HM Treasury

Statement of funding policy:

funding the Scottish Parliament, National Assembly for Wales and Northern Ireland Assembly

November 2015

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1 Introduction

1.1 This is the seventh edition of the Statement of Funding Policy (SFP), first published in March 1999. It has been updated to reflect developments since the sixth edition. It sets out how UK government funding for the devolved administrations is determined in the 2015 Spending Review, and highlights the other sources of funding available to them when they set spending plans. Over the course of the period covered by the Spending Review, various aspects of powers available to each devolved administration will change significantly. The Statement of Funding Policy will need to adapt to reflect the emerging devolution landscape, meaning that more frequent updates, including through the course of the Spending Review period, are expected to be required than in the past.

1.2 The Scottish Parliament, National Assembly for Wales and Northern Ireland Assembly are established parts of the United Kingdom's democratic architecture. Their creation led to the need for clear definitions of the financial relationships to be established within the United Kingdom. The devolved administrations assumed responsibility for many of the functions once carried out by UK government, but their governance and accountability mechanisms are different from UK government departments. Their funding arrangements are the subject of detailed scrutiny by the elected Members of each legislature and those they represent.

1.3 The purpose of this Statement is to set out the policies and procedures which underpin the exercise of determining the UK government's funding of the devolved administrations, to set out the elements of that funding, and to explain the interactions with the resources it is within the devolved administrations' capacity to raise themselves. It is intended to inform those both inside and outside government how the funding process operates, particularly as the arrangements become less symmetric as the devolved administrations take responsibility for additional functions.

1.4 In future years, tax revenues within their control will provide an increasing proportion of the resources available to the devolved administrations:

- in addition to longstanding control over business rates, the Scottish Government now controls taxation of land and buildings transactions and disposals to landfill; and will set a new Scottish rate of income tax from April 2016. Scotland Bill 2015 envisages further powers coming on-stream during the SR period, including full control over income tax rates and thresholds, as a result of which more than half of the Scottish Government's funding will be provided by Scottish tax by the end of the SR period

- in Wales, the full devolution of business rates was implemented in 2015-16, bringing Wales into line with Scotland and Northern Ireland. The Welsh Government will take control over the taxation of land and buildings transactions, and disposals to landfill, from April 2018. The Wales Act 2014 also provided for new Welsh rates of income tax, subject to a referendum on whether the provisions should come into force. Fully implementing the Wales Act 2014 would make the Welsh Government responsible for raising around a quarter of its funding

- the UK government responded to the calls by the Northern Ireland Assembly to legislate for the devolution of corporation tax powers. The Corporation Tax (Northern Ireland) Act 2015 would permit the Assembly to set the rate of CT in Northern Ireland, subject to the NI Executive meeting its commitments in the

Stormont House Agreement. The NI Executive is already responsible for domestic and non-domestic rates

1.5 It is important that the way in which funding is determined should be clear, unambiguous and capable of examination and analysis by the devolved Parliament and Assemblies and the United Kingdom Parliament.

1.6 Many of the arrangements set out in this Statement were established at the point of the creation of the devolved Parliament and Assemblies; others have emerged to reflect changes in the devolution settlements or in the overall UK government budgeting regime over time. It is consistent with the original Devolution White Papers[1] and the various Devolution Acts.[2]

1.7 The text of this Statement has been the subject of consultation between HM Treasury and the devolved administrations in Scotland, Wales and Northern Ireland.

The United Kingdom public expenditure regime

1.8 Responsibility for UK fiscal policy, macroeconomic policy and funding allocation across the United Kingdom remains with the Treasury. As a result, funding from the UK government, as well as that self-financed by the devolved administrations, continues to be determined within this framework. Devolved administration spending falls within a UK-wide system of public expenditure control and budgeting guidance.

1.9 Funding for the devolved administrations from the UK government is determined with reference to the overarching requirement to meet the objectives set out in the Charter for Budget Responsibility.

1.10 UK government funding for the devolved administrations is normally determined within spending reviews alongside UK government departments and in accordance with the policies set out in this Statement. After the UK 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.

1.11 Spending by the devolved administrations is not funded exclusively by grants from the UK Parliament. Elements of budgets are also funded by local and devolved taxation, other revenue-raising powers (including fees, charges and sales of goods, services and assets), grants from the European institutions, and borrowing.

1.12 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.

Principles for inter-administration financial relations

1.13 In determining and operating the system of devolved finance, the UK government and devolved administrations work together in a spirit of mutual respect, and aim to reach agreement wherever possible. This is in accordance with both the Memorandum of Understanding between the UK government and the devolved administrations,[3] and any bilateral agreements.

1.14 The UK government and the devolved administrations have shared interests including:

[1] Scotland's Parliament (Cm 3658); A Voice for Wales (Cm 3718)

[2] Scotland Acts 1998 and 2012, Government of Wales Acts 1998 and 2006, Wales Act 2014, Northern Ireland Act 1998 and the devolution of policing and justice functions in Northern Ireland in 2010.

[3] https://www.gov.uk/government/publications/devolution-memorandum-of-understanding-and-supplementary-agreement

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

1.15 The principles which underlie inter-administration financial relations include:

- accountability: the Scottish Government, Welsh Government and Northern Ireland Executive make decisions on managing and investing the resources available to them; and are accountable to their respective Parliament or Assembly
- 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
- consent: the system commands the support of governments, parliaments and people and is equitable and predictable in operation

Principles for allocating funding within the United Kingdom

1.16 The UK government applies certain principles in allocating funding between the countries of the United Kingdom. These were initially described in 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).

1.17 The principles are updated here to reflect the additional powers transferred to the devolved administrations in the intervening years, and the reality of the changing nature of the financial relationships underpinning them. They are that:

1. UK government tax revenues, analogous receipts and other income (where provided for by legislation) are passed to the United Kingdom Consolidated Fund
2. revenues from the Scottish rate of income tax (from 2016-17 onwards) will also be passed to the United Kingdom Consolidated Fund, as this is administered by HMRC as part of a UK-wide income tax system, before being passed on to the Scottish Consolidated Fund
3. revenues from fully devolved taxes (and other devolved administration revenue-raising activities) are passed directly into the relevant Consolidated Fund
4. changes in UK government funding for the devolved administrations in relation to devolved public service responsibilities will generally be linked to changes in

planned spending on comparable areas by departments of the UK government. This linkage will generally be achieved by means of the Barnett Formula

5 changes in UK government funding for the devolved administrations in relation to devolved and assigned taxation will generally be linked to changes in corresponding UK government tax revenues

6 linking funding for the devolved administrations to UK government spending and revenue-raising largely removes the need to negotiate allocations directly

7 the allocation of public expenditure between the services under the control of the devolved administrations will be for them to determine

8 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 Assembly, the detailed accountability and audit procedures listed in the Devolution Acts, and any additional arrangements put in place by the devolved administrations themselves

9 the devolved administrations will meet all the operational and capital costs associated with devolution. In exceptional circumstances, if agreement is reached, the UK government may contribute funding towards these costs

10 where decisions taken by any of the devolved administrations or bodies under their jurisdiction have financial implications for departments or agencies of the UK government or, alternatively, decisions of UK government 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

11 the UK government reserves the right to make across-the-board adjustments to the funding for the devolved administrations in cases of a uniform general adjustment to funding for departments of the UK government, taking into account any in-year effects on annual budgets already agreed by the devolved Parliament and Assemblies when implementing such adjustments

12 consistent with the arrangements for departments of the UK government, the devolved administrations will normally be expected to accommodate additional pressures on their budgets. Unforeseen pressures should be catered for by offsetting savings, re-allocating priorities or, where options are available, raising revenue, accessing cash reserves or borrowing

13 responsibility for contributions to and distribution of receipts from the European Commission at the UK level rests solely with the UK government

Managing the Consolidated Funds

1.18 Each of the devolved administrations manages its own Consolidated Fund. These funds are the vehicle into which the cash associated with the block grant and other allocations from the UK government is paid, alongside much of the funding raised by the administrations themselves.

1.19 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 cash grant requirement
- the process of calculating the cash grant should use 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
- 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 the Scottish Government/Welsh Government/Northern Ireland Executive accounts

Elections

1.20 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 grant and where appropriate provision is 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 funding through the Barnett Formula, then the costs of those elections will be met by the devolved administrations and transferred to the UK body running the relevant election.

UK government guidance on finance and budgets

1.21 The annual 'Consolidated Budgeting Guidance' published by the Treasury sets out the budgeting framework for expenditure control for UK government departments. Its provisions also apply to the devolved administrations, except where bespoke arrangements have been agreed by Treasury ministers.

Funding available to the devolved administrations

1.22 A summary of the elements which make up each devolved administration budget is set out in the tables below, alongside references to the section of this Statement where more detail is available.

Table 1.A: Elements of Scottish Government funding 2016-17

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Table 1.B: Elements of Welsh Government funding 2016-17

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Table 1.C: Elements of Northern Ireland Executive funding 2016-17

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2 Changes in block grant funding determined by the Barnett Formula

2.1 Funding from the UK government to the devolved administrations falls into two broad categories: block grant (or DEL) funding and funding in relation to Annually Managed Expenditure (AME). This chapter covers the element of block grant funding that relates to UK Government departmental spending within Departmental Expenditure Limits (DEL).

2.2 Changes in UK government block grant funding allocated to the devolved administrations in relation to departmental spending within Departmental Expenditure Limits are generally determined by applying the Barnett Formula.

2.3 This system was first used in the 1978 Public Expenditure Survey. The Devolution White Papers of the 1990s stated the then-UK government's commitment to retaining the existing Formula and arrangements. Consistent with commitments given by successive UK governments, the Barnett Formula will continue to apply to departmental spending within Departmental Expenditure Limits. Business rates will also continue to be dealt with within the Barnett Formula. Alongside the continued operation of the Barnett Formula, new funding arrangements are being implemented in relation to individual devolved administrations' evolving tax and welfare powers.

2.4 In particular, the St David's Day announcement committed to introducing a funding floor in the level of relative funding provided to the Welsh Government. A funding floor has now been implemented which ensures that funding provided to the Welsh Government will not fall below 115% of comparable UK government spending per head during this Spending Review period.

The Barnett Formula

2.5 The Barnett Formula determines changes to the block grant funding allocated to the devolved administrations by the UK government in relation to departmental spending within Departmental Expenditure Limits. Under the Formula, the Scottish Government, Welsh Government and Northern Ireland Executive receive a population-based proportion of changes in planned UK government spending on comparable services in England, England and Wales or Great Britain as appropriate.

2.6 The Barnett Formula therefore determines changes to each devolved administration's funding with reference to changes in DEL funding for UK government departments; it does not determine the total allocation for each devolved administration afresh each time it is applied.

2.7 There are three factors that determine changes to each devolved administration's block grant under the Barnett Formula:

- the quantity of the change in planned spending in UK government departments
- the extent to which the relevant UK government department's spending is comparable with the services carried out by each devolved administration
- each country's population as a proportion of England, England and Wales or Great Britain as appropriate

2.8 Three factors are used to determine the net change to the funding allocations for each devolved administration. These are:

Change to planned UK government spending	X	Comparability percentage	X	Appropriate population proportion

2.9 At Spending Reviews, this calculation is undertaken using changes to each UK government department's overall DEL budget and the departmental comparability percentage; the sum of these changes represents the aggregate net change to the funding for each of the devolved administrations. Separate calculations are performed in respect of resource and capital DEL.

2.10 At annual fiscal events – Budgets and Autumn Statements – the calculation is undertaken at programme level where policy announcements change the overall DEL allocations for a UK government department. The calculation uses the change in the planned spending on each relevant programme and the comparability factor is set to either 0% or 100% dependent on whether the relevant UK government programme is devolved. The sum of these changes represents the aggregate net change to the funding for each of the devolved administration, calculated separately for resource and capital DEL.

2.11 Annex A shows an example of how changes are calculated using the Barnett Formula, both at Spending Reviews and at annual fiscal events.

Comparability percentages and in-year transfers

2.12 Comparability is the extent to which services delivered by UK government departments correspond to services which, in terms of their primary function, are the responsibility of the devolved administrations within the devolution settlements.

2.13 A comparability percentage is determined for each departmental programme within Departmental Expenditure Limits (DEL) for each devolved administration. This percentage is set at 100% if the programme relates to services that are the responsibility of the devolved administration, or is set at 0% otherwise. Each programme is then weighted by its spending in the base year (the year immediately preceding the first year covered by a spending review) to give an overall departmental comparability percentage. The departmental comparability factors applied in the 2015 Spending Review are summarised in the table in Annex B, and Annex C lists the programmes used for the 2015 Spending Review. Departmental Unallocated Provision is assumed to have the weighted average departmental comparability and therefore does not affect the calculations of departmental comparability.

2.14 Expenditure on services is normally regarded as comparable at the programme level except in cases where:

- expenditure is incurred on behalf of the whole of the United Kingdom, or some combination of England, Scotland, Wales and Northern Ireland, at programme level
- other arrangements are in place to determine the share of funding to be distributed amongst the devolved administrations
- a programme is exceptionally regarded as unique at the UK level

2.15 Assessment of whether a programme is unique at a UK level should be exceptional. As such, any such assessment should be evidence-based, be undertaken in a timely manner, and be considered by Treasury ministers and their counterparts in the devolved administrations to ensure all viewpoints are understood before final decisions are taken. Where classification, transfer or machinery of government changes occur in UK 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 comparability. Existing plans and comparability factors will not generally be revisited during the course of a spending review period.

2.16 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.

2.17 The Treasury consults with each devolved administration to allow comments and discussion prior to a spending review on the comparability percentages to be used in that review. Specifically, the Treasury will advise: which Departmental Expenditure Limits contain comparable spending for the purpose of applying the Formula; the comparability percentage of each programme within each Departmental Expenditure Limit; and the provision for that programme 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 programmes with established comparability percentages and the overall comparability factor for that DEL will be calculated in the normal way.

2.18 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 UK government departmental programmes will mean that the devolved administrations will be able to verify that the Barnett Formula methodology and arithmetic has been applied correctly.

Population proportions

2.19 The population proportions used reflect the annual mid-year estimates published by the Office for National Statistics in the summer. For the 2015 Spending Review, the mid-year estimates published in June 2015 will be applied.

2.20 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.

2.21 The population proportions used in the Formula reflect the coverage of the UK government departmental programme to which they are applied. In the majority of cases, the departmental programmes cover England only and the proportion of England's population is applied. However, where the United Kingdom departmental programme covers England and Wales, then the proportion of the population of England and Wales is applied.

2.22 Previous and current population proportions are set out in Annex D.

3 UK government funding for Annually Managed Expenditure

3.1 The UK government provides funding for certain programmes which are devolved responsibilities as Annually Managed Expenditure (AME) rather than through the block grants as DEL. Generally, programmes are funded in AME if they are not only demand-led but also may be volatile in a way that could not adequately be controlled by the devolved administration; and/or are so large that the devolved administrations could not be expected to absorb the effects of volatility within DEL.

3.2 AME therefore covers programmes such as welfare payments determined at the UK level, and public-sector pensions. The devolved administrations, working closely with the Treasury or other UK government departments as appropriate, must forecast the expected costs associated with programmes funded through AME and review these forecasts regularly.

3.3 The cash required to support programmes funded in AME then forms part of the cash grant paid into the relevant consolidated fund, where these programmes are funded centrally from the Exchequer. 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. Excess provision cannot normally be carried forward from one year to the next. Where a devolved administration wishes to offer more generous terms for an AME programme, then the excess over that implied by adopting broadly similar criteria to the relevant UK government department or body (and therefore broadly comparable costs) for that programme must be met from within their DEL budgets.

3.4 Details of the programmes in Scotland, Wales and Northern Ireland within AME can be found in the Annex E.

The Office for Budget Responsibility and forecasting AME

3.5 The Office for Budget Responsibility (OBR) commissions forecasts of AME from the devolved administrations twice annually in order to inform its *Economic and Fiscal Outlook* reports, usually published alongside the Budget and Autumn Statement. The devolved administrations will be expected to provide forecast data and other supporting data to the OBR as requested, and to work with the Treasury to ensure a common understanding of the assumptions underlying forecasts is reached as required.

4 Other sources of devolved administration funding

4.1 Alongside funding provided by the UK government, the devolved administrations are each able to generate further funding through various powers including taxation, charging and borrowing.

Taxation

4.2 Each devolved administration has tax powers, which vary across the devolution settlements. The common arrangements for non-domestic (business) rates are set out below while information about specific tax powers in each devolved nation is set out in Chapters 8 to 10. Devolving tax powers increases the devolved administrations' accountability in relation to funding their spending, while also ensuring they can vary the level of tax and spending to suit local circumstances.

4.3 There is a careful balance to strike between devolved and non-devolved taxation, as the UK-wide single market and the pooling and sharing of tax revenues and risk are defining features of the UK. Ensuring the correct balance is struck between sharing risks and available resources, and delivering the appropriate level of flexibility for each devolved administration, is an important part of the UK government's overall commitment to support people right across the UK by setting the conditions which support economic security, jobs and growth. The UK government also recognises the need to minimise the administrative burdens on individuals and businesses.

4.4 The result has been devolution of tax powers which varies across the three devolved administrations, recognising their particular circumstances, and respecting the various agreements and political processes which have underpinned each settlement.

Non-domestic (business) rates

4.5 Each devolved administration has full control of the structure and level of non-domestic (business) rates within its jurisdiction. They set business rates policy, retain all of the revenues generated, and determine how they are spent. As these revenues are not pooled centrally, the devolved administrations do not receive a share (via the Barnett Formula) of changes in UK Government spending funded by changes in business rates receipts in England.

Charges

4.6 The devolved administrations have the capacity to set charges for providing a wide range of public services which fall within their responsibilities under the devolution settlements. There is no requirement that they follow the structure or scale of fees and charges set by UK government departments, or indeed by other devolved administrations, for the provision of similar services.

4.7 Income from recurrent fees and charges which are established to recover the costs of providing public services score against devolved administration budgets as negative public expenditure receipts and are therefore available to be recycled by the devolved administrations themselves for spending.

Trading receipts

4.8 Where a devolved administration receives significant trading surpluses from the commercial exploitation of publicly funded assets, these may be taken into account by the UK government when determining allocations, or by the devolved administration surrendering these to the United Kingdom Consolidated Fund. The UK 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. To determine whether surpluses from trading receipts need to be taken into account in relation to any activity, the Treasury will consult the devolved administration concerned to attempt to seek agreement.

Other revenue receipts

4.9 The treatment of receipts in devolved administration Departmental Expenditure Limits is set out by the Treasury in the 'Consolidated Budgeting Guidance'[1] and in other guidance papers. These are generally based on Office for National Statistics definitions of what scores as a payment for a service, a tax, a levy or a fine in National Accounts. There is also scope for negative DEL treatment for certain fines and taxes.

4.10 Legislation sets out when the Treasury has to list those receipts which have to be surrendered to the Consolidated Fund. For Scotland, these are listed in an order made under Section 64 (5) of the Scotland Act 1998. For Wales, the Treasury direction under Section 120 (3) of the Government of Wales Act 2006 lists those receipts that will be surrendered.

Capital receipts

4.11 Taxpayers across the UK will have a continuing interest in capital assets under the control of the devolved administrations where those assets were originally financed prior to devolution, and not therefore on the basis of decisions or investment undertaken by the devolved administrations themselves. The number of such assets necessarily diminishes over time. However, where assets are sold which were originally financed other than from devolved administration budgets, the UK government reserves the right to take into account proceeds from the sales of such assets and offset them against the block grant.

4.12 For example, Treasury ministers reserve the capacity to make offsetting adjustments to the block grant allocated to a devolved administration 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.

Borrowing

4.13 All of the devolved administrations have powers to borrow. The circumstances under which they can borrow can be brigaded into two categories:

- capital borrowing – this covers borrowing for investment purposes
- borrowing for other purposes – this covers powers to borrow for in-year cash management purposes and to deal with risks associated with tax devolution

4.14 Details of the specific borrowing powers for each devolved administration are set out in Chapters 8 to 10.

[1] https://www.gov.uk/government/publications/consolidated-budgeting-guidance-2015-to-2016

European Funding

4.15 European Structural and Investment Funds provide EU Member States with financial assistance to increase economic activity and employment across the EU. Each of the devolved administrations has the opportunity to access Structural and Investment Funds.

5 Financial Transactions Capital

5.1 The UK government supports some capital investment programmes and other projects through Financial Transactions Capital (FTC), which is also sometimes referred to as 'net lending' or 'policy lending'.

5.2 Each of the devolved administrations receives proportionate budgetary cover to invest Financial Transactions Capital where the equivalent UK government investment scores in DEL, as the Barnett Formula is applied to FTC investment by UK government departments in the same manner as for regular Capital DEL spending. While UK government departmental FTC allocations are ring-fenced and may only be used for the purposes for which they are allocated, devolved administrations can make their own decisions on allocating FTC to specific programmes or projects in order to ensure policy flexibility exists to meet local needs and priorities.

5.3 Separate arrangements exist where the UK government supports programmes through FTC which score as Annually Managed Expenditure – for example, in relation to some student loans programmes. For AME programmes, the general rule is that the devolved administrations will receive AME cover sufficient to ensure they could implement policies broadly equivalent to those being introduced by UK government departments (and therefore generating broadly similar costs), if they wish to do so.

Fiscal impact

5.4 Policy lending generates financial, as opposed to non-financial (i.e. regular spending) transactions. They score as a financial transaction in the National Accounts, rather than as regular resource or capital expenditure. They include loans given and shares purchased, net of repayments and sales of shares.

5.5 FTC-related investment in the private sector adds to Public Sector Net Debt. Consequently net lending to bodies outside the budgeting boundary scores to devolved administrations' capital budgets even though the transactions are not classified as capital in National Accounts.

Recording of Financial Transactions Capital investment and receipts

5.6 As well as the investment of Financial Transactions Capital, devolved administration budgets will also need to record the income (repayments) associated with the original investments.

5.7 As the repayments for each FTC programme are completed, it will also be necessary to record in budgets the difference between the amounts of FTC paid out and the income subsequently received as a write-off.

5.8 Repayments will need to be scored as negative CDEL Financial Transaction Capital while the write-offs referred to above will score as resource AME. In order that Capital DEL Control Totals are not skewed by Financial Transactions Capital repayments, the repayments should only be scored at the outturn stage of the recording cycle.

5.9 The 'Consolidated Budgeting Guidance' offers further information relating to the in the recording of Financial Transactions Capital.

Under-recovery of Financial Transactions Capital repayments

5.10 If, for some reason, a devolved administration does not recover the minimum return expected in relation to a specific FTC allocation, they will be expected to meet any shortfall from over-recovery on other FTC allocations. Should such offsetting over-recovery not be possible it will be necessary to offset under-recovery from within fiscal CDEL allocations.

Data Provision

5.11 Devolved administrations are required to submit annual returns to the Treasury setting out information relating to their FTC investments. This should include:

- details of the programmes on which the allocations will be spent including annual profiles for future years
- specific allocations of any previously unallocated Financial Transactions Capital
- outturn data for the previous two years
- proposed repayment profiles for each tranche of Financial Transactions Capital where these are not consolidated into baselines

6 Managing emerging pressures

6.1 Spending Reviews set multi-year allocations for the devolved administrations. Like UK government departments, devolved administrations must live within these block grant allocations and absorb unforeseen pressures, managing as necessary by using the tools available to them, which vary across the devolution settlements. They are responsible for ensuring sufficient arrangements are in place for the planning and control of spending on devolved services to mitigate and manage the impact of emerging pressures.

6.2 In practice this means that the devolved administrations will manage emerging pressures on their budget by re-allocating funding from other priorities, seeking offsetting savings, deploying Budget Exchange arrangements, and utilising the range of alternative sources of funding and budgetary management available. Devolved administrations also have the freedom to adopt whichever arrangements they deem suitable for establishing Departmental Unallocated Provisions or retaining budgets at the centre as contingencies.

6.3 In-year claims on the Treasury's DEL Reserve should therefore be regarded as a last resort. Such claims may result in devolved administrations' multi-year settlements being re-visited to ensure the overall level of funding remains consistent, as is the case with UK government departments.

6.4 Access to the DEL Reserve by the devolved administrations will be considered by Treasury ministers in exceptional circumstances, on a case-by-case basis and specifically where:

1. a UK government department is granted access to the Reserve to enable it to meet exceptional pressures on a spending programme, and a devolved administration facing similar pressures unforeseen at the time spending plans were set is unable to meet them using the range of alternative sources of funding or budgetary management tools available to it
2. a devolved administration faces exceptional and unforeseen domestic costs which cannot reasonably be absorbed within existing budgets without a major dislocation of existing services

6.5 There is no automatic application of the Barnett Formula to Reserve claims by departments of the UK government, and claims from a devolved administration are not necessarily to be determined with reference to the relative sizes of populations, given the range of circumstances in which they might be made.

6.6 Reserve claims by the devolved administrations will therefore be judged on largely the same criteria as claims by UK government departments as set out in the 'Consolidated Budgeting Guidance' (including exceptionally any future year consequences), but decisions on access to the Reserve will also recognise the additional tools and powers available to them.

6.7 In considering in-year changes to UK government spending plans, for example in the Budget or Autumn Statement, Treasury ministers will consider the implications for comparable programmes across the UK in making allocations in accordance with the funding rules. The devolved administrations will also be able to make representations directly to Treasury ministers.

6.8 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 UK government makes a uniform general adjustment to public spending programmes across departments

2 action taken by a devolved administration in a devolved area has repercussive costs for the UK government or vice versa. The devolved administration will be able to make or receive payments to departments of the UK 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 UK 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 UK 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 UK government which UK government departments with parallel responsibilities are expected to absorb within existing spending plans. The general principle for establishing the burden of cost is set out in subparagraph 1.17.10 above

Breaches of Departmental Expenditure Limits

6.9 Breaches by the devolved administration of their DEL control totals which materialise at the end of the year would represent serious financial mismanagement. The presumption is that the following year's allocation to the devolved administration would be reduced by an amount equivalent to the breach. The same rule applies to departments of the UK government.

7 Budget Exchange

7.1 The Budget Exchange (BX) system was introduced for UK government departments and the devolved administrations from 2011-12. It replaced the previous 'End Year Flexibility' arrangements. Under Budget Exchange arrangements, the devolved administrations can carry forward unallocated DEL budget from one financial year to the next, within previously agreed limits and with the consent of Treasury ministers.

7.2 The arrangements exist to offer a degree of flexibility for the devolved administrations in planning the timing of spending across years; and to ensure they have the capacity to react to unforeseen changes in spending plans whilst maintaining the integrity of the annual budgets.

7.3 In practical terms Budget Exchange is achieved by surrendering unspent provision to the Exchequer in one year, with an equivalent sum being added to the block grant in the subsequent year.

Budget Exchange limits

7.4 The amount of a devolved administration's block grant allocation which it can carry forward to a subsequent year is calculated with reference to the Resource and Capital DEL totals published in the Parliamentary Supplementary Supply Estimates in the year from which it is being carried forward. The agreed amount is then added to the initial DEL totals published in the Main Supply Estimates in the year into which it is being carried forward, and reflected in the DEL totals in the Supplementary Estimates later that year.

7.5 A limit of 0.6% will apply to Resource DEL underspends and 1.5% to Capital DEL underspends in any year. Any underspends in excess of these limits will be forfeited.

7.6 In planning for Budget Exchange requests, the devolved administrations must include within the limits at paragraph 7.5 above any desired carry forward of in-year changes to their block grants, including in-year additions of Barnett consequentials, classification changes, machinery of government changes or other interdepartmental transfers of provision.

7.7 Any in-year funding provided as a result of a successful claim on the DEL Reserve by devolved administration ministers will be ineligible for carry forward under Budget Exchange.

7.8 The 0.6% limit for RDEL is calculated separately for each element of RDEL (fiscal RDEL, ring-fenced non-fiscal depreciation and ring-fenced non-fiscal student loans). A devolved administration may carry forward more than 0.6% of ring-fenced non-fiscal RDEL within the overall 0.6% limit; but no more than 0.6% of fiscal RDEL may be carried forward even if this amount remains within the overall 0.6% RDEL limit.

Notification and agreement

7.9 Treasury and devolved administration officials will liaise to determine the block grant allocation which can be carried forward from one year to the next, with reference to the limits set out in paragraphs 7.5 and 7.6 above. This process will normally take place at the end of the financial year as the devolved administrations calculate their provisional outturn for the previous year.

7.10 Devolved administration ministers should then write to the Chief Secretary in advance of the publication of the Parliamentary Supplementary Estimates in the year into which allocations are being carried, to ensure appropriate adjustments can be made to the DEL figures presented to Parliament. The Chief Secretary will also formally record agreement to BX in correspondence.

8 Self-financed expenditure in Scotland

8.1 Since devolution the Scottish Parliament has been responsible for many of the key public services in Scotland. Its devolved responsibilities include health, social care, education, skills, local government, policing, justice, infrastructure investment and housing.

8.2 However, the Scottish Parliament's responsibilities for raising resources to fund its spending have historically been more limited. Prior to Scotland Act 2012, the Scottish Parliament was responsible for council tax and non-domestic (business) rates in Scotland, and also had the power to vary the basic rate of income tax by up to 3p (the Scottish Variable Rate).

8.3 Scotland Act 2012, which implemented the recommendations of the Calman Commission, devolved further tax and borrowing powers to the Scottish Parliament. These fiscal powers are now being further enhanced through the implementation of the Smith Agreement, which also devolves responsibility for substantial areas of welfare.

8.4 Alongside the transfer of these new powers, the Scottish Government's block grant is adjusted accordingly. The block grant is increased when a devolved administration takes on responsibility for additional areas of spending and reduced when taxes are devolved (or assigned). Following the implementation of the Smith Agreement, the Scottish Government will self-fund more than half of its spending.

8.5 This means an increase in the accountability of the Scottish Parliament, as it will hold the risks and benefits of self-financing a significant proportion of its spending. The Scottish Government's budget will be increasingly determined by the performance of the Scottish economy, itself influenced by policy decisions that it takes. At the same time the Scottish Parliament has further powers to directly vary the level of tax and spending in Scotland. Changes in the Scottish Government's budget will increasingly be determined by changes in devolved tax rather than simply being a consequence of the application of the Barnett Formula, as in the past.

Sources of funding

8.6 The Scottish Government and, where applicable, local authorities in Scotland, have responsibility for expenditure self-financed from various sources of revenue such as taxes, levies and charges. Determining the levels of revenue available to them, and where to spend it, is a matter for the Scottish Government and the local authorities themselves.

Table 8.A: Sources of self-financed expenditure in Scotland 2016-17

Local taxes
• Non-domestic rates
• Council tax
Devolved taxes
• Land and buildings transactions tax
• Scottish landfill tax
Scottish rate of income tax
Other receipts, levies and charges
Borrowing
• Scottish Government capital borrowing
• Other Scottish Government borrowing
• Borrowing by Scottish Local Authorities
Cash reserve

8.7 Following the implementation of the Smith Agreement the Scottish Parliament will have access to further sources of self-funding. In particular, the Scottish Parliament will:

- set all rates and thresholds for non-savings non-dividends income tax in Scotland, retaining all the revenue generated
- retain revenues generated from the first 10 percentage points of standard rate VAT and the first 2.5 percentage points of reduced rate VAT in Scotland
- have full control over air passenger duty and the aggregates levy in Scotland

Local taxation

8.8 Scottish local authorities are responsible for setting rates of council tax in Scotland, retaining all the revenue generated and deciding how to use this funding. The Scottish Parliament also has devolved responsibility for non-domestic rates.

Devolved taxes

8.9 From April 2015, stamp duty land tax (SDLT) and landfill tax (LfT) ceased to apply in Scotland and the Scottish Parliament became responsible for the taxation of land/building transactions and disposals to landfill in Scotland. The land and buildings transactions tax (LBTT) and Scottish landfill tax (SLfT) are the replacement taxes. The Scottish Parliament retains all of the revenues generated by these taxes.

8.10 Alongside the devolution of these two taxes, the UK and Scottish governments agreed a reduction in the Scottish Government's block grant for 2015-16. The future block grant adjustment arrangements are being agreed as part of the wider ongoing fiscal framework discussions as set out in the Smith Agreement.

Scottish rate of income tax

8.11 From April 2016, the Scottish Parliament will set a Scottish rate of income tax (SRIT). This will be charged on the taxable non-savings, non-dividend (NSND) income of those defined as Scottish taxpayers. The three main rates of UK income tax (basic, higher and additional) will be reduced by 10 percentage points for Scottish taxpayers, who will then pay this reduced UK rate and the Scottish rate set by the Scottish Parliament. There are no restrictions in relation to the Scottish rate, except that it must be a whole or half per cent.

Band	UK rates	UK rates in Scotland
Basic	20%	10%
Higher	40%	30%
Additional	45%	35%

8.12 If the Scottish Parliament sets a Scottish rate of 10% then Scottish taxpayers will face the same overall rate of income tax as taxpayers in the rest of the UK. If the Scottish Parliament sets a Scottish rate of, for example, 9% or 11% then Scottish taxpayers will face lower or higher overall rates of income tax respectively.

8.13 HMRC will continue to administer SRIT as part of the UK's integrated income tax system. The Scottish Parliament will receive all revenues generated by the Scottish rate alongside a reduced block grant. The UK and Scottish governments have agreed that there will be a transitional period[1] during which the following arrangements will apply:

- Scottish Government's SRIT revenues - SRIT revenues forecast by the OBR (using the rate set by the Scottish Parliament) will be transferred to the Scottish Government alongside payments of a reduced block grant as and when they are needed during the course of the year
- block grant adjustment - the block grant deduction will be determined annually by an OBR forecast of revenues generated by a Scottish rate of 10% (irrespective of the rate set by the Scottish Parliament). The UK Government will therefore retain the growth risk during the transitional period

8.14 For 2016-17, the OBR SRIT forecast (at 10%) published alongside the Autumn Statement 2015 will be used for the block grant deduction. If the Scottish Parliament sets a Scottish rate of 10% then the same forecast will be used for the transfer of SRIT revenues. However, if the Scottish Parliament sets a rate other than 10% then the OBR forecast will be updated accordingly for the payment of SRIT revenues.

8.15 There will be no year-end reconciliation (during the transitional period) between the OBR forecasts and actual revenues, either for the Scottish rate revenues or for the block grant deduction. The UK government will therefore retain the forecast risk during the transitional period.

8.16 In summary, Scotland will be no better and no worse off during the transition period, although by setting a rate different from 10 per cent the Scottish Parliament can still choose to

[1] A transitional period of two or three years was agreed (to be determined) although this may be superseded by the implementation of the Smith Agreement income tax powers.

increase or decrease tax/spending in Scotland compared to existing arrangements (as the block grant deduction will continue to be based on a 10 per cent rate irrespective of the Scottish rate).

Borrowing

8.17 Scottish Government ministers can borrow both to fund capital expenditure, and for a defined range of purposes not related to capital expenditure. Borrowing, like spending within Departmental Expenditure Limits or Annually Managed Expenditure, affects the UK's overall fiscal position and is therefore subject to a range of legislative and administrative controls.

Borrowing for capital expenditure purposes

8.18 Scotland Act 1998, as amended by Scotland Act 2012, enables Scottish Government ministers to borrow for capital expenditure up to a cumulative maximum of £2.2 billion.

8.19 Annual capital borrowing is subject to a limit set by Treasury ministers. That limit is currently set as borrowing equivalent to 10% of the Scottish Parliament's Capital DEL block grant allocation.

8.20 Capital borrowing may be through the Secretary of State for Scotland from the National Loans Fund, by way of a commercial loan (directly from a bank or other lender), or through the Scottish Government issuing their own bonds.

Borrowing for purposes other than capital expenditure

8.21 Scotland Act 1998, as amended by Scotland Act 2012, enables Scottish Government ministers to borrow for purposes other than capital expenditure in circumstances where such borrowing is necessary to

- Help smooth fluctuations in tax receipts, in particular where actual devolved tax receipts fall short of forecasts
- Meet an in-year excess in expenditure over income within the Scottish Consolidated Fund
- Provide a working balance in the Scottish Consolidated Fund

8.22 Borrowing for purposes other than capital expenditure is limited by the legislation to a cumulative maximum of £500 million.

8.23 Annual borrowing for purposes other than capital expenditure is subject to a limit set by Treasury ministers. That limit is currently £200 million per year. Borrowing for purposes other than capital expenditure is by the Secretary of State on behalf of Scottish Government ministers, from the National Loans Fund.

Local Authority borrowing in Scotland

8.24 A prudential borrowing regime for local authorities in Scotland was introduced in 2004-05. From 2011-12 all borrowing undertaken by local authorities became self-financed. This is classified as AME and forms part of the Local Self-Financed Expenditure (LASFE) forecast produced by the OBR.

Cash reserve

8.25 The cash reserve provides the Scottish Government with a further tool, alongside extended borrowing powers, to help manage its new tax powers. Specifically, the Scottish Government is able to maintain a reserve that can be accessed if tax revenues are lower than forecast. This reserve will operate separately from the system of budget exchange.

8.26 To support the transition to the new system of increased self-funding, Scottish Government ministers have been able to make discretionary payments into the cash reserve (since 2012-13) up to an overall total of £125 million. From 2015-16 onwards the Scottish Government will be able to pay surplus tax receipts (after the repayment of any outstanding current borrowing) into the reserve.

9 Self-financed expenditure in Wales

9.1 Since devolution the National Assembly for Wales (the Assembly) has been responsible for many of the major public services in Wales, including health, social care, education, skills and housing. However, its spending has been almost entirely funded by the block grant from the UK government.

9.2 The Silk Commission recommended that the Welsh Government should become more accountable for funding its spending, through the devolution of a range of tax and borrowing powers. Alongside the full devolution of non-domestic (business) rates from April 2015, bringing the Assembly's powers in line with those already in effect in Scotland and Northern Ireland, further powers were legislated for in the Wales Act 2014.

9.3 Alongside the transfer of these new tax powers, the Welsh Government's block grant is being reduced accordingly. Following the implementation of the Wales Act 2014, the Welsh Government will self-fund around a quarter of its spending. This increases the Welsh Government's accountability, as it will hold the risks and benefits of self-financing a significant part of its spending, while providing further powers to vary the level of tax and spending in Wales directly.

Sources of funding

9.4 The Assembly and, where applicable, local authorities in Wales, have responsibility for expenditure self-financed from various sources of revenue such as taxes, levies and charges. Spending funded by these revenues is a matter for the Welsh Government and the local authorities in Wales.

Table 9.A: Sources of self-financed expenditure in Wales 2016-17

Local taxes
• Non-domestic rates
• Council tax
Other receipts, levies and charges
Borrowing
• Early access to Welsh Government capital borrowing
• Borrowing by Welsh Local Authorities

Local taxation

9.5 Welsh local authorities are responsible for setting rates of council tax in Wales, retaining all the revenue generated and deciding how to use this funding.

9.6 Non-domestic (business) rates have been fully devolved to the Welsh Assembly since April 2015, as in Scotland and Northern Ireland. While the Welsh Assembly already had legislative competence to set the poundage rates, from April 2015 the funding available from business rates has been directly available to spend in Wales. Previously, funding available related to business rates was linked to changes in UK government spending funded by business rates.

Further tax devolution

9.7 From April 2018, stamp duty land tax (SDLT) and landfill tax (LfT) will be devolved to the Welsh Assembly. The Wales Act 2014 also provides the Welsh Assembly with the power to create Welsh rates of income tax; the Act stipulates that this is subject to the outcome of a referendum on whether the provisions should come into force. The Welsh Government's block grant will be reduced accordingly to reflect further tax devolution when it takes place.

9.8 Alongside further tax devolution, the Welsh Government will be able to operate a cash reserve. The reserve will operate separately from the system of budget exchange. This provides an additional tool, alongside extended borrowing powers (set out below) to help manage the new tax powers. Specifically, the Welsh Government will be able to pay surplus tax receipts (after the repayment of any outstanding current borrowing) into the reserve, which can be accessed in future years if tax revenues are lower than forecast.

Borrowing

9.9 Welsh Government ministers can borrow both to fund capital expenditure, and for a defined range of purposes not related to capital expenditure. Borrowing, like spending within Departmental Expenditure Limits or Annually Managed Expenditure, affects the UK's overall fiscal position and is therefore subject to a range of legislative and administrative controls.

Borrowing for capital expenditure purposes

9.10 The Wales Act 2014 enables Welsh Government ministers to borrow for capital purposes up to a cumulative maximum of £500 million. This provision is expected to take effect in 2018. Annual capital borrowing is subject to a limit of £125m set by Treasury ministers and may be through the Secretary of State for Wales (from the National Loans Fund) or by way of a commercial loan (directly from a bank or other lender). The St David's Day announcement also stated that the Welsh Government will be able to issue their own bonds.

9.11 Welsh Government ministers have been offered the opportunity of early access to this new source of funding in relation to enhancements to the M4.

Borrowing for purposes other than capital expenditure

9.12 The Government of Wales Act 2006 enables Welsh Government ministers to borrow for purposes other than capital expenditure in circumstances where such borrowing is necessary to:

- Meet an in-year excess in expenditure over income within the Welsh Consolidated Fund
- Provide a working balance in the Welsh Consolidated Fund

9.13 Borrowing for purposes other than capital expenditure is limited by the legislation to a cumulative maximum of £500 million.

9.14 When additional tax powers devolved to the National Assembly for Wales come into effect (initially stamp duty land tax and landfill tax in 2018), the circumstances under which the Welsh Government can access such borrowing will be extended to include the ability to smooth fluctuations in tax receipts, in particular where actual devolved tax receipts fall short of forecasts. This borrowing will be subject to an annual limit of £200m set by Treasury ministers.

9.15 Borrowing for purposes other than capital expenditure is by the Secretary of State on behalf of Welsh Government ministers, from the National Loans Fund.

Local Authority borrowing in Wales

9.16 A prudential borrowing regime for local authorities in Wales was introduced in 2004-05. From 2011-12 all borrowing undertaken by local authorities became self-financed. This is classified as AME and forms part of the Local Self-Financed Expenditure (LASFE) forecast produced by the OBR.

10 Self-financed expenditure in Northern Ireland

10.1 Since the return of devolved government to Northern Ireland following the Belfast/Good Friday Agreement, the Northern Ireland Assembly has been responsible for the delivery of most key public services. Its devolved responsibilities include health, social care, education, skills, local government, policing, justice, infrastructure investment and housing. The Northern Ireland Assembly also has extensive devolved powers over welfare.

10.2 As is the case right across the UK, the government has recognised that each devolution settlement needs to reflect the circumstances and challenges faced by the devolved administration and the jurisdiction it covers. Previous governments ensured that Northern Ireland had capital borrowing powers to support economic regeneration in the early years of the Assembly's existence, and these powers have been supplemented and extended in response to various developments in Northern Ireland's wider political situation.

10.3 Most recently, the Stormont House Agreement of December 2014, and the 'Fresh Start' agreement and implementation plan of November 2015, set out the UK government's commitments on additional powers, support and financial flexibility.

Sources of funding

10.4 The Northern Ireland Assembly and where applicable, local councils, have responsibility for expenditure self-financed from various sources of revenue such as taxes, levies and charges. Determining the levels of revenue available to them, and where to spend it, is a matter for the Northern Ireland Executive and the local councils themselves.

Table 10.A: Sources of self-financed expenditure in Northern Ireland 2016-17

Local taxes
• Non-domestic rates
• Domestic rates
Long-haul Air Passenger Duty
Other receipts, levies and charges
Borrowing
• Northern Ireland Executive capital borrowing

Local taxation

10.5 Domestic rates in Northern Ireland are set by a combination of the Northern Ireland Executive (the regional rate component) and individual local councils (the district rate component). Decisions on spending allocations between Northern Ireland departments and councils are also a devolved matter.

10.6 The Northern Ireland Executive and local councils also have full control over the level and structure of non-domestic (business) rates, and on spending the income generated.

Devolved taxes

10.7 From January 2013, the power to set Air Passenger Duty (APD) rates for long-haul flights was devolved to the Northern Ireland Assembly. The Northern Ireland Executive's block grant is adjusted each year, according to an agreed mechanism, to reflect the tax revenues foregone by the Exchequer as a result of the devolution of long-haul APD.

Further tax devolution

10.8 The Corporation Tax (Northern Ireland) Act 2014 provides for the Northern Ireland Assembly to set the main rate of corporation tax in respect of certain trading profits. Commencement of the powers in the Act relies on the Northern Ireland Executive meeting the commitments entered into in the Stormont House Agreement, including those around ensuring that the Executive's finances are demonstrated to have been placed on a sustainable footing.

10.9 As for other devolved taxes, corporation tax devolution will involve a block grant adjustment to reflect the tax revenues foregone by the Exchequer as a result of the devolution of corporation tax. The precise block grant adjustment arrangements will be agreed between the Treasury and the Northern Ireland Executive in the future, in line with commitments given in the Stormont House Agreement.

Borrowing

10.10 Northern Ireland Executive ministers can borrow both to fund capital expenditure, and for a defined range of purposes not related to capital expenditure. Borrowing, like other spending within Departmental Expenditure Limits or Annually Managed Expenditure, affects the UK's overall fiscal position and is therefore subject to a range of legislative and administrative controls.

Borrowing for capital expenditure purposes

10.11 The Northern Ireland (Loans) Act 1975, as amended by the Northern Ireland (Miscellaneous Provisions) Act 2006, enables the Northern Ireland Executive to borrow for capital purposes up to a cumulative maximum of £3 billion. Capital borrowing facilities are available through the Secretary of State from the National Loans Fund.

10.12 Annual limits on borrowing are determined by the Treasury. The limit was set in the 'Reinvestment and Reform Initiative' in 2002 at £200m annually. The annual limit has been increased (for defined purposes and specific time periods) on a number of occasions as a result of subsequent arrangements.

Borrowing for purposes other than capital expenditure

10.13 The Northern Ireland Act 1998 enables Northern Ireland Executive ministers to borrow for purposes other than capital expenditure up to a maximum outstanding principle of £250 million.

10.14 The purpose of these loans is to give the Northern Ireland Executive the ability to borrow over the short-term for cash management purposes, in circumstances where it is necessary to:

- Meet an in-year excess in expenditure over income within the Northern Ireland Consolidated Fund

- Provide a working balance in the Northern Ireland Consolidated Fund

10.15 Borrowing for purposes other than capital expenditure is by the Secretary of State on behalf of the Northern Ireland Executive, from the National Loans Fund.

11 Changes in funding policy and resolving disputes

11.1 As stated in the introduction, this Statement sets out some of the circumstances in which changes to funding arrangements over the period covered by the Spending Review may be required.

11.2 The Treasury will therefore 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 either the devolved administrations or United Kingdom departments.

11.3 The Treasury will consult with the devolved administrations regarding any proposed changes to the Statement or the policies to which it applies. It will also be open to the devolved administrations to propose changes to this Statement. In the event of any disagreement over proposed changes that cannot be resolved between the Treasury and the devolved administrations, then the issue should follow the disputes procedure that follows.

11.4 If there is a disagreement between Treasury ministers and devolved administrations about changes to the Statement or about any aspect of its application for determining funding, the relevant devolved administration can pursue the matter 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. This is also in line with the process outlined in the agreement on dispute avoidance and resolution in the Memorandum of Understanding between the UK government and devolved administrations, as referred to in paragraph 1.13 above, under which matters can also be raised through the Joint Ministerial Committee. Funding policy and public expenditure allocation across the United Kingdom, as non-devolved or reserved matters, remain the responsibility of the UK government.

A Barnett Formula - worked examples

A.1 Chapter 2 sets out the principles underpinning the operation of the Barnett Formula. The Barnett Formula is necessarily applied in slightly different ways, depending on whether the changes are being given effect at a Spending Review or an annual fiscal event (generally a Budget or Autumn Statement).

Application of the Barnett Formula in a Spending Review

A.2 If we consider a single UK Government department, the three factors determining any change to the budgets of the devolved administrations in Scotland, Wales or Northern Ireland's provision at a Spending Review are:

(i) Change to the United Kingdom Government department's DEL	X	(ii) Comparability percentage (see annex B)	X	(iii) Appropriate population proportion (see annex D)

A.3 Therefore, if:

1. the Government decides to increase United Kingdom Government department A's DEL by £100 million and decrease United Kingdom Government department B's DEL by £50 million
2. the comparability for each devolved administration in relation to department A is 75 per cent (perhaps because department A already carries out some expenditure at a whole-UK level) while the comparability factor for department B is 100 per cent (because all of department B's expenditure is England-only)
3. the population proportions are 9.85 per cent for Scotland, 5.69 per cent for Wales and 3.39 per cent for Northern Ireland of England's population;

Then the following changes to each devolved administrations' DEL are applied:

For Scotland:	in respect of department A	100 x 0.75 x 0.0985	=	£7.388 million
	in respect of department B	-50 x 1.00 x 0.0985	=	-£4.925 million
	Total change to Scottish Block Grant		=	**£2.463 million**
For Wales:	in respect of department A	100 x 0.75 x 0.0569	=	£4.268 million
	in respect of department B	-50 x 1.00 x 0.0569	=	-£2.845 million
	Total change to Welsh Block Grant		=	**£1.423 million**
For Northern Ireland:	in respect of department A	100 x 0.75 x 0.0339	=	£2.543 million
	in respect of department B	-50 x 1.00 x 0.0339	=	-£1.695 million
		Sub-total	=	**£0.848 million**

Application of the Barnett Formula at fiscal events

A.4 At fiscal events, the Barnett formula is usually applied to individual spending programmes rather than a department's overall DEL. The comparability factor is set at either 0 per cent or 100 per cent, determined by assessing whether the spending benefits the UK as a whole or each of Scotland, Wales or Northern Ireland individually.

A.5 At a fiscal event, if

1. the Government decides to increase a programme by £100 million at a fiscal event
2. the programme is of a devolved nature
3. the population proportions are 9.85 per cent for Scotland, 5.69 per cent for Wales and 3.39 per cent for Northern Ireland of England's population

Then the following changes to each devolved administrations' DEL are applied:

For Scotland:	100 x 1.00 x 0.0985	=	**£9.850 million**
For Wales:	100 x 1.00 x 0.0569	=	**£5.690 million**
For Northern Ireland:	100 x 1.00 x 0.0339	=	**£3.390 million**

Northern Ireland Value-Added Tax abatement

A.6 At a fiscal event, if 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 and the Scottish and Welsh Governments, 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.

B Summary of comparability factors

B.1 The departmental comparability factors applied in the 2015 Spending Review, as explained in paragraphs 2.12 and 2.13 above, are:

Department	Scotland	Wales	Northern Ireland
Business, Innovation and Skills	66.4%	66.3%	66.7%
Business Rates	100.0%	100.0%	100.0%
Cabinet Office and SIA	6.5%	6.5%	10.3%
Chancellor's Departments	0.4%	0.0%	0.3%
CLG: Communities	99.7%	99.7%	99.7%
CLG: Local Government	100.0%	100.0%	100.0%
Culture, Media & Sport	76.9%	76.9%	77.6%
Education	100.0%	100.0%	100.0%
Energy & Climate Change	1.8%	1.8%	15.3%
Environment, Food & Rural Affairs	99.8%	99.0%	99.8%
Health	99.4%	99.4%	99.4%
Home Office	91.7%	0.0%	91.7%
Justice	100.0%	0.0%	99.9%
Law Officers' Departments	100.0%	0.0%	91.6%
Transport	91.0%	80.9%	91.3%
Work & Pensions	1.4%	1.4%	100.0%

B.2 There is no combined departmental comparability factor for small or independent bodies, and so they are not reflected in the table above. The individual comparability factors for these bodies can be found at Table C.15 below.

C Schedule of comparable programmes

Table C.1: Department for Business, Innovation & Skills

Programme	2015-16 Provision	Scotland	Wales	Northern Ireland
Administration	318,705	100.0%	100.0%	100.0%
Advisory Conciliation and Arbitration Service	50,106	100.0%	100.0%	100.0%
Animal Licence Fees	425	0.0%	0.0%	0.0%
Arts and Humanities Research Council	98,287	0.0%	0.0%	0.0%
Better Regulation	2,994	0.0%	0.0%	0.0%
Biotechnology and Biological Sciences Research Council	423,973	0.0%	0.0%	0.0%
British Business Bank	468,864	0.0%	0.0%	0.0%
British Shipbuilders	10,005	0.0%	0.0%	0.0%
Business and Enterprise Miscellaneous	717,273	100.0%	100.0%	100.0%
Collaborative Activities	20,149	0.0%	0.0%	0.0%
Companies House	700	100.0%	0.0%	100.0%
Competition Service	4,521	0.0%	0.0%	0.0%
Economic and Social Research Council	190,369	0.0%	0.0%	0.0%
Enemy Property	300	0.0%	0.0%	0.0%
Engineering and Physical Sciences Research Council	912,768	0.0%	0.0%	0.0%
Enrichment Holdings Ltd	30	0.0%	0.0%	0.0%
Enterprise Capital Fund	221,296	0.0%	0.0%	0.0%
Enterprise Finance Guarantee	13,060	0.0%	0.0%	0.0%
FE Skills and Associated Expenditure	437,279	100.0%	100.0%	100.0%
Free and Fair Markets	89,402	0.0%	0.0%	0.0%
Green Investment Bank	1,329,366	0.0%	0.0%	0.0%
Higher Education	6,239,055	100.0%	100.0%	100.0%
Higher Education Funding Council for England	3,770,183	100.0%	100.0%	100.0%
Historic Royal Mail Assets	22,762	0.0%	0.0%	0.0%
Innovation Miscellaneous	3,466	0.0%	0.0%	0.0%
Insolvency Service	23,060	100.0%	0.0%	100.0%
Intellectual Property Office	-3,676	0.0%	0.0%	0.0%
Launch Investments	-54,900	0.0%	0.0%	0.0%
Low Pay Commission	827	0.0%	0.0%	0.0%
Medical Research Council	966,935	0.0%	0.0%	0.0%
Met Office	171,372	0.0%	0.0%	0.0%
National Measurement and Regulation Office	79,840	0.0%	0.0%	0.0%

Natural Environment Research Council	362,969	0.0%	0.0%	0.0%
Office for Fair Access	1,573	100.0%	100.0%	100.0%
Ordnance Survey	74,495	0.0%	0.0%	100.0%
Portfolio Management Office	1,030	100.0%	100.0%	100.0%
Post Office Network Subsidy & Restructuring	280,000	0.0%	0.0%	0.0%
Regional Growth Fund (RSA/GBI)	165,658	100.0%	100.0%	100.0%
Research Base	89,563	0.0%	0.0%	0.0%
Research Capital Investment Fund	21,504	0.0%	0.0%	0.0%
Research Councils	-38,637	0.0%	0.0%	0.0%
Royal Academy of Engineering	12,400	0.0%	0.0%	0.0%
Royal Mail	200	0.0%	0.0%	0.0%
Science and Society	60,570	0.0%	0.0%	0.0%
Science and Technology Facilities Council	613,961	0.0%	0.0%	0.0%
Sector Skills Development Agency	90	100.0%	100.0%	100.0%
Shareholder Executive	2,029	0.0%	0.0%	0.0%
Skills Funding Agency	2,822,216	100.0%	100.0%	100.0%
Small Firms Loan Guarantee Scheme (SFLGS)	300	0.0%	0.0%	0.0%
Standards	4,600	0.0%	0.0%	0.0%
Student Grants - Recovery of Overpayment	-34,000	100.0%	100.0%	100.0%
Student Loan Debt Sale	9,857	100.0%	100.0%	100.0%
Student Loans Company	139,230	100.0%	100.0%	100.0%
Student Loans Management Charge	37,000	100.0%	100.0%	100.0%
Technology Strategy Board	549,729	0.0%	0.0%	0.0%
UK Commission for Employment and Skills	24,070	0.0%	0.0%	0.0%
UK Innovation Fund	20,610	0.0%	0.0%	0.0%
UK Shared Business Services	9,800	0.0%	0.0%	0.0%
UK Space Agency	369,744	0.0%	0.0%	0.0%
United Kingdom Atomic Energy Authority	9,696	0.0%	0.0%	0.0%
	22,139,053	**66.4%**	**66.3%**	**66.7%**

Table C.2: Business Rates

Programme	2015-16 Provision	Scotland	Wales	Northern Ireland
Business Rates Income	-13,040,000	100.0%	100.0%	100.0%
	-13,040,000	**100.0%**	**100.0%**	**100.0%**

Table C.3: Cabinet Office and SIA

Programme	2015-16 Provision	Scotland	Wales	Northern Ireland
Chief Executive's Group	19,752	0.0%	0.0%	100.0%
Civil Service Capabilities	7,332	0.0%	0.0%	100.0%
Consolidated Fund Standing Services	120,600	0.0%	0.0%	0.0%
Corporate Services Group	90,909	0.0%	0.0%	100.0%
Efficiency and Reform	16,626	100.0%	100.0%	100.0%
Hosted Functions	1,833	0.0%	0.0%	0.0%
Independent Business Units	476	0.0%	0.0%	0.0%
National Security	16,409	0.0%	0.0%	0.0%
Office for Civil Society	198,809	100.0%	100.0%	100.0%
Pensions	5,945	0.0%	0.0%	100.0%
Political and Constitutional Reform Admin	30,848	0.0%	0.0%	0.0%
Registrar of Consultant Lobbyists	170	0.0%	0.0%	0.0%
Security and Intelligence Agencies	2,741,443	0.0%	0.0%	0.0%
Support to the Cabinet, Prime Minister	38,489	0.0%	0.0%	0.0%
	3,289,641	**6.5%**	**6.5%**	**10.3%**

Table C.4: Chancellor's Departments

Programme	2015-16 Provision	Scotland	Wales	Northern Ireland
HMRC: Central Spending	463,448	0.0%	0.0%	0.0%
HMRC: Lines of Business	3,246,200	0.0%	0.0%	0.0%
HMRC: Costs of collecting SDLT & LfT	13,426	100.0%	0.0%	0.0%
HMRC: Core VOA Spending	7,301	0.0%	0.0%	100.0%
HMRC: Universal Credit	25,439	0.0%	0.0%	0.0%
HMRC: Tax Free Child Care	15,000	0.0%	0.0%	0.0%
HMRC: Accelerated Payments	51,660	0.0%	0.0%	0.0%
HMRC: Transferable Tax Allowance	17,000	0.0%	0.0%	0.0%
HMRC: Debt Market Integrator	12,000	0.0%	0.0%	0.0%
HMT: BOE - Debt Management	1,500	0.0%	0.0%	0.0%
HMT: BOE - Exchange Equalisation Account	9,300	0.0%	0.0%	0.0%
HMT: Administration	111,100	0.0%	0.0%	0.0%
HMT: Debt Management Office	18,410	0.0%	0.0%	0.0%
HMT: Eurostar	-757,100	0.0%	0.0%	0.0%
HMT: Government Internal Audit Agency	1,351	0.0%	0.0%	0.0%
HMT: Infrastructure Finance Unit Ltd	-1,600	100.0%	100.0%	100.0%
HMT: IUK Investments Holdings Limited	1	100.0%	100.0%	100.0%
HMT: IUK Investments Limited	1	100.0%	100.0%	100.0%
HMT: Office for Budget Responsibility	2,076	0.0%	0.0%	0.0%
HMT: Office of Tax Simplification	418	0.0%	0.0%	0.0%
HMT: Royal Mint Advisory Committee	1	0.0%	0.0%	0.0%
HMT: Sukuk	1	0.0%	0.0%	0.0%
HMT: UK Financial Investments	2,660	100.0%	100.0%	100.0%
	3,239,593	**0.4%**	**0.0%**	**0.3%**

Table C.5: DCLG: Communities

Programme	2015-16 Provision	Scotland	Wales	Northern Ireland
Administration	201,303	100.0%	100.0%	100.0%
Analytical Services	8,068	100.0%	100.0%	100.0%
Belwin (Emergency Support to Local Authorities)	4,858	100.0%	100.0%	100.0%
Buildings for the Future	2,500	100.0%	100.0%	100.0%
Capacity Building & Efficiency Improvement	4,000	100.0%	100.0%	100.0%
City Deals	136,600	100.0%	100.0%	100.0%
Coastal Communities	17,708	0.0%	0.0%	0.0%
Coastal Community Teams	4,150	0.0%	0.0%	0.0%
Communications	3,300	100.0%	100.0%	100.0%
Community Neighbourhoods	4,500	100.0%	100.0%	100.0%
Community Right to Buy	1,500	100.0%	100.0%	100.0%
Community Right to Challenge	2,000	100.0%	100.0%	100.0%
Ebbsfleet Development Corporation	-358	100.0%	100.0%	100.0%
Energy Efficient Programmes	250	100.0%	100.0%	100.0%
ERDF Losses and Write-Offs	65,000	100.0%	100.0%	100.0%
Firelink	15,075	100.0%	100.0%	100.0%
Geographical & Statistical Data	150	100.0%	100.0%	100.0%
Homes and Communities Agency	2,627,744	100.0%	100.0%	100.0%
Housing Finance Institute	180	100.0%	100.0%	100.0%
Housing for Older People	930	100.0%	100.0%	100.0%
Housing Growth Affordable Housing	2,500	100.0%	100.0%	100.0%
Integration & Tackling Extremism	14,128	100.0%	100.0%	100.0%
INTERREG - EU Funded Cross Border Regeneration	2,160	100.0%	100.0%	100.0%
Large Sites	7,500	100.0%	100.0%	100.0%
Leasehold Advisory Services	956	100.0%	100.0%	100.0%
Local Growth Fund	1,136,300	100.0%	100.0%	100.0%
Local Authority Fraud	10,800	100.0%	100.0%	100.0%
Local Enterprise Partnerships	20,000	100.0%	100.0%	100.0%
Local Government Efficiency	114	100.0%	100.0%	100.0%
London Settlement	918,137	100.0%	100.0%	100.0%
Manchester Housing Investment Fund	133,603	100.0%	100.0%	100.0%
Mandating Data Transparency	4,000	100.0%	100.0%	100.0%
Manufacturing Regeneration	753	100.0%	100.0%	100.0%
National Fire Policy	77,270	100.0%	100.0%	100.0%
Neighbourhood Planning	21,728	100.0%	100.0%	100.0%
New Dimension	44,612	100.0%	100.0%	100.0%
New Homes Bonus	1,167,638	100.0%	100.0%	100.0%
Ombudsman Redress Scheme	326	100.0%	100.0%	100.0%

Open Source Planning	7,836	100.0%	100.0%	100.0%
Park Homes	33	100.0%	100.0%	100.0%
PFI Special Grant Fire	32,701	100.0%	100.0%	100.0%
PFI Special Grant Housing	190,999	100.0%	100.0%	100.0%
Planning Inspectorate	42,033	100.0%	100.0%	100.0%
Preventing Homelessness	37,857	100.0%	100.0%	100.0%
QEII Conference Centre	-1,700	0.0%	0.0%	0.0%
Regional Fire Control Centres	4,081	100.0%	100.0%	100.0%
Regional Growth Fund	113,342	100.0%	100.0%	100.0%
Rent Officer Services & Pensions Liabilities	2,500	100.0%	100.0%	100.0%
Review of Retirement Exit Fees	200	100.0%	100.0%	100.0%
Right to Buy: Agents	1,000	100.0%	100.0%	100.0%
Right to Buy: Innovation Fund	42,000	100.0%	100.0%	100.0%
Right to Move	1,400	100.0%	100.0%	100.0%
Support People	843	100.0%	100.0%	100.0%
Sustainable Communities Act	250	100.0%	100.0%	100.0%
Tenant Empowerment	1,000	100.0%	100.0%	100.0%
The Commission for Local Administration in England	12,220	100.0%	100.0%	100.0%
Towns Regeneration	215	100.0%	100.0%	100.0%
Transformation Challenge Award	100,991	100.0%	100.0%	100.0%
Troubled Families	113,000	100.0%	100.0%	100.0%
Valuation Office Agency	161,700	100.0%	100.0%	100.0%
Valuation Tribunal service	7,455	100.0%	100.0%	100.0%
Weekly Waste Collections	5,000	100.0%	100.0%	100.0%
	7,538,939	**99.7%**	**99.7%**	**99.7%**

Table C.6: DCLG: Local Government

Programme	2015-16 Provision	Scotland	Wales	Northern Ireland
Additional Retail Discount	54,043	100.0%	100.0%	100.0%
Business Rates 2% Inflation Cap	169,471	100.0%	100.0%	100.0%
Council Tax Benefit - New Burdens	12,500	100.0%	100.0%	100.0%
Dilnot & Deferred Payments	285,000	100.0%	100.0%	100.0%
Doubling Small Business Rates	270,826	100.0%	100.0%	100.0%
Independent Living Fund	140,100	100.0%	100.0%	100.0%
LG DEL Contingency	15,986	100.0%	100.0%	100.0%
Localising CT Admin Subsidy	67,700	100.0%	100.0%	100.0%
New Empty Build Relief	4,417	100.0%	100.0%	100.0%
New Homes Adjustment Grant	32,362	100.0%	100.0%	100.0%
PFI Special Grant	27,806	100.0%	100.0%	100.0%
Reoccupation Relief	5,355	100.0%	100.0%	100.0%
Retail Relief	143,911	100.0%	100.0%	100.0%
Revenue Support Grants	9,357,532	100.0%	100.0%	100.0%
Safety Net	50,000	100.0%	100.0%	100.0%
Small Business Rates Relief on Second Property	1,981	100.0%	100.0%	100.0%
	10,638,990	**100.0%**	**100.0%**	**100.0%**

Table C.7: Department for Culture, Media & Sport

Programme	2015-16 Provision	Scotland	Wales	Northern Ireland
Administration	41,481	100.0%	100.0%	100.0%
Arts Bodies	468,874	100.0%	100.0%	100.0%
Broadband	280,500	0.0%	0.0%	0.0%
Broadcasting and Media Bodies	134,118	0.0%	0.0%	0.0%
Central Libraries	112,261	100.0%	100.0%	100.0%
Equality and Human Rights Commission	22,496	0.0%	0.0%	0.0%
Gambling Commission	800	0.0%	0.0%	0.0%
Government Equalities Office	11,531	0.0%	0.0%	100.0%
Government Art Collection	-199	100.0%	100.0%	100.0%
Heritage Bodies	104,751	100.0%	100.0%	100.0%
Listed Places of Worship	413	100.0%	100.0%	100.0%
Museums and Galleries	399,739	100.0%	100.0%	100.0%
National Lottery Commission	2,897	0.0%	0.0%	0.0%
PFI Funding for Library Projects	16,926	100.0%	100.0%	100.0%
PFI Funding for Sports and Leisure Facilities	13,774	100.0%	100.0%	100.0%
Research	1,670	100.0%	100.0%	100.0%
Spectrum Management Receipts	-61,800	0.0%	0.0%	0.0%
Sports Bodies	150,027	100.0%	100.0%	100.0%
Support for Broadcasting and Media	7,343	0.0%	0.0%	0.0%
Support for the Arts Sector	-78,364	100.0%	100.0%	100.0%
Support for the Gambling Sector	-1,897	0.0%	0.0%	0.0%
Support for the Heritage Sector	40,965	100.0%	100.0%	100.0%
Support for the Museums and Galleries Sector	2,175	100.0%	100.0%	100.0%
Support for the Sports Sector	-6,342	100.0%	100.0%	100.0%
The Royal Parks	15,552	100.0%	100.0%	100.0%
Tourism Bodies	34,088	100.0%	100.0%	100.0%
	1,713,779	**76.9%**	**76.9%**	**77.6%**

Table C.8: Department for Education

Programme	2015-16 Provision	Scotland	Wales	Northern Ireland
0-7 Pilots Buddying Childcare - 2 Year Old	5,331	100.0%	100.0%	100.0%
Academies Pipeline	65,500	100.0%	100.0%	100.0%
Academies Policy	20,800	100.0%	100.0%	100.0%
Academies and Free Schools	2,500	100.0%	100.0%	100.0%
Administration	9,410	100.0%	100.0%	100.0%
Big Society Fund	11,887	100.0%	100.0%	100.0%
Care Matters	21,700	100.0%	100.0%	100.0%
Child Safeguarding - Keeping Children Safe	6,300	100.0%	100.0%	100.0%
Children & Young People Social Protection	2,924	100.0%	100.0%	100.0%
Children’s Centres	25,500	100.0%	100.0%	100.0%
Communications	6,348	100.0%	100.0%	100.0%
Children, Young People and Families Directorate	11,281	100.0%	100.0%	100.0%
Early Years - Other	4,300	100.0%	100.0%	100.0%
Education Performance	8,500	100.0%	100.0%	100.0%
Education Funding Agency	57,826,951	100.0%	100.0%	100.0%
Education Standards Directorate	22,288	100.0%	100.0%	100.0%
Estates	9,849	100.0%	100.0%	100.0%
Family Information and Support	83,709	100.0%	100.0%	100.0%
Finance and Corporate Services Directorate	127,820	100.0%	100.0%	100.0%
Free Schools	32,795	100.0%	100.0%	100.0%
Information and Communications Technology	12,278	100.0%	100.0%	100.0%
Infrastructure and Funding Directorate	34,570	100.0%	100.0%	100.0%
Inspection Grants	8,900	100.0%	100.0%	100.0%
National College	97,074	100.0%	100.0%	100.0%
Office of the School Commissioner	380	100.0%	100.0%	100.0%
People & Change	420	100.0%	100.0%	100.0%
Pupil Well Being	217,864	100.0%	100.0%	100.0%
Qualification Delivery	4,800	100.0%	100.0%	100.0%
Qualifications	6,834	100.0%	100.0%	100.0%
Quality Improvement - Sufficiency & Sustainability	-198	100.0%	100.0%	100.0%
Quality Support and Guidance	26,005	100.0%	100.0%	100.0%
Relationship Support/with multiple problems	857	100.0%	100.0%	100.0%
Research and Data Collection	10,205	100.0%	100.0%	100.0%
Schools - Standards	32,341	100.0%	100.0%	100.0%
Schools Workforce	10,060	100.0%	100.0%	100.0%
Sector LED Support and Intervention	7,860	100.0%	100.0%	100.0%
Qualifications and Examinations Regulation	16,503	100.0%	100.0%	100.0%
Sen and Family Trust	97,755	100.0%	100.0%	100.0%

Services for Children in Care	56,055	100.0%	100.0%	100.0%
Standards & Testing Agency	52,856	100.0%	100.0%	100.0%
Sustainable Schools	29,000	100.0%	100.0%	100.0%
Teaching Agency	354,332	100.0%	100.0%	100.0%
Targeted Support - Vulnerable Young People	3,000	100.0%	100.0%	100.0%
Teachers Pensions Compensation	12,523	100.0%	100.0%	100.0%
Value for Money	36,200	100.0%	100.0%	100.0%
	59,434,167	**100.0%**	**100.0%**	**100.0%**

Table C.9: Department of Energy & Climate Change

Programme	2015-16 Provision	Scotland	Wales	Northern Ireland
Administration	35,258	100.0%	100.0%	100.0%
British Energy	218,292	0.0%	0.0%	0.0%
Carbon Capture and Storage	205,612	0.0%	0.0%	0.0%
Carbon Trust & Energy Saving Trust	29,300	100.0%	100.0%	100.0%
Civil Nuclear Liabilities	623	0.0%	0.0%	0.0%
Civil Nuclear Police Authority	268	0.0%	0.0%	0.0%
Coal Authority	28,855	0.0%	0.0%	0.0%
Coal Pensions	200	0.0%	0.0%	0.0%
Committee on Climate Change	3,762	0.0%	0.0%	0.0%
Concessionary Fuel	50,848	0.0%	0.0%	0.0%
Deliver Secure Energy on the Way to a Low Carbon Energy Future	110,013	0.0%	0.0%	0.0%
Deliver the Capability DECC Needs to Achieve Its Goals	128,988	0.0%	0.0%	0.0%
Drive Ambitious Action on Climate Change	805	0.0%	0.0%	0.0%
Electricity Settlements Company	1	0.0%	0.0%	100.0%
Energy Strategy & Futures and Electricity	14,723	0.0%	0.0%	0.0%
European Union Emission Trading Scheme & Tax	905	0.0%	0.0%	0.0%
Fuel Poverty	5,587	100.0%	100.0%	100.0%
Global Threat Reduction	10,405	0.0%	0.0%	0.0%
Green Deal	184,304	0.0%	0.0%	100.0%
Heat Strategy, Policy & Delivery	8,436	0.0%	0.0%	0.0%
International & EU Energy & Security	2,996	0.0%	0.0%	0.0%
International Climate Change	1,909	0.0%	0.0%	0.0%
International Climate Fund	329,000	0.0%	0.0%	0.0%
Low Carbon Contracts Company	1	0.0%	0.0%	0.0%
National Carbon Markets	700	0.0%	0.0%	0.0%
National Energy Efficiency	9,749	0.0%	0.0%	0.0%
New Nuclear	542	0.0%	0.0%	0.0%
Non-Proliferation	18,415	0.0%	0.0%	0.0%
Nuclear Decommissioning Authority	2,125,000	0.0%	0.0%	0.0%
Nuclear Security	6,433	0.0%	0.0%	0.0%
Oil and Gas	24,927	0.0%	0.0%	0.0%
Oil and Gas Authority	16,619	0.0%	0.0%	0.0%
Renewable Energy Deployment	24,166	0.0%	0.0%	100.0%
Save Energy with the Green Deal and Support Vulnerable Consumers	310,000	0.0%	0.0%	100.0%
Smart Meters	12,785	0.0%	0.0%	100.0%
	3,920,427	**1.8%**	**1.8%**	**15.3%**

Table C.10: Department for Environment, Food & Rural Affairs

Programme	2015-16 Provision	Scotland	Wales	Northern Ireland
Administration	222,741	100.0%	100.0%	100.0%
Animal and Plant Health	72,060	100.0%	100.0%	100.0%
Animal Health Policy & Implementation	21,043	100.0%	100.0%	100.0%
Animal Welfare	4,728	100.0%	100.0%	100.0%
Atmosphere and Industrial Emissions	20,536	100.0%	100.0%	100.0%
Better Regulation, EU & International	65,826	100.0%	100.0%	100.0%
Biodiversity	10,896	100.0%	100.0%	100.0%
CAP Delivery Programme	35,498	100.0%	100.0%	100.0%
Chemical and Emerging Technologies	3,608	100.0%	100.0%	100.0%
Chemical, Biological, Radiological and Nuclear	2,467	0.0%	0.0%	0.0%
Endemic Diseases	96,899	100.0%	100.0%	100.0%
Environment Agency Sponsorship	199,731	100.0%	100.0%	100.0%
Flood Risk Management	740,956	100.0%	100.0%	100.0%
Food and Sustainable Economy	1,418	100.0%	100.0%	100.0%
Food Policy, Competitiveness and Growth	3,343	100.0%	100.0%	100.0%
Future of Science Capabilities	630	100.0%	100.0%	100.0%
Marine Programme	53,911	100.0%	100.0%	100.0%
Pesticides	5,311	100.0%	100.0%	100.0%
Resource Atmosphere and Sustainability	3,353	100.0%	100.0%	100.0%
Rural Development & Sustainable Communities	239,136	100.0%	100.0%	100.0%
Rural Payments Agency	122,535	100.0%	100.0%	100.0%
Sponsorship & Public Body Reform	155,424	100.0%	100.0%	100.0%
Sustainability	4,015	100.0%	100.0%	100.0%
Sustainable & Competitive Farming Strategy	15,695	100.0%	100.0%	100.0%
Sustainable Land & Soils	6,925	100.0%	100.0%	100.0%
Sustainable Land Management and Livestock Farming	8,540	100.0%	100.0%	100.0%
UK Co-ordinating Body	1,883	0.0%	0.0%	0.0%
Waste and Sustainable Business Resource	126,342	100.0%	100.0%	100.0%
Water Programme	19,145	100.0%	0.0%	100.0%
	2,264,595	**99.8%**	**99.0%**	**99.8%**

Table C.11: Department of Health

Programme	2015-16 Provision	Scotland	Wales	Northern Ireland
Administration	2,263,279	100.0%	100.0%	100.0%
Clinical Commissioning Groups	973,034	100.0%	100.0%	100.0%
Connecting For Health	1,088,839	100.0%	100.0%	100.0%
EEA Medical Costs	630,000	0.0%	0.0%	0.0%
Health Education England	1,825,410	100.0%	100.0%	100.0%
Healthy Start	151,458	100.0%	100.0%	100.0%
Local Health Watch	13,300	100.0%	100.0%	100.0%
Medicines and Healthcare Products Regulatory Agency	23,184	0.0%	0.0%	0.0%
NHS Blood and Transplant	57,700	100.0%	100.0%	100.0%
NHS Business Services Authority	140,833	100.0%	100.0%	100.0%
NHS Commissioning Board	14,119,118	100.0%	100.0%	100.0%
NHS England	18,898,759	100.0%	100.0%	100.0%
NHS Foundation Trusts	41,373,942	100.0%	100.0%	100.0%
NHS Litigation Authority	1,620,835	100.0%	100.0%	100.0%
NHS Property Services	176,799	100.0%	100.0%	100.0%
NHS Trust Development Authority	55,911	100.0%	100.0%	100.0%
NHS Trusts	30,451,592	100.0%	100.0%	100.0%
Non Departmental Public Bodies	473,329	100.0%	100.0%	100.0%
Public Health	2,639,305	100.0%	100.0%	100.0%
Public Health England	526,572	100.0%	100.0%	100.0%
Research and Development	323,646	100.0%	100.0%	100.0%
Social Care Grants	134,074	100.0%	100.0%	100.0%
	117,960,919	**99.4%**	**99.4%**	**99.4%**

Table C.12: Home Office

Programme	2015-16 Provision	Scotland	Wales	Northern Ireland
Administration	728,337	100.0%	0.0%	100.0%
Border Force	537,500	0.0%	0.0%	0.0%
European Solidarity Mechanism	1	0.0%	0.0%	0.0%
General Register Office	11,251	100.0%	0.0%	100.0%
Her Majesty's Inspectorate of Constabulary	5,406	100.0%	0.0%	100.0%
HM Passport Office	-126,729	0.0%	0.0%	0.0%
Immigration & International Policy Group	37,261	0.0%	0.0%	0.0%
Immigration Enforcement	432,603	0.0%	0.0%	0.0%
National Crime Agency	463,700	0.0%	0.0%	0.0%
Office of Security & Counter Terrorism	805,054	100.0%	0.0%	100.0%
Police	8,401,007	100.0%	0.0%	100.0%
UK Visa & Immigration	-445,262	0.0%	0.0%	0.0%
	10,850,129	**91.7%**	**0.0%**	**91.7%**

Table C.13: Ministry of Justice

Programme	2015-16 Provision	Scotland	Wales	Northern Ireland
Access to Justice	77,933	100.0%	0.0%	100.0%
Administration	512,458	100.0%	0.0%	100.0%
Children & Young People Court Advisory Board	118,800	100.0%	0.0%	100.0%
Criminal Injuries Compensation Authority	114,100	100.0%	0.0%	100.0%
Criminal Cases Review Commission	5,362	100.0%	0.0%	0.0%
Criminal Justice	154,202	100.0%	0.0%	100.0%
Higher Judiciary Judicial Salaries	141,465	100.0%	0.0%	100.0%
HM Courts Service	801,764	100.0%	0.0%	100.0%
Information Commissioners Office	3,850	100.0%	0.0%	0.0%
Judicial Appointments Commission	4,550	100.0%	0.0%	100.0%
Legal Aid Agency	1,672,331	100.0%	0.0%	100.0%
Legal Services Board	4,298	100.0%	0.0%	100.0%
Legal Services Board CFERS	-4,298	100.0%	0.0%	100.0%
National Offender Management Service	3,395,000	100.0%	0.0%	100.0%
Office of Legal Complaints	14,842	100.0%	0.0%	100.0%
Office of the Public Guardian	3,500	100.0%	0.0%	100.0%
Office of Legal Complaints CFERS	-12,768	100.0%	0.0%	100.0%
Parole Board	14,080	100.0%	0.0%	100.0%
Youth Justice Board	177,363	100.0%	0.0%	100.0%
	7,198,832	**100.0%**	**0.0%**	**99.9%**

Table C.14: Law Officers’ Departments

Programme	2015-16 Provision	Scotland	Wales	Northern Ireland
Attorney General’s Office	9,883	100.0%	0.0%	100.0%
Crown Prosecution Service	484,736	100.0%	0.0%	100.0%
Serious Fraud Office	45,133	100.0%	0.0%	0.0%
	539,752	**100.0%**	**0.0%**	**91.6%**

Table C.15: Small/Independent Bodies

Department/Body	2015-16 Provision	Scotland	Wales	Northern Ireland
Charity Commission	27,100	100.0%	0.0%	100.0%
Competition and Markets Authority	70,503	0.0%	0.0%	0.0%
Electoral Commission	21,391	0.0%	0.0%	0.0%
Export Credits Guarantee Department	301	0.0%	0.0%	0.0%
Food Standards Agency	87,920	100.0%	100.0%	100.0%
Government Actuary's Department	151	0.0%	0.0%	0.0%
House of Commons: Administration	259,500	0.0%	0.0%	0.0%
House of Commons: Members	28,200	0.0%	0.0%	0.0%
House of Lords	129,756	0.0%	0.0%	0.0%
Independent Parliamentary Standards Authority	211,889	0.0%	0.0%	0.0%
Local Government Boundary Commission for England	2,187	100.0%	100.0%	100.0%
National Savings and Investments	148,693	0.0%	0.0%	0.0%
National Audit Office	66,800	0.0%	0.0%	0.0%
The National Archives	34,901	100.0%	0.0%	100.0%
Office of Gas and Electricity Markets	1,700	0.0%	0.0%	100.0%
Office of the Parliamentary Commissioner for Administration and the Health Service Commissioner for England	33,558	0.0%	0.0%	0.0%
Office of Rail Regulation	723	0.0%	0.0%	100.0%
Office for Standards In Education, Children's Services and Skills	138,477	100.0%	100.0%	100.0%

The Statistics Board	190,972	0.0%	0.0%	100.0%
UK Trade & Investment	317,106	0.0%	0.0%	0.0%
United Kingdom Supreme Court	5,263	0.0%	0.0%	0.0%
Water Services Regulation Authority	419	100.0%	0.0%	100.0%

Table C.16: Department for Transport

Programme	2015-16 Provision	Scotland	Wales	Northern Ireland
Accessibility	2,000	100.0%	100.0%	100.0%
Administration	201,554	100.0%	100.0%	100.0%
Air Accident Investigation Branch	8,081	0.0%	0.0%	0.0%
Air Travel Trust Fund	-13,669	0.0%	0.0%	0.0%
Aviation	27,720	0.0%	0.0%	0.0%
Aviation Services, Transport Security & Royal Travel	9,049	0.0%	0.0%	0.0%
British Rail Ill Health Compensation Claims	17,790	0.0%	0.0%	0.0%
British Railways Board (Residuary)	-942	0.0%	0.0%	0.0%
British Transport Police	100,700	100.0%	0.0%	100.0%
Bus Service Operator Grants	266,072	100.0%	100.0%	100.0%
Capital Infrastructure Investment	-39,700	0.0%	0.0%	0.0%
Cleaner Vehicles and Low Carbon	269,351	0.0%	0.0%	0.0%
Community Rail & Research	10,575	100.0%	100.0%	100.0%
Commercial Contracts	1,440	100.0%	100.0%	100.0%
Compliance & Agency Sponsorship	21,000	0.0%	0.0%	100.0%
Concessionary Fares	2,500	100.0%	100.0%	100.0%
Crossrail	800,000	100.0%	100.0%	100.0%
Cycling	6,094	100.0%	100.0%	100.0%
Dangerous Goods	676	0.0%	0.0%	100.0%
Dartford Tolls	-92,000	100.0%	100.0%	100.0%
Directgov Business Link	200	0.0%	0.0%	0.0%
Directly Operated Railways	2,100	100.0%	100.0%	100.0%
Driver & Vehicle Licensing Agency	150,000	0.0%	0.0%	0.0%
Driving Standards Agency	-8,036	0.0%	0.0%	0.0%
Eurotunnel/Eurostar	48,096	0.0%	0.0%	0.0%
Freight Grants	18,132	100.0%	100.0%	100.0%
Freight Research & Statistics	570	100.0%	100.0%	100.0%
High Speed 1 & Ashford	-11,944	0.0%	0.0%	0.0%
High Speed Two	759,863	100.0%	0.0%	100.0%
Highways England	4,057,942	100.0%	100.0%	100.0%
HLOS	46,853	100.0%	0.0%	100.0%
Administration	1,600	100.0%	100.0%	100.0%
Integrated Transport Block	258,000	100.0%	100.0%	100.0%
Lighthouse Service	11,894	0.0%	0.0%	0.0%
Local Authority Major Schemes	344,500	100.0%	100.0%	100.0%
Local Authority PFI Schemes	321,377	100.0%	100.0%	100.0%
Local Authority Road Maintenance	960,500	100.0%	100.0%	100.0%
London & Continental Railways Corp	555	0.0%	0.0%	0.0%

Marine Accident Investigation Branch	3,953	0.0%	0.0%	0.0%
Maritime	38,328	0.0%	0.0%	0.0%
Maritime & Coastguard Agency	309,889	0.0%	0.0%	0.0%
Monitoring Services Legal	134	100.0%	100.0%	100.0%
National Roads Policy Assessment	12,500	100.0%	100.0%	100.0%
Nexus	55,581	100.0%	100.0%	100.0%
Other Local Authority Schemes	1,000	100.0%	100.0%	100.0%
Passenger Focus	5,039	100.0%	100.0%	100.0%
Rail & Land Transport Compliance and Security	2,202	0.0%	0.0%	100.0%
Rail Accident Investigation Branch	4,656	0.0%	0.0%	100.0%
Rail Franchising Grants	126,000	100.0%	100.0%	100.0%
Rail Pensions	19,107	0.0%	0.0%	100.0%
Rail Projects	77,287	100.0%	0.0%	100.0%
Rail Technical & Safety	31,104	0.0%	0.0%	0.0%
Road Safety Grants & Publicity	7,698	100.0%	100.0%	100.0%
Road Safety Research	9,881	100.0%	100.0%	100.0%
Shared Services	1,796	100.0%	100.0%	100.0%
Smart Ticketing	43,525	100.0%	100.0%	100.0%
SSA Migration	1,270	0.0%	0.0%	0.0%
Statistics Personal Travel	5,060	100.0%	100.0%	100.0%
Support for Passenger Rail Services	-1,174,619	100.0%	100.0%	100.0%
Sustainable Transport	101,400	100.0%	100.0%	100.0%
Tolled Crossings	-44,486	100.0%	100.0%	100.0%
Transport Analysis & Economics	703	100.0%	100.0%	100.0%
Transport for London	1,554,000	100.0%	100.0%	100.0%
Transport Security	9,526	100.0%	100.0%	100.0%
Transport Statistics - Roads	6,727	100.0%	100.0%	100.0%
Vehicle & Operator Services Agency	-19,994	0.0%	0.0%	100.0%
Vehicle Certification Agency	250	0.0%	0.0%	100.0%
	9,750,010	**91.0%**	**80.9%**	**91.3%**

Table C.17: Department for Work & Pensions

Programme	2015-16 Provision	Scotland	Wales	Northern Ireland
Benefit Delivery	2,514,217	0.0%	0.0%	100.0%
Child Maintenance Group	314,830	0.0%	0.0%	100.0%
Discretionary Housing Payments	92,114	0.0%	0.0%	100.0%
Employment Programmes	903,886	0.0%	0.0%	100.0%
European Social Fund	1	100.0%	100.0%	100.0%
Financial Inclusion Fund	19,757	0.0%	0.0%	100.0%
Health & Safety Executive	144,152	0.0%	0.0%	100.0%
Health & Safety Laboratory	1,800	0.0%	0.0%	100.0%
Housing Benefit Administration	295,800	0.0%	0.0%	100.0%
Labour Market	1,073,876	0.0%	0.0%	100.0%
Motability	12,559	0.0%	0.0%	100.0%
National Employment Savings Trust	10,713	0.0%	0.0%	100.0%
National Insurance Fund	525,639	0.0%	0.0%	100.0%
New Enterprise Allowance	24,773	0.0%	0.0%	100.0%
Pension Protection Fund	5,086	0.0%	0.0%	100.0%
Pensions Levy	-33,875	0.0%	0.0%	100.0%
Remploy	28,422	0.0%	0.0%	100.0%
Social Fund	84,990	100.0%	100.0%	100.0%
The Independent Living Fund	45,905	0.0%	0.0%	100.0%
The Pensions Advisory Service	2,264	0.0%	0.0%	100.0%
The Pensions Ombudsman	2,095	0.0%	0.0%	100.0%
The Pensions Regulator	64,580	0.0%	0.0%	100.0%
TV Licence Over 75 Administration	1,040	0.0%	0.0%	100.0%
Vaccine Damage Payments	531	0.0%	0.0%	100.0%
	6,135,155	**1.4%**	**1.4%**	**100.0%**

D Population proportions used in the Barnett Formula

D.1 The population proportions used in the Barnett Formula reflect the annual mid-year estimates published by the Office for National Statistics in summer 2015 and reflect the population estimates at mid-2014. The latest mid-year estimates of population published by the Office of National Statistics are:

England	54,316,600
Scotland	5,347,600
Wales	3,092,000
Northern Ireland	1,840,500

D.2 The resultant population proportions are therefore:

Scotland as a proportion of England	9.85%
Scotland as a proportion of England and Wales	9.31%
Wales as a proportion of England	5.69%
Northern Ireland as a proportion of England	3.39%
Northern Ireland as a proportion of England and Wales	3.21%
Northern Ireland as a proportion of Great Britain	2.93%

D.3 These will be used in all Barnett Formula calculations.

Historic data

D.4 The 1998 Comprehensive Spending Review used the 1996 mid-year estimates; 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 2006 mid-year estimates applied in the 2007 Comprehensive Spending Review. The 2009 mid – year estimates published in 2010 applied in the 2010 Spending Review. Past population proportions are:

ONS mid-year population estimates (%)	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

E List of Annually Managed Expenditure programmes

Table E.1: Scottish Government AME programmes

Departmental AME
• NHS pensions
• Teachers' pensions
• Student loans (except impairment, which scores as ring-fenced resource DEL)
• Non-cash charges scoring as resource AME, including: provisions the write-off of bad debts exchange rate losses/gains revaluations below historic cost
Other AME
• Local Authority Self-Financed Expenditure (LASFE)
• Expenditure funded by non-domestic rates
• Expenditure financed by capital borrowing
• Expenditure funded by Land and Buildings Transaction Tax (LBTT) and Scottish Landfill Tax (SLfT)
• Capital expenditure of Public Corporations

Table E.2: Welsh Government AME programmes

Departmental AME
• Fire service pensions
• Other pension schemes (e.g. National Library of Wales and National Museum of Wales)
• Student loans (except impairment, which scores as ring-fenced resource DEL)
• Non-cash charges scoring as resource AME, including: provisions the write-off of bad debts exchange rate losses/gains revaluations below historic cost
Other AME
• Local Authority Self-Financed Expenditure (LASFE)
• Expenditure funded by non-domestic rates

Table E.3: Northern Ireland Executive AME programmes

Departmental AME
• NHS pensions
• Teachers' pensions
• Fire Service pensions
• Police pensions
• Student loans (except impairment, which scores as ring-fenced resource DEL)
• Welfare payments other than those funded from NI Executive DEL
• Renewable Heat Incentive
• Non-cash charges scoring as resource AME, including: provisions the write-off of bad debts exchange rate losses/gains revaluations below historic cost
• depreciation charges relating to services in Northern Ireland that are classified to the Central Government sector that are in the local authority sector in Great Britain (principally education, local transport and social services)
Other AME
• District Councils' Expenditure (LASFE)
• Expenditure funded by regional rates
• Expenditure financed by capital borrowing
• Capital expenditure of Public Corporations

Welfare in Northern Ireland

E.1 The majority of responsibilities relating to welfare are devolved matters in Northern Ireland. However, the Northern Ireland Act 1998 commits the relevant UK Government and Northern Ireland Executive ministers to seek to secure, to the extent agreed between them, single systems of social security, child support and pensions.

E.2 The UK Government is therefore committed to ensuring that the Northern Ireland Executive has sufficient funding available to maintain welfare payments to recipients in Northern Ireland to the same level as those funded by the equivalent UK Government departments and agencies in Great Britain.

E.3 This is achieved by budgeting for the relevant welfare payments in AME, based on forecasts agreed between the relevant Northern Ireland departments and the Treasury. It is important, therefore, that Northern Ireland Executive departments provide detailed evidence-based forecasts and update them regularly in light of emerging information.

E.4 If the Northern Ireland Executive opts to depart from arrangements in place in Great Britain such that the AME costs borne centrally by the UK Government are greater than the equivalent costs borne by the relevant UK government departments, the Treasury will seek to recover additional costs from the Executive's DEL block grant, in line with the general principle outlined at subparagraph 1.17.10.

E.5 The Northern Ireland Executive retains the capacity to provide additional funding to recipients in line with its own priorities, if it can meet the costs from the DEL block grant or from other available sources of funding.

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