



HM Treasury

**December 2021 publication**  
**Block Grant Transparency:**

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# Chapter 1

## Introduction

- 1.1 This publication provides a detailed breakdown of the devolved administrations' block grant funding and is intended to increase transparency of the block grant calculation process.
- 1.2 This fifth edition provides information for the years covered by the 2015 Spending Review, Spending Round 2019, Spending Review 2020 and Spending Review 2021. The breakdown is generally updated and published on an annual basis after the UK Government Budget.
- 1.3 Once the block grants have been determined, the devolved administrations have freedom to make their own spending decisions in areas of devolved responsibility within the overall totals. This publication does not give a breakdown of the devolved administrations' spending decisions.
- 1.4 Spending by the devolved administrations is not funded exclusively by the block grant. The devolved administrations are also funded by local and devolved tax revenues, other revenue-raising powers (including fees and charges, and sales of goods, services and assets), and borrowing.
- 1.5 As a result of tax devolution, the devolved administrations have greater autonomy and accountability for the level of their funding. This publication shows how their block grants are adjusted to reflect their revenue-raising power but does not show how each of the devolved administrations choose to raise revenue.
- 1.6 Information on compliance with the Code of Practice for Statistics can be found in Annex B.

# Chapter 2

## Background to block grant funding

### Composition of the block grant

- 2.1 The devolved administrations' block grant funding is presented as Total Departmental Expenditure Limit (DEL) within the Treasury's budgeting framework. It is split between resource DEL (excluding depreciation) and capital DEL, with a financial transactions ringfence within capital DEL.
- 2.2 A brief description of DEL categories is set out below. More detail on the Treasury budgeting framework can be found in the Consolidated Budgeting Guidance 2021 to 2022<sup>1</sup>.
- 2.3 Resource spending is money that is spent on day-to-day costs (like wages, purchasing goods and services, and grants and subsidies). Capital spending is money that is spent on longer-term investment (like hospitals, roads, and research and development). Financial transactions capital is sometimes called 'net lending' or 'policy lending' and includes loans or equity investment by the government into the private sector.

### Calculation of the block grant via the Barnett formula

- 2.4 Changes in block grant funding for the devolved administrations are linked to changes in planned<sup>2</sup> spending by UK Government departments. This link is generally achieved through the Barnett formula.

### Barnett formula

- 2.5 Under the Barnett 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 There are three factors that determine changes to each devolved administration's block grant under the Barnett formula:
  - the change in planned spending by UK Government departments
  - the extent to which services delivered by UK Government departments correspond to services delivered by the devolved administrations

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<sup>1</sup> <https://www.gov.uk/government/publications/consolidated-budgeting-guidance-2021-to-2022>

<sup>2</sup> Changes in planned spending are defined as changes to UK Government Departmental Expenditure Limits (DEL budgets) that are voted by parliament

- each nation’s population as a proportion of England, England and Wales or Great Britain as appropriate

**Table 2.A: Barnett formula calculation**

<i>(A)</i> <i>Change to planned UK Government spending</i>	<i>X</i>	<i>(B)</i> <i>Comparability percentage</i>	<i>X</i>	<i>(C)</i> <i>Appropriate population proportion</i>
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2.7 The population proportions used reflect the annual mid-year estimates of population published by the Office for National Statistics in the summer. For Spending Review 2021, the population estimates for mid-2020 published in June 2021<sup>3</sup> were applied.

### Applying the Barnett formula at Spending Reviews

2.8 At spending reviews, this calculation is undertaken using changes to each UK Government department’s overall DEL budget, the population proportion and the departmental comparability percentage. The formula is applied to changes in resource and capital DEL budgets separately. The aggregate of these Barnett consequential is added onto the devolved administrations’ underlying (or “baseline”) resource and capital block grants.

2.9 For Spending Review 2020 and 2021 the use of departmental comparability would not have provided the devolved administrations with comparable funding in all areas. Programme level comparability was applied where departmental comparability didn’t adequately reflect the geographic scope of planned departmental spending. Further details are set out in the Statement of Funding Policy 2021.<sup>4</sup>

### Applying the Barnett formula at Fiscal Events and Estimates

2.10 At each fiscal event, for example Autumn Budget 2021 and Parliamentary Estimates<sup>5</sup> rounds, the calculation is undertaken at programme level. The calculation uses the change in the planned spending on each programme, the relevant population proportion and the programme comparability factor, which is set to either 0% or 100% dependent on whether the relevant UK Government programme is reserved/UK-wide (0%) or devolved/England-only (100%). The aggregate of these Barnett consequential is added to existing block grants for each of the devolved administrations, again calculated separately for resource and capital DEL.

<sup>3</sup><https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/bulletins/annualmidyearpopulationestimates/mid2020>

<sup>4</sup>[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1030043/Statement\\_of\\_Funding\\_Policy\\_2021\\_-\\_FINAL.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1030043/Statement_of_Funding_Policy_2021_-_FINAL.pdf)

<sup>5</sup> Estimates are the mechanism by which Parliament authorises departmental spending. They take place at the beginning and end of the financial year.



## Welsh Government Barnett uplift

- 2.11 In the Welsh Government’s fiscal framework<sup>6</sup> it was agreed that the Welsh Government’s block grant would be uplifted by adding a new needs-based factor into the Barnett formula. This needs-based factor will ultimately be set at 115%, as recommended by the Holtham Commission<sup>7</sup>. However, while relative funding in Wales remains above the level identified by the Holtham Commission, changes in the Welsh Government’s funding will use a transitional factor of 105%. For Spending Review 2021, HM Treasury and the Welsh Government reviewed relative funding and the transitional factor of 105% has been used.

## Northern Ireland Executive Barnett VAT abatement

- 2.12 Changes to the Northern Ireland Executive’s block grant through the Barnett formula are abated (i.e. reduced) in relation to VAT. This reflects the fact that the Northern Ireland Executive, unlike departments and the Scottish and Welsh governments, has many of the responsibilities of local authorities in the rest of the UK so has its VAT refunded by HM Revenue and Customs. Barnett formula changes for the Northern Ireland Executive are therefore abated by 2.5 %.

## Other funding

- 2.13 The UK Government also provides block grant funding to the devolved administrations outside the Barnett formula. These are classified as “Other funding” in the publication. Examples include funding for farmers and land managers, and support for fisheries or funding for City and Growth Deals.

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<sup>6</sup> [www.gov.uk/government/publications/the-agreement-between-the-welsh-government-and-the-united-kingdom-government-on-the-welsh-governments-fiscal-framework](http://www.gov.uk/government/publications/the-agreement-between-the-welsh-government-and-the-united-kingdom-government-on-the-welsh-governments-fiscal-framework)

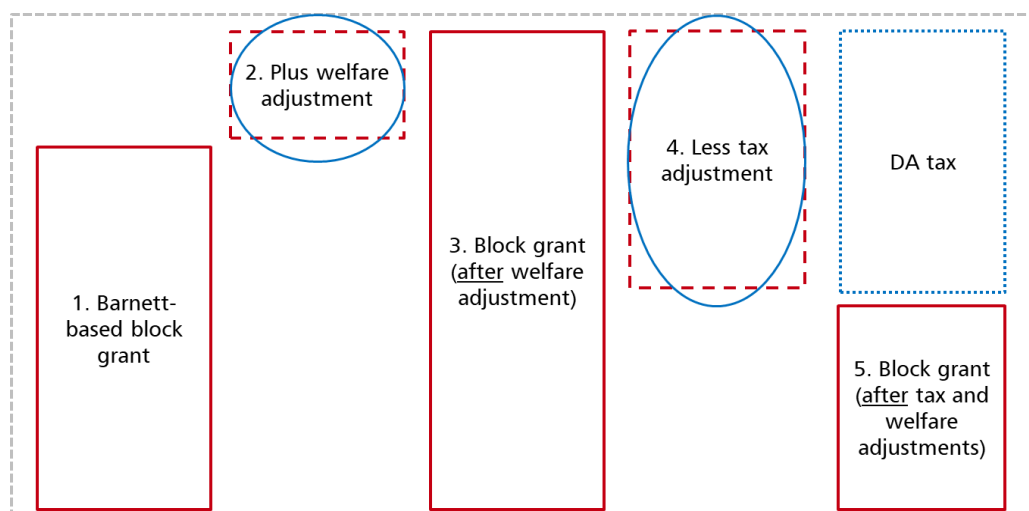
<sup>7</sup> <https://commonslibrary.parliament.uk/research-briefings/sn06288/>

# Chapter 3

## Adjustments for tax and welfare devolution

- 3.1 To reflect tax and welfare devolution in Scotland and Wales, the block grants are adjusted using the mechanisms agreed in the respective fiscal frameworks<sup>8</sup>. An agreed adjustment is also applied to the Northern Ireland Executive’s block grant in relation to long haul air passenger duty.
- 3.2 The UK Government funding provided to the devolved administrations is therefore the Barnett-based block grant after adjustments for welfare and tax devolution.

Chart 3.A: Scottish Government block grant

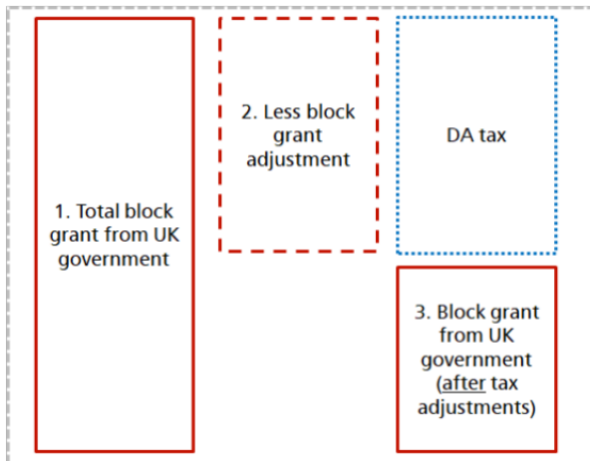


*The Scottish Government can use their tax powers to alter the “DA tax” component.*

<sup>8</sup> Wales: [www.gov.uk/government/publications/the-agreement-between-the-welsh-government-and-the-united-kingdom-government-on-the-welsh-governments-fiscal-framework](http://www.gov.uk/government/publications/the-agreement-between-the-welsh-government-and-the-united-kingdom-government-on-the-welsh-governments-fiscal-framework)

Scotland: [www.gov.uk/government/publications/the-agreement-between-the-scottish-government-and-the-united-kingdom-government-on-the-scottish-governments-fiscal-framework](http://www.gov.uk/government/publications/the-agreement-between-the-scottish-government-and-the-united-kingdom-government-on-the-scottish-governments-fiscal-framework)

Chart 3.B: Welsh Government & Northern Ireland Executive block grant



*The Welsh Government and Northern Ireland Executive can use their tax powers to alter the "DA tax" component.*

- 3.3 The Block Grant Adjustments are initially equal to UK Government tax receipts or welfare expenditure in the relevant part of the UK at the point of devolution. Changes in the adjustments over time are linked to changes in corresponding UK Government tax revenues<sup>9</sup> or welfare spending, similar to how the Barnett formula uses changes in UK Government departmental spending.
- 3.4 The agreed arrangements essentially mean that the devolved administrations feel the impact of place-specific financial effects through their tax revenues (or welfare spending) due to policy choices or wider effects but are shielded from the impact of UK-wide effects. For example, the Scottish Government has higher funding if Scottish Income Tax revenues grow more quickly per head than corresponding UK Government Income Tax revenues.
- 3.5 A full breakdown of the devolved taxes the devolved administrations retain revenues for and the devolved areas of welfare spending can be found in chapter 4 of the Statement of Funding Policy 2021.

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<sup>9</sup> The adjustment to NIE's block grant funding for long-haul Air Passenger Duty is an exception to this and is based on passenger numbers rather than tax revenues.

# Chapter 4

## Publication Summary

4.1 This chapter outlines the main changes since the publication in June 2021. The June 2021 publication covered all funding provided to the devolved administrations up to and including Main Estimates 2021-22. The following section summarises key changes since Main Estimates 2021-22 up to and including the Autumn Budget and Spending Review 2021.

### 2021-22 changes in Barnett-based block grants

4.2 In 2021-22 the devolved administrations have received an additional £12.6 billion of Barnett-based funding as set out below<sup>10</sup>.

Table 4.A: Devolved administrations 2021-22 additional funding

Event	Scottish Government	Welsh Government	Northern Ireland Executive
Spending Review 2020	£2.4 billion	£1.3 billion	£920 million
Spring Budget 2021	£1.2 billion	£740 million	£410 million
Carry forward from 2020-21 <sup>11</sup>	£1.2 billion	£660 million	£330 million
Main Estimates 2021-22	£1.1 billion	£640 million	£360 million
Autumn Budget 2021	£605 million	£425 million	£235 million
Total	£6.5 billion	£3.8 billion	£2.3 billion

Source: Block grant transparency spreadsheet

### Spending Review 2021 changes in Barnett-based block grants

4.3 The UK Government is providing an additional £8.7 billion per year on average to the devolved administrations over the Spending Review 2021 period through the Barnett formula, on top of their annual £66 billion baseline. These are the largest annual block grants, in real terms, of any spending review settlement since the devolution Acts in 1998.

<sup>10</sup> Before any adjustments for tax and welfare devolution

<sup>11</sup> As outlined in the previous Block Grant Transparency publication, the devolved administrations were provided flexibility to transfer funding between financial years where the Barnett formula provided more at 2020-21 Supplementary Estimates than the upfront £16.8 billion guaranteed by the Treasury. All of the devolved administrations decided to transfer the maximum amount possible into 2021-22.

**Table 4.B: Devolved administration Spending Review 2021 Barnett settlements**

TDEL (£billion)	Scottish Government			Welsh Government			Northern Ireland Executive		
	22-23	23-24	24-25	22-23	23-24	24-25	22-23	23-24	24-25
Baseline	36.7	36.7	36.7	15.9	15.9	15.9	13.4	13.4	13.4
Barnett	4.0	4.6	5.1	2.2	2.5	2.9	1.4	1.6	1.8

*Source: Block grant transparency spreadsheet*

## Relative funding

- 4.4** The calculation of relative funding levels is designed to compare devolved administrations' Barnett-based block grant funding per head against equivalent UK Government funding per head in England, England and Wales and Great Britain as appropriate (i.e. UK Government funding on areas that are devolved in Wales, Scotland and Northern Ireland).
- 4.5** This is shown as the amount of funding per head provided to the devolved administrations for every £100 per head of equivalent UK Government funding. This has been calculated in line with the methodology set out in the Welsh Government's fiscal framework<sup>12</sup>.
- 4.6** The relative funding levels from Spending Review 2021 are set out below.

**Table 4.C: Relative funding per head**

Relative funding per head	Average over SR21 period (22-23 to 24-25)
UK Government	£100
Scottish Government	£126
Welsh Government	£120
Northern Ireland Executive	£121

*Source: Block grant transparency spreadsheet and HM Treasury calculations in line with the methodology set out in the Welsh Government's fiscal framework*

## Other main changes in funding

- 4.7** A summary of the other main non-Barnett changes to each of the devolved administrations' funding over the Spending Review 2021 period is set out below (excluding tax and welfare block grant adjustments). Other non-Barnett changes in funding are set out in the accompanying spreadsheet.

<sup>12</sup> <https://www.gov.uk/government/publications/the-agreement-between-the-welsh-government-and-the-united-kingdom-government-on-the-welsh-governments-fiscal-framework>

- 4.8 The UK Government has committed to maintain the funding available to farmers and land managers in every year of this Parliament. In addition, the UK Government will provide £85 million for the Scottish and Welsh governments building on the recommendations of the Bew Review.
- 4.9 The UK Government has committed to maintain fisheries funding across the UK in every year of this Parliament.

**Table 4.D: Other non-Barnett funding for farming and fisheries**

TDEL (£million)	Scottish Government			Welsh Government			Northern Ireland Executive		
	22-23	23-24	24-25	22-23	23-24	24-25	22-23	23-24	24-25
Farming	598.1	609.1	609.1	254.8	317.6	339.6	312.8	327.2	329.4
Fisheries	14.1	14.1	14.1	2.1	2.1	2.1	3.1	3.1	3.1

Source: Block grant transparency spreadsheet

## Scottish Government: Income Tax Reconciliation

- 4.10 As agreed in the Scottish Government’s fiscal framework, the Scottish Government’s income tax funding is fixed for the year ahead using forecasts (to provide in-year funding certainty) and then reconciled to outturn using data published in HMRC’s Annual Report and Accounts (so the correct funding is ultimately provided). The outturn reconciliations, which can be additions or deductions, are then applied in the following financial year. A summary of these income tax reconciliations is set out below.

**Table 4.E: Scottish Government Income Tax Reconciliation**

£million	2017-18	2018-19	2019-20
Block Grant Adjustment (forecast)	-11,750	-11,749	-11,501
Block Grant Adjustment (outturn)	-11,013	-11,437	-11,685
Reconciliation effect	+737	+312	-184
Scottish Income tax (forecast)	11,857	12,177	11,684
Scottish Income tax (outturn)	10,916	11,556	11,833
Reconciliation effect	-941	-621	+149
Net reconciliation effect	-204	-309	-34
Year reconciliation effect applied	2020-21	2021-22	2022-23

Source: Block grant transparency spreadsheet

## Summary of all funding changes

4.11 A summary of each devolved administration's block grant is set out below.

**Table 4.F: Total Scottish Government block grant**

<b>£million</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>
Block grant before tax/welfare adjustments	42,488.7	40,603.9	41,231.2	41,788.6
Total Block Grant Adjustments	-8,914.0	-11,228.7	-11,490.4	-11,873.9
Of which tax deductions	-12,223.4	-14,824.7	-15,374.0	-15,994.1
Of which welfare additions	3,012.0	3,264.5	3,532.3	3,742.7
Total block grant after adjustment	33,574.6	29,375.2	29,740.8	29,914.7

*Source: Block grant transparency spreadsheet*

**Table 4.G: Total Welsh Government block grant**

<b>£million</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>
Block grant before tax/welfare adjustments	21,628.1	20,217.5	20,540.7	20,894.8
Total Block Grant Adjustments	-2,355.8	-2,766.2	-2,900.0	-3,004.2
Total block grant after adjustment	19,272.3	17,708.1	17,960.4	18,232.2

*Source: Block grant transparency spreadsheet*

**Table 4.H: Total Northern Ireland Executive block grant**

<b>£million</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>
Total block grant	15,874.2	14,785.1	15,006.4	15,172.3

*Source: Block grant transparency spreadsheet*

# Annex A

## Frequently asked questions

### Q: What is the block grant?

Funding from the UK Government to the devolved administrations falls into two broad categories: block grant (or Departmental Expenditure Limits) funding and funding in relation to Annually Managed Expenditure (AME). This publication only refers to the block grant funding from the UK Government.

### Q: What is the Barnett formula and why is it used?

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. Successive UK Governments have committed to the continued use of the Barnett formula.

### Q: Why is the data split between resource DEL, capital DEL and capital DEL financial transactions?

The publication differentiates between these areas as the devolved administrations are provided with separate amounts of funding to spend on each area.

### Q: Why are there totals 'before adjustment' and 'after adjustment'?

The block grants for the Scottish and Welsh governments are adjusted to reflect tax and welfare devolution as agreed in their respective fiscal frameworks. Tax Block Grant Adjustments are a deduction from the Scottish and Welsh government's block grant while an addition is applied to the Scottish Government's block grant where responsibility for welfare has been devolved. The publication presents the total block grant both before and after the adjustment is applied.

### Q: Does this show all sources of funding for the Scottish Government, Welsh Government and Northern Ireland Executive?

No. The publication does not show AME funding, for example for certain public service pensions. It also does not show the revenue raised by the devolved administrations through devolved taxes and other revenue raising powers (including fees, charges and sales of goods, services and assets), grants from European institutions, and borrowing. Further information is set out in Chapter 7 of the Statement of Funding Policy.



**Q: Why doesn't the data show UK Government spending in areas such as defence and welfare?**

This publication just shows how the devolved administrations are funded (i.e. the Scottish Government, Welsh Government and Northern Ireland Executive). Information about UK Government spending in Scotland, Wales and Northern Ireland is published in Public Expenditure Statistical Analyses (PESA)<sup>13</sup>.

**Q: Is there more detailed guidance on how the devolved administrations are funded?**

The Statement of Funding Policy sets out how the devolved administrations are funded. The latest Statement of Funding Policy was published alongside the Spending Review 2021.

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<sup>13</sup> <https://www.gov.uk/government/collections/public-expenditure-statistical-analyses-pesa>

# Annex B

## The Code of Practice for Statistics

Although this publication is not treated as Official Statistics because of the nature of the data (for example policy forecasts and funding allocations) it has been produced as far as possible in line with the Code of Practice for Statistics<sup>14</sup>.

The Code is built around three main concepts, or pillars: trustworthiness, which is about having confidence in the people and organizations' that publish statistics; quality, which is about using data and methods that produce assured statistics; and value, which is about publishing statistics that support society's needs for information. The below explains how we have applied the pillars of the Code in a proportionate way for this publication.

### Trustworthiness

The provenance of all the data used in the publication is comprehensively explained in it.

Any external data used in the publication, including any Official and National Statistics, are clearly linked, while the relationships to the data including ONS, HMRC and HM Treasury Official Statistics are explained transparently.

The timing of the publication is clearly signposted, and the publication dates are pre-announced.

There is a separation between this publication on funding data and funding policy itself although the implications of the policy for the data are clearly explained.

The publication is produced by members of the analytical professions within the Treasury and the Treasury's Head of Profession for Statistics is consulted on the production and publication process.

### Quality

The calculations used to produce the data in the publication use sound, albeit simple, methodologies and are comprehensively and clearly explained in it.

The data are thoroughly quality assured by the production team in HM Treasury before publication including by comparison against records of funding decisions and other administrative records.

The data are provided to the contacts in the devolved administration for further quality assurance.

The publication gives an incomplete picture of the funding for devolved administrations, excluding for example AME funding, revenue from devolved taxes and other sources,

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<sup>14</sup> <https://code.statisticsauthority.gov.uk/>

grants from European Institutions and borrowing. It also does not have information on how the funding is spent by devolved administrations.

## Value

The publication aims to support the information needs of society, parliamentarians and stakeholders across the UK and devolved administrations.

The publication is part of a family of releases described by the Office for Statistics Regulation as “vital to Parliaments, Assemblies, and people to hold governments to account for the money they spend and services they deliver.”<sup>15</sup>

Complex data and the context in which it exists, are clearly explained in the publication for the benefit of users including via summary section and tables, and a comprehensive FAQ section.

The information in the publication is accessible to users via pivot tables (which allow granular and summarised views of the data) and underlying data tables that allow easy extraction for analysis.

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<sup>15</sup> <https://osr.statisticsauthority.gov.uk/wp-content/uploads/2019/05/Public-Finance-Presentation-Part-1.pdf>