	100%	100%	100%
Climate Change Adaptation	20,681	0%	0%	0%
Commission for Rural Communities	6,318	100%	100%	100%
Communications	8,294	100%	100%	100%
Competitive Farming	32,762	100%	100%	100%
Consumer Council for Water	76	100%	0%	100%
Effective Delivery	-26,852	100%	100%	100%
Environment Agency: Environmental Protection	191,301	100%	100%	100%
Environment Agency: Flood Management	736,176	100%	100%	100%
Environment Agency: Water Resources	86,600	100%	100%	100%
Environmental Impact of Farming	37,376	100%	100%	100%
Environmental Risk Protection	14,113	100%	100%	100%
Flood Management	-191	100%	100%	100%
Food and Environment Research Agency	2,450	100%	100%	100%
Forestry Commission	47,256	100%	100%	100%
Gangmasters Licensing Authority	1,534	0%	0%	0%
Joint Nature Conservation Committee	1,816	0%	0%	0%
Local Environment Quality	-15,041	0%	0%	0%
Marine	39,003	100%	100%	100%
Marine Management Org	32,311	100%	100%	100%
National Forest Company	3,339	100%	100%	100%
Natural England	231,645	100%	100%	100%
Natural Environment Enjoyment	63,102	100%	100%	100%
Reduce Impact of Food Production	844	100%	100%	100%
Royal Botanical Gardens, Kew	27,120	0%	0%	0%
Rural Economy	64,878	100%	100%	100%
Rural Needs	13,755	100%	100%	100%
Rural Payments Agency	251,073	100%	100%	100%
Sustainable Development	250	100%	100%	100%
Sustainable Development Commission	2,553	100%	100%	100%
Sustainable Development Dialogues	3,350	100%	100%	100%
Sustainable Land and Soils	209,823	100%	100%	100%
Sustainable Living Landscapes	15,243	100%	100%	100%
Sustainable Water Use	1,248	100%	100%	100%
UK Co-ordinating Body	1,695	0%	0%	0%
Veterinary Laboratories Agency	6,800	100%	100%	100%
Veterinary Medicines Directorate	300	100%	100%	100%
Waste Reduction	110,824	100%	100%	100%
Water Services Regulation Authority	938	100%	0%	100%
	2,915,943	93.2%	91.6%	98.7%

PO/Group	2010-11 Provision	Scotland	Wales	NI
Culture, Media & Sport				
Administration	46,038	100%	100%	100%
Architecture & the Historic Environment	170,450	100%	100%	100%
Arts	410,663	100%	100%	100%
Broadcasting & Media	62,309	0%	0%	0%
Creative Economy	980	100%	100%	100%
Gambling Commission	1,114	0%	0%	0%
Land Sale Receipts	-6,692	100%	100%	100%
Libraries	116,585	100%	100%	100%
Listed places of worship	14,719	100%	100%	100%
Museums & Galleries	443,233	100%	100%	100%
Museums Libraries and Archives Council	60,096	100%	100%	100%
National Lottery Commission	151	0%	0%	0%
Occupied Royal Palaces and other historic buildings	18,285	100%	100%	100%
Research surveys and other services	1,901	100%	100%	100%
Royal parks	21,157	100%	100%	100%
Sport & Recreation	199,961	100%	100%	100%
Tourism	44,380	100%	100%	100%
VAT relief on memorials that are not buildings	4,500	0%	0%	0%
Welsh Channel Four Authority (S4C)	98,739	100%	0%	100%
	1,708,569	96.0%	90.2%	96.0%

PO/Group	2010-11 Provision	Scotland	Wales	NI
Work & Pensions				
Administration	869,943	0%	0%	100%
Administration of housing benefit	379,672	0%	0%	100%
Analogous Industrial Injuries	562	0%	0%	100%
Area Based Grants	49,300	0%	0%	100%
Better Government	150	0%	0%	100%
Child Maintenance & Enforcement Commission	436,401	0%	0%	100%
Corporate Services Administration	1,798,038	0%	0%	100%
Direct Gov	30,491	0%	0%	100%
Disability and Carers Benefits Directorate	158,496	0%	0%	100%
Efficiency Challenge Fund	29,727	0%	0%	100%
ES Programmes	37,047	0%	0%	100%
European Structural Fund Expenditure	-179,998	100%	100%	100%
European Structural Fund Receipts	179,998	100%	100%	100%
Financial Assistance Fund	42,597	0%	0%	100%
Government Equalities Office	71,518	0%	0%	100%
Health and Safety Executive	244,473	0%	0%	100%
Health and Safety Laboratory	1,771	0%	0%	100%
Independent Living Fund	348,160	0%	0%	100%
Job Centre Plus Agency	995,085	0%	0%	100%
Job Centre Plus, Social Provision	1,281,510	0%	0%	100%
Local Authority Administration of Community Charge Benefit	171,033	0%	0%	100%
Motability	2,015	0%	0%	100%
National Insurance Fund Expenditure	1,055,677	0%	0%	100%
National Insurance Fund Receipts	-1,055,677	0%	0%	100%
Payments out from NEP Ltd	3,687	0%	0%	100%
Pensioner Client Group	-20,083	0%	0%	100%
Pensions Advisory Service	119	0%	0%	100%
Pensions Agency	422,976	0%	0%	100%
Pensions Ombudsmen	100	0%	0%	100%
Pensions Protection Fund	4,145	0%	0%	100%
Pensions Regulator	43,803	0%	0%	100%
Personal Account Delivery Authority	97,000	0%	0%	100%
Pneumoconiosis	39,098	0%	0%	100%
REMPLOY	124,500	0%	0%	100%
Work Welfare and Equalities Group	133,734	0%	0%	100%
Working Age Client Group	489,501	0%	0%	100%
	8,286,569	0.0%	0.0%	100.0%

PO/Group	2010-11 Provision	Scotland	Wales	NI
Chancellors' Departments				
Government Actuary's Department	645	0%	0%	0%
HMRC: Administration	346,539	0%	0%	0%
HMRC: Improving Customer Experience	789,454	0%	0%	0%
HMRC: Strengthen frontier protection	-54,777	0%	0%	0%
HMRC: Tax and rate collection	2,818,186	0%	0%	0%
HMRC: Valuation Office	9,157	0%	0%	100%
HMT: Administration	126,385	0%	0%	0%
HMT: Bank of England debt management	2,390	0%	0%	0%
HMT: Bank of England exchange equalisation account	10,250	0%	0%	0%
HMT: Civil List	9,600	0%	0%	0%
HMT: Debt Management Agency	10,787	0%	0%	0%
HMT: Financial Stability	49,651	0%	0%	0%
HMT: Functioning of parliament & Privy Council	-1,341	0%	0%	0%
HMT: Office of Government Commerce	22,693	100%	100%	100%
HMT: UK coinage	19,200	0%	0%	0%
National Savings and Investments	152,872	0%	0%	0%
	4,311,691	0.5%	0.5%	0.7%

PO/Group	2010-11 Provision	Scotland	Wales	NI
Cabinet Office				
Advisory Committee on Business Appts	199	0%	0%	0%
Cabinet Office: Administration	179,146	0%	0%	100%
Central Office of Information (COI)	656	100%	100%	100%
Charity Commission	30,034	100%	0%	100%
Civil Service Commissioners	1,170	0%	0%	100%
Commissioner for Public Appointments	668	0%	0%	0%
Committee on Standards in Public Life	628	0%	0%	0%
Emergency Planning Directorate	606	100%	100%	100%
Functioning of parliament & Privy Council	4,268	0%	0%	0%
House of Lords Appointments Commission	184	0%	0%	0%
Members of the European Parliament (MEP)	6,641	0%	0%	0%
National School of Government	1,071	0%	0%	0%
Office of the Third Sector	162,698	100%	100%	100%
Secret and Intelligence Services	2,235,254	0%	0%	0%
Social Exclusion Task Force	817	100%	100%	100%
	2,624,040	7.4%	6.3%	14.3%

PO/Group	2010-11 Provision	Scotland	Wales	NI
Independent Bodies				
House of Commons	322,650	0%	0%	0%
House of Lords	123,633	0%	0%	0%
Local Government Boundary Commission	3,045	100%	100%	100%
National Audit Office	79,088	0%	0%	0%
Office of the Parliamentary Commissioner	36,829	0%	0%	0%
Statistics Board: Programme	141,578	0%	0%	100%
Statistics Board	186,955	0%	0%	100%
	893,778	0.3%	0.3%	37.1%



Glossary of Terms

Aggregate External Finance (AEF)	Mainstream Government support for expenditure on local authority services. It comprises of Revenue Support Grant (RSG), non-domestic rate payments and certain specific and special grants.
Annually Managed Expenditure (AME)	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.
Assigned budget in DEL	That part of the Departmental Expenditure Limit where the devolved administration has full discretion to determine where to allocate expenditure.
Barnett Formula	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.
Base year	Year immediately prior to first year of spending review period.
Capital expenditure	Expenditure on new construction, land, extensions and alterations of existing buildings and the purchase of fixed assets such as plant and machinery. Includes expenditure on stocks, grants and lending for capital purposes, and capital grants (payments from government on the condition that they are used for capital formation). Also covers some intangibles, such as patents and in-house creation of software under recognised projects.
Comparability	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.
Comprehensive Spending Review (CSR)	A zero based review of all Departmental objectives, policies and spending plans, the conclusion of which sets out Departmental Expenditure Limits for a period of years and all other spending aggregates.
Current expenditure	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.
Departmental Expenditure Limits (DEL)	A spending aggregate that sets firm expenditure limits for a three-year period.
DEL Reserve	A small Reserve retained centrally to deal with emergencies and genuine contingencies outside DEL provision.

Departmental Unallocated Provision	Internal contingency reserves within departmental spending plans that leave provision uncommitted so that these resources can be redirected to meet unexpected pressures.
Devolution Acts	Scotland Act 1998, Government of Wales Acts 1998 and 2006, and Northern Ireland Act 1998.
Devolved administrations	The Scottish Executive, the Welsh Assembly Government and the Northern Ireland Executive.
District Rates	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.
End-year flexibility (EYF)	The mechanism to allow unspent provision in the Departmental Expenditure Limit assigned budget in one year to be carried forward to the next to encourage good financial management.

External finance requirements	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.
Grant in aid	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).
In-year changes	Changes to expenditure allocations between spending reviews.
Local Authority Self-Financed Expenditure (LASFE)	LASFE is additional local government spending above that scored against departmental programmes
Locally Financed Expenditure (LFE)	Local Authority Self-Financed Expenditure plus non-domestic rates payments in Scotland and Wales, the yield from exercising the tax varying power in Scotland and Regional Rates Northern Ireland.
Main Departmental programmes in AME	Spending on identified programmes, in which other departments have a major interest, included in the vote from the United Kingdom Parliament within Annually Managed Expenditure to cover ring-fenced items for which multi-year limits are not appropriate.
National Loans Fund (NLF)	The fund that handles all government borrowing transactions, including the payment of debt interest, and most lending transactions.

Non-assigned budget in DEL	Spending for those items where provision is not determined directly through the Barnett Formula. Such provision is included as ring-fenced within the Departmental Expenditure Limit.
Non-domestic rates (also known as Business Rates)	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.

Northern Ireland Consolidated Fund (NICF)	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.
Other AME items	Items included for public expenditure planning as Annually Managed Expenditure, 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.
Programme Object	Component expenditure of main departmental spending programme (from 2006)
Public Corporations	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.
Regional Rates	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.
Resource Accounting and Budgeting (RAB)	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.
Revenue Support Grant (RSG)	The unhypothecated grant from central government to supplement local authorities' own finances.
Ring-fenced	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 United Kingdom Consolidated Fund.
Scottish Consolidated Fund (SCF)	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.
Scottish Variable Rate of Income Tax	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.
Sub-programme	Component expenditure of main departmental spending programme (to 2006)
United Kingdom Consolidated Fund (UKCF)	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.

Welsh Consolidated Fund (WCF)

The account into which payments and receipts (not specifically directed elsewhere) to the Welsh Assembly flow. Issues from the Fund are made to meet Welsh Assembly expenditure.

A fuller glossary of terms relating to Public Expenditure may be found in Annex G of Public Expenditure Statistical Analyses 2010 (Cm 7890).

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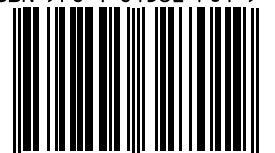
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