BRIEFING
Paper

THE GOVERNMENT'S PUBLIC EXPENDITURE PLANS FOR SCOTLAND: 1999-00 TO 2001-02

by Professor Brian Ashcroft*

On 30 March 1999, the Government published its public expenditure plans for Scotland for the period 1999-00 to 2001-02.[1] The document provides detailed information on actual and planned expenditures and adds to the information published in the March Budget[2] and in the Comprehensive Spending Review (CSR)[3] of last year. In the March **Commentary**, the Institute analysed the Scottish Office expenditure implications of the Budget, but this was confined to the Scottish Office Departmental Expenditure Limit (DEL)[4]. The publication of Cm 4215 now enables a fuller analysis of recent expenditure activity and of the Government's plans for public expenditure in Scotland over the next three years.

The structure of this briefing paper is as follows. Part 1 discusses the objectives that underpin the Government's plans. Part 2 provides an analysis of the total budget within the responsibility of the Secretary of State for Scotland and, from 1 July 1999, the Scottish Parliament. Plans for the Scottish budget are compared with plans for public expenditure in the rest of the UK. Adjustments are made to the data so that comparisons between Scotland and the rest of the UK can be made over time and on the basis of comparable programmes. Part 3 analyses the proposed allocation of expenditure within the Scottish budget. Key changes by programme are identified and an index is calculated which indicates the degree of planned resource or priority reallocation between programmes. Part 4 offers some conclusions.

OBJECTIVES

In his Foreword to the Report, the Secretary of State for Scotland indicates that the key priorities governing the expenditure plans are:

- Improving standards in education and health.
- Preparing for devolution.
- Supporting welfare to work
- Tackling Scotland's housing challenges.
- Social exclusion.

The plans and expenditure allocations set out in the Report reflect the outcome of the CSR. The CSR, in the words of the Secretary of State, "involved a root and branch examination of planned public expenditure..... to eliminate waste and inefficiency, to make better use of resources and to enable resources to be re-directed into the Government's policy priorities, particularly education and health" (p.3, Cm 4215).

Specifically, the CSR identified the following priorities:

- Investing in Scotland's people and skills, with particular emphasis on universal nursery education, reducing primary school class sizes, improving standards and teaching, substantial investment in school buildings and investment in new technology.
- Improving health, by directing extra resources to the NHS in Scotland to improve Scotland's health record and the quality of service received by patients.
- Creating a more inclusive society across Scotland through action to support and empower deprived communities, help for individuals to develop skills and to find work through the New Deal, and to provide affordable housing.

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* Brian Ashcroft is Professor of Economics and Director of the Fraser of Allander Institute at the University of Strathclyde.

[1] *The Government's Expenditure Plans 1999-00 to 2001-02*, Cm 4215, March 1999, The Stationery Office.
[2] *Financial Statement and Budget Report*, March 1999.
[3] *Comprehensive Spending Review*, Cm 4011, July 1998, The Stationery Office.
[4] The March 1998 Budget announced a change to the presentation and control of public expenditure. Departmental Expenditure Limits (DEL) were set for three years ahead and a distinction made between capital and current expenditures. Targets for Annual Managed Expenditure (AME) were set, which were to be reviewed as part of the annual Budget process. AME covers expenditures that are more difficult to fix and predict such as payments under the Common Agricultural Policy. DEL and AME together form Total Managed Expenditure (TME).

- Promoting growth and prosperity through more support for innovation in business, the commercialisation of research and the promotion of entrepreneurship.

More detailed information on the Government's expenditure objectives and targets for efficiency and effectiveness is provided in the *Public Service Agreements White Paper* Cm 4181, published in December 1998, and the Public Service Agreement in Scotland *Delivering to You*.

The expenditure plans cover the three financial years 1999-00 to 2001-02, but the Report acknowledges that the Scottish Parliament may amend the plans for the years 2000-01 and 2001-02.

THE OVERALL LEVEL OF PUBLIC EXPENDITURE

In cash terms, the total budget allocated to the Scottish Office/Scottish Parliament is £15,895 million in 1999-00, rising to £16,691 million in 2000-01 and to £17,428 million in 2001-02. The estimated outturn for 1998-99 is £15,410 million, so the projected increase over the three years amounts to £2,018 million or 13.1 per cent (an average of 4.2 per cent per annum). The comparable figure for rest of the UK expenditures is 17.1 per cent (5.4 per cent per annum).

Within the total budget, the Departmental Expenditure Limit (DEL) represents a fixed three-year spending plan. The Scottish DEL is projected to increase from an outturn of £13,282 million in 1998-99, to £13,807 million in 1999-00, £14,521 million in 2000-01, and £15,158 million in 2001-02. The increase over the three years therefore amounts to £1,876 million or 14.1 per cent (4.5 per cent per annum). For the rest of the UK, the DEL is projected to rise by 19.2 per cent or 6 per cent per annum.

These comparisons imply that while Scotland is to receive an increase in public expenditure in cash terms, the country fares much worse than the rest of the UK. However, before such a conclusion can be drawn it is necessary to make some adjustments to the figures to enable like to be compared with like, both across time and between jurisdictions.

Adjusting for Price Changes

The presentation of public expenditure plans in cash terms fails to allow for the prospect of inflation, which will reduce the real value of the spending to Scottish and rest of the UK residents. The Report (Cm 4215) provides a table (1.5) which translates the cash spending plans into real terms on the basis of 1997-98 prices and an implied inflation forecast. Figure 1charts the annual percentage change in the Scottish and rest of the UK DEL for the period 1994-95 to 2001-02. The data for the period 1994-95 to 1998-99 reflect the actual or, in the case of 1998-99, the estimated outturn, while the final three years reflect the Government's future plans. The planned increase in real Scottish DEL expenditures amounts to 6 per cent between 1998-99 to 2001-02 or 1.9 per cent per annum. The comparable figure for the rest of the UK is 10.7 per cent or 3.4 per cent per annum. These changes imply that the real Scottish DEL in 2001-02 is, at £13.73 billion, only slightly above the previous expenditure peak of £13.72 billion in 1994-95.

The annual percentage changes in Total Managed Expenditure (the Total Budget) deflated to 1997-98 prices are presented in Figure 2. The planned increase in the Scottish TME in real terms is estimated to be 5 per cent between 1998-99 to 2001-02 or 1.7 per cent per annum. The comparable figure for the rest of the UK is 8.7 per cent or 2.8 per cent per annum.

Adjusting for Non-Comparable Programmes

In making comparisons between Scotland and the rest of the UK it is better to do so on a comparable programme basis. There are four types of adjustment that in principle should be made. First, expenditure on collective public goods, such as defence, the Foreign Office, international aid through the Department of International Development, and the Contingency Reserve, should be removed from the rest of the UK total. These are services that are provided for all UK residents and are not comparable with the expenditure programmes delivered by the Scottish Office. Secondly, some expenditure is primarily demand-led and cannot be said to reflect directly the planning decisions of government. The most obvious example here is the large cyclical element involved in the payment of social security benefits. Thirdly, some programmes reflect the policy decisions of authorities other than Central Government. Examples here include Local Authority self-financed expenditure and European Union expenditure on programmes such as the Common Agricultural Policy. In the future, this category would include spending from the use of the variable taxation power of the Scottish Parliament, the "Tartan Tax". Finally, adjustments should also be made to allow for differences in the delivery of public services between jurisdictions. For example, where services are privatised in the rest of Britain but not in Scotland and vice versa, the range of comparable services is reduced. This is currently the case with the privatisation of water and sewerage services in the rest of Britain but not in Scotland. However, even though a service may be privatised in the rest of the UK but not in Scotland, the effect on comparability may be minimal if Government continues to provide funding for the privatised service, or if the public service is financed by charges on the user.

Adjustments have therefore been made to the real Scottish and rest of the UK public expenditure figures to ensure greater comparability.[5] In Figure 3, changes in the Scottish DEL are compared with changes in the adjusted DEL for the rest of the UK.[6] The planned increase in the adjusted real rest of the UK DEL over the period 1998-99 to 2001-02 is estimated to be 12 per cent or 3.8 per cent per annum. This should be compared with the 10.7 per cent increase in the unadjusted real rest of the UK DEL and the 6 per cent rise in the real Scottish DEL. The widening of the gap between the growth of the Scottish and rest of the UK DEL reflects the falling real expenditure on the selected UK public goods, particularly defence. The gap is a clear reflection of the application of the Barnett Formula, which as the Report reveals (paragraph 1.11) currently adjusts the Scottish DEL by 10.39 per cent of the changes made to plans for comparable English, or 8.68 per cent for England and Wales, programmes.[7] The specific percentages applied reflect the current size of the Scottish population relative to England and England and Wales, respectively.

[5] Adjustments are made to remove expenditure on UK public goods, demand-led expenditures and expenditure by non-Central Government jurisdictions. However, lack of data precluded the removal of expenditure on services that are privatised in either the Scottish or rest of the UK jurisdictions.

[6] Expenditures in the rest of the UK DEL were adjusted to ensure greater comparability with the Scottish DEL, by removing spending on defence, the Foreign Office, the Department of International Development and the Contingency Reserve.

[7] See the articles by McCrone, G. (1999) *Scotland's Public Finances from Goschen to Barnett* in **Quarterly Economic Commentary** Vol. 24, No. 2, Fraser of Allander Institute, University of Strathclyde and by Kay, N. (1998) *The Scottish Parliament and the Barnett Formula* in **Quarterly Economic Commentary** Vol. 24, No. 1, Fraser of Allander Institute, University of Strathclyde.

Figure 4 charts the change in real Total Managed Expenditure (TME) adjusted for comparable programmes in Scotland and the rest of the UK.[8] The planned increase in the adjusted real Scottish TME over the period 1998-99 to 2001-02 is estimated to be 5.5 per cent or 1.8 per cent per annum. In contrast, the planned increase in the adjusted real rest of UK TME over the period is estimated to be 13.9 per cent or 4.4 per cent per annum. This should be compared with the 8.7 per cent increase in the unadjusted real rest of the UK TME and the 5 per cent rise in the unadjusted real Scottish TME.

What these calculations reveal is that when adjustments are made to remove non-comparable programmes, planned Scottish public expenditure is set to grow even more slowly in real terms compared to expenditures in the rest of the UK. This conclusion applies to the comparable programmes in both the Scottish DEL and the Scottish AME. While the application of the Barnett Formula clearly accounts for the planned slower growth of the Scottish DEL, the slower growth of the Scottish AME appears to reflect the growth in the size of the accounting adjustment in the rest of the UK rather than any specific programme differences. Indeed, when this adjustment is removed from the calculation the adjusted UK TME grows by 11.3 per cent over the period compared to the 5.5 per cent growth of the adjusted Scottish TME. All of which suggests that the difference between the Scottish and rest of the UK public expenditure plans primarily reflects the application of the Barnett formula to the comparable programmes contained within the DEL.

THE ALLOCATION OF EXPENDITURE

By Programme

Table 1 shows the planned change in expenditure by programme at constant prices over the three-

[8] The adjusted TME for Scotland is obtained by subtracting local authority self-financed expenditure i.e. non-domestic rates, and payments under the Common Agricultural policy (CAP). For the rest of the UK, Annual Managed Expenditure (AME) is adjusted by subtracting expenditures under the following programmes: social security benefits, the CAP, ECGD expenditures, net payments to EU, the national lottery, self financing public corporations, locally financed expenditure, Central Government debt interest and the AME margin. The adjusted AME for the rest of the UK is then added to the adjusted DEL to obtain adjusted TME.

year period 1998-99 to 2001-02. The change in expenditure is a clear reflection of some of the Government's stated priorities, which were noted in section 1 above. Spending on health is to rise by almost £500 million, or 11 per cent, which accounts for the "lion's share", two thirds, of the overall budget increase. Education spending, which includes further, higher and other Central Government education, is set to rise by just under £200 million, representing just over a quarter of the overall budget increase. Indeed, the increase in education spending of 20 per cent represents the biggest percentage growth in programme expenditures. The social inclusion objective appears to be reflected in the increased allocation for social work activities, which, while absolutely small at £7 million, constitutes the third biggest percentage rise at just over 10 per cent. The desire to tackle Scotland's housing challenges and provide affordable housing is reflected in the 5 per cent rise in spending on housing.

Preparation for devolution is indicated in the new programme heading "Scottish Parliament and staff", with expenditures of £52 million in 1999-00, £74 million in 2000-01 and £42 million in 2001-02. Of these amounts, capital spending associated with setting up the Parliament accounts for 51 per cent in 1999-00, 55 per cent in 2000-01 and 23 per cent in 2001-02. Support for the Scottish Parliament, has had to be found from within the overall Scottish Budget. This is a particular burden in 1999-00 and 2000-01 due to the need to meet the building costs and other capital spending required to set up the Parliament. In addition, the transfer to the Scottish Parliament of responsibility for the Forestry Commission leads to planned real expenditures of £13 million in 1999-00, £21 million in 2000-01 and £25 million in 2001-02.

However, some of the Government's other stated priorities are not reflected in the change in programme expenditures. The desire to promote growth and prosperity through more support for innovation in business, the commercialisation of research and the promotion of entrepreneurship, sits uneasily with the decline in programme expenditures on Industry, Enterprise and Training, which contract by £26 million, or 4.5 per cent between 1998-99 and 2001-02. Indeed, the fall in real expenditures is greater between 1998-99 to 2000-01with £59 million taken out of the Budget, a decline of more than 10 per cent. It is difficult to resist the conclusion that the Industry, Enterprise and Training budget has had to bear a large part of the burden of the set-up costs of the Scottish Parliament.

Within the budget, planned expenditure at constant prices on Scottish Enterprise falls slightly by 1.3 per cent between 1998-99 and 2001-02. However, between 1998-99 and 2000-01, the decline in expenditure is nearly 8 per cent. For Highlands, and Islands Enterprise, there is a planned reduction in spending of 8 per cent over the three years to 2001-02. And, for Investment Assistance[9] the planned reduction in spending is just above 10 per cent over the three years. However, investment assistance outlays are to a considerable extent demand led. In addition, the Government's forecast of outlays over the planning period is likely to have been affected by the introduction of new EU rules on 1 January 2000 covering permitted limits on aid and the proportion of population resident in Assisted Areas.

One other factor that should be borne in mind when assessing the Government's plans for the Industry, Enterprise and Training budget is the appropriateness of the planned pattern of expenditures to the Government's declared objectives. It was noted above that the Government desires to promote growth and prosperity through more support for innovation in business, the commercialisation of research and the promotion of entrepreneurship. More generally, there is a desire to raise competitiveness as the basis for improved growth and development. Modern thinking on the role of government in the promotion of competitiveness and growth suggests that this can best be achieved by shifting the pattern of state expenditures away from the subsidisation of capital and investment towards "softer" forms of assistance.[10] Such assistance would include support for innovation, R&D, training, professional advice, networking, and new starts. The activities of Scottish Enterprise in recent years clearly reflect this thinking and the statement of the Government's growth objective in the Report can also be seen to reflect this approach.

The data provided in the Report do not allow a detailed appraisal of the pattern of expenditures within the Industry, Enterprise and Training budget. Information is provided only at the level of the two development agencies, Scottish Enterprise and HIE, and on assistance to investment –

[9] Investment assistance support is provided through Regional Selective Assistance (RSA) grants for investment projects undertaken by business in the Assisted Areas.

[10] See for example, Dunning, J., Bannerman, E., and Lundan, S. (1998) *Competitiveness and Industrial Policy in Northern Ireland*. Research Monograph 5. Belfast: Northern Ireland Economic Council.

including inward investment - and on support for innovation and vocational training. We have noted that overall assistance to investment is set to fall in real terms, which probably reflects the desire of the EU to reduce state aids to industry. Expenditure plans for support to inward investment and training are only presented for the years 1998-99 and 1999-2000, while support for innovation is indicated to the year 2001-02. What the plans reveal is that support for inward investment is expected to be unchanged in real terms at £96 million, while support for both innovation and training is projected to fall. Training support in constant prices falls from £186 million in 1997-98, to £182 million in 1998-99 and £173 million in 1999-2000, successive reductions of 2 per cent and 5 per cent, respectively. In addition, the initial small outlay on innovation support of £8 million is set to fall to £5 million in each of the three years to 2001-02. While no overall conclusion can be drawn, given the absence of more information, it does not appear that the CSR has led to a shift in industrial assistance towards the softer forms of support in line with current thinking on the promotion of competitiveness.

Dissimilarity Index (DSI)

We noted in Part 1 that the CSR involved a thorough examination of public expenditure to make better use of resources and to enable resources to be re-directed into the Government's policy priorities, particularly education and health. Part 3 noted that the public expenditure plans have resulted in a large change in spending in favour of the key priorities of education and health. But this still leaves open the question about the implication of the CSR and the Government's plans for the overall pattern of public expenditure in Scotland. Table 2 presents the results of the calculation of several DSIs. The DSI is an indicator of the degree to which resources have been reallocated or priorities shifted between programmes.[11]The index will vary from zero, no change in programme structure, to 100, a complete reversal of priorities, whereby a very small or new programme comes to dominate expenditure.

Table 2 presents the shares of programme expenditure in the total budget for the outturn years 1993-94, 1996-97, 1998-99 and the shares planned for 2001-02. The DSI for the period 1998-99 to 2001-02 is 3.4 percentage points, which is surprisingly lower than the DSI of 4.8 for the shorter period 1996-97 to 1998-99. In the latter period the present Government agreed to follow the public expenditure plans of the previous Government. The DSI for the earlier shorter period 1994-95 to 1996-97 is also slightly higher at 4.6 than the DSI for 1998-99 to 2001-02. Calculation of a DSI for the period of the Government's plans suggests that the planned re-allocation of resources or priorities shifted is less than the actual re-allocation in the earlier and shorter periods 1996-97 to 1998-99 and 1994-95 to 1996-97.

The DSI is estimated over all the expenditure programmes, so the calculation fails to distinguish between spending that is directly within the control of the Secretary of State and other spending which is either demand led or determined by other authorities such as the EU. Nevertheless, the low value of the DSI for the 1998-99 to 2001-02 suggests that the CSR did not produce a substantial re-allocation of resources between programmes in spite of the large proportionate increase in health and education expenditures. Clearly, the DSI provides no measure of the extent to which the CSR has eliminated waste and inefficiency and made better use of resources within programmes. But, with many programmes ring-fenced or demand-led, this exercise does highlight the difficulty faced by Government and the future Scottish Parliament in effecting a significant re-allocation of spending priorities.

CONCLUSIONS

The Government's public expenditure plans for Scotland for the period 1999-00 to 2001-02 reveal an increase in the total budget of the Scottish Office and the Scottish Parliament of 5 per cent in constant prices over the three years or 1.7 per cent per annum. The comparable figure for the rest of the UK is 8.7 per cent or 2.8 per cent per annum. When adjustments are made to allow a comparison between Scotland and the rest of the UK on a comparable programme basis, the planned increase in the adjusted Scottish budget over the period is estimated to be 5.5 per cent or 1.8 per cent per annum. This can be compared with the planned increase in adjusted rest of the UK Total Managed Expenditure of 13.9 per cent or 4.4 per cent per annum. The difference between the planned growth of Scottish and rest of the UK public expenditure appears primarily to reflect the application of the

[11] It is defined as the sum of half the absolute percentage point difference for each programme's share of total public expenditure between two points in time. Division by two serves to average gaining and losing programmes. See, for example, *The 1996 UK Budget: Implications for Northern Ireland*, Report 22, March 1997, Belfast: Northern Ireland Economic Council.

Barnett formula to the comparable programmes in the Scottish and rest of the UK budgets.

Analysis of the planned allocation of expenditure within the Scottish budget reveals substantial real increases in spending on health and education, which are in line with the Government's stated priorities. However, some of the Government's other stated priorities are not reflected in the change in programme expenditures. The desire to promote growth and prosperity through more support for innovation in business, the commercialisation of research and the promotion of entrepreneurship, sits uneasily with the decline in programme expenditures on Industry, Enterprise and Training, which contract by £26 million, or 4.5 per cent between 1998-99 and 2001-02. Indeed, the fall in real expenditures is greater between 1998-99 to 2000-01with £59 million taken out of the Budget, a decline of more than 10 per cent. It is difficult to resist the conclusion that the Industry, Enterprise and Training budget has had to bear a large part of the burden of the set-up costs of the Scottish Parliament. Moreover, it does not appear that the CSR has led to a shift in industrial assistance towards the "softer" forms of support, such as the promotion of innovation and training, in line with current thinking on the promotion of competitiveness.

Finally, the calculation of an index of the degree to which resources are to be reallocated or priorities shifted between programmes suggests that the CSR has not produced a substantial re-allocation of resources between programmes in spite of the large proportionate increase in health and education expenditures. However, the index provides no measure of the extent to which the CSR has eliminated waste and inefficiency and made better use of resources within programmes. But, with many programmes ring-fenced or demand-led, this exercise does highlight the difficulty faced by Government and the future Scottish Parliament in effecting a significant re-allocation of spending priorities.

Table 1: Change in Expenditure by Programme 1998-99 to 2001-02 at 1997-98 prices

Programme	£ million at 1997-98 prices	% Change 1998-99 to 2001-02	% Share of Budget Increase
Health	499	11.02	66.01
Education	197	20.02	26.06
Local authority current	66	1.25	8.73
Scottish parliament and staff	42	na	5.56
Unallocated capital modn. Fund	37	na	4.89
Housing	30	5.37	3.97
Forestry	25	na	3.31
Local authority capital	18	5.34	2.38
Roads and transport	18	7.56	2.38
Law, order & protective services	13	2.87	1.72
Social work	7	10.45	0.93
Other public services	5	3.01	0.66
Arts, libraries & sport	0	0.00	0.00
Agriculture, fisheries & food	-1	-0.19	-0.13
New Deal for Schools	-2	-7.69	-0.26
Crown Office	-4	-8.16	-0.53
Other environmental services	-14	-4.50	-1.85
ESF & ERDF	-22	-12.29	-2.91
Industry, enterprise & training	-26	-4.51	-3.44
NHS & teachers pensions	-44	-12.98	-5.82
Student support	-88	-25.36	-11.64
Total Budget	756	5.03	100.00

Note: na is not applicable since programme expenditure is zero in 1998-99.

Source: *The Government's Expenditure Plans, 1999-00 to 2001-02* (Cm 4215), March 1999, The Stationery Office.

Table 2: Share of Scottish Public Expenditure by Programme and Dissimilarity Indices (DSIs): 1994-95 to 1996-97; 1996-97 to 1998-99; and 1998-99 to 2001-02

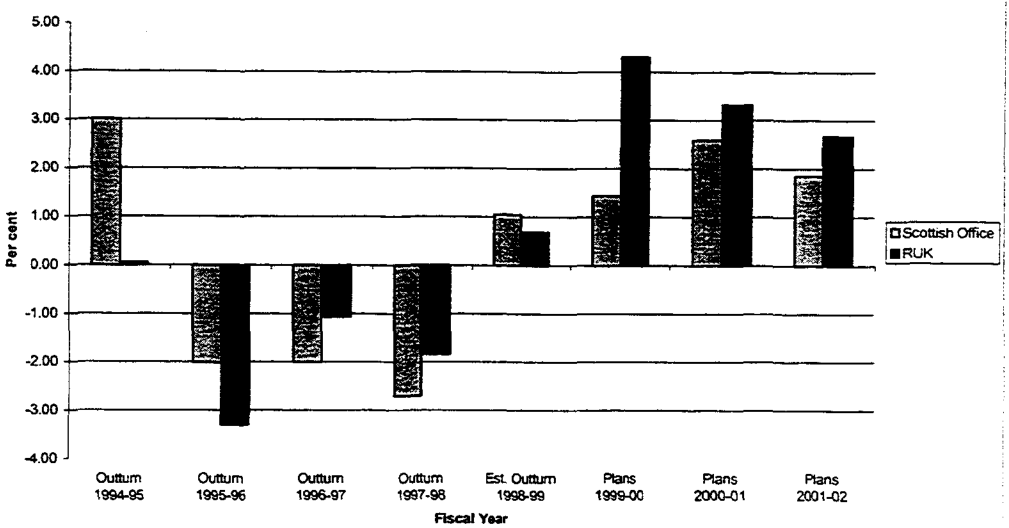
Programme	1994-95 Outturn	1996-97 Outturn	1998-99 Est. Outturn	2001-02 Plans
Local authority capital	5.0	3.1	2.2	2.2
Local authority current	37.8	37.2	35.0	33.8
Agriculture, fisheries & food	3.2	4.0	3.5	3.4
Arts, libraries & sport	0.5	0.5	0.5	0.5
Crown Office	0.3	0.3	0.3	0.3
ESF & ERDF	0.8	0.9	1.2	1.0
Forestry	0.0	0.0	0.0	0.2
Education	5.8	6.1	6.5	7.5
Health	27.7	28.6	30.1	31.8
Housing	3.8	2.1	3.7	3.7
Industry, enterprise & training	4.3	4.1	3.8	3.5
Law, order & protective services	3.0	3.0	3.0	3.0
New Deal for Schools	0.0	0.0	0.2	0.2
NHS & teachers pensions	1.3	1.5	2.3	1.9
Other environmental services	0.6	2.8	2.1	1.9
Other public services	1.2	1.2	1.1	1.1
Roads and transport	1.9	1.8	1.6	1.6
Scottish parliament and staff	0.0	0.0	0.0	0.3
Social work	0.3	0.4	0.4	0.5
Student support	2.5	2.3	2.3	1.6
Unallocated capital modn. Fund	0.0	0.0	0.0	0.2
Total Budget	100.0	100.0	100.0	100.0

	1994-95 to 1996-97	1996-97 to 1998-99	1998-99 to 2001-02
DSI	4.6	4.8	3.4

Note: The DSI is defined as the sum of half the absolute percentage point difference for each programme's share of total public expenditure between two points in time. Division by two serves to average gaining and losing programmes.

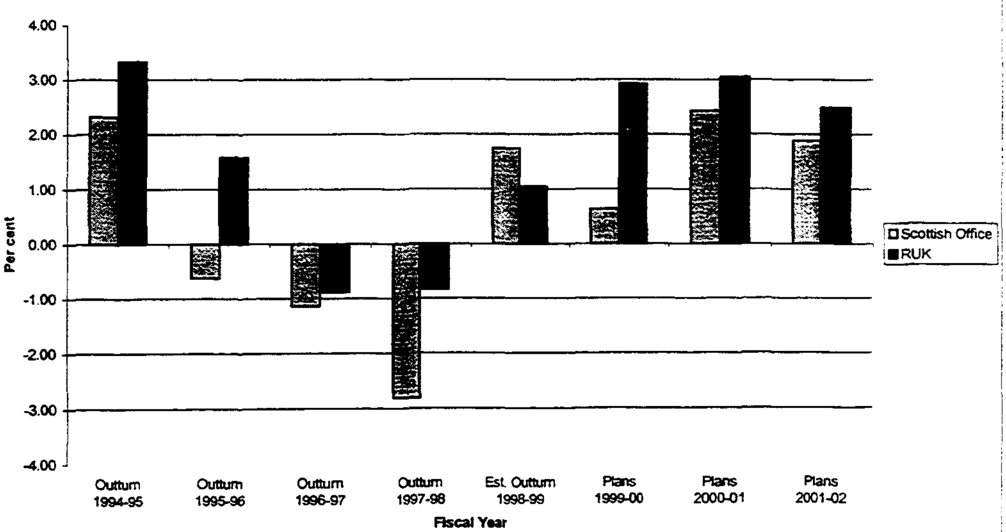
Source: *The Government's Expenditure Plans, 1999-00 to 2001-02* (Cm 4215), March 1999, The Stationery Office.

Figure 1: Scottish Office and Rest of UK Departmental Expenditure Limits @1997-98 prices Per cent Change, 1994-95 to 2001-02



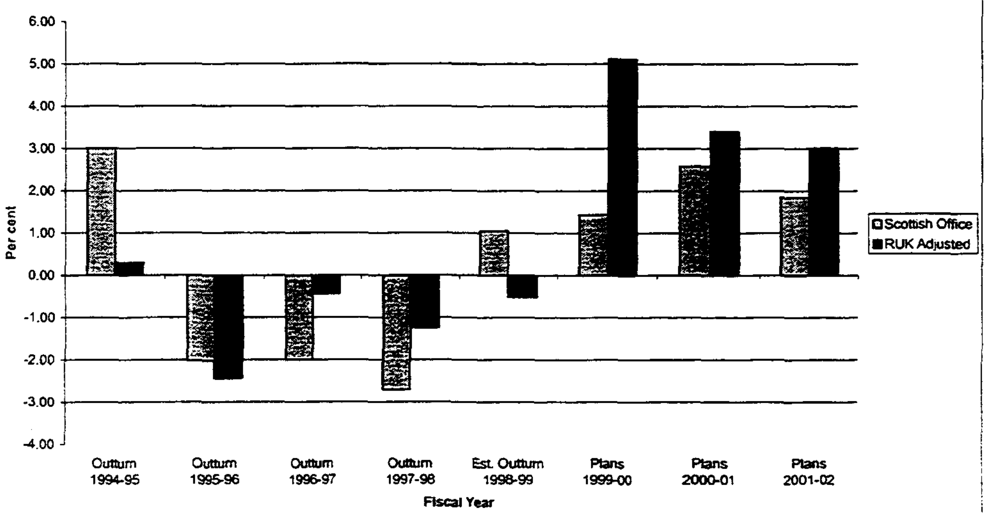
Source: The Government's Expenditure Plans 1999-00 to 2001-02 (Cm 4215) March 1999; Comprehensive Spending Review (Cm 4011), July 1998; Financial Statement and Budget Report, March 1999; FAI calculations.

Figure 2: Scottish Office and Rest of UK Total managed Expenditure 1994-95 to 2001-02, Per cent change @ 1997-98 prices



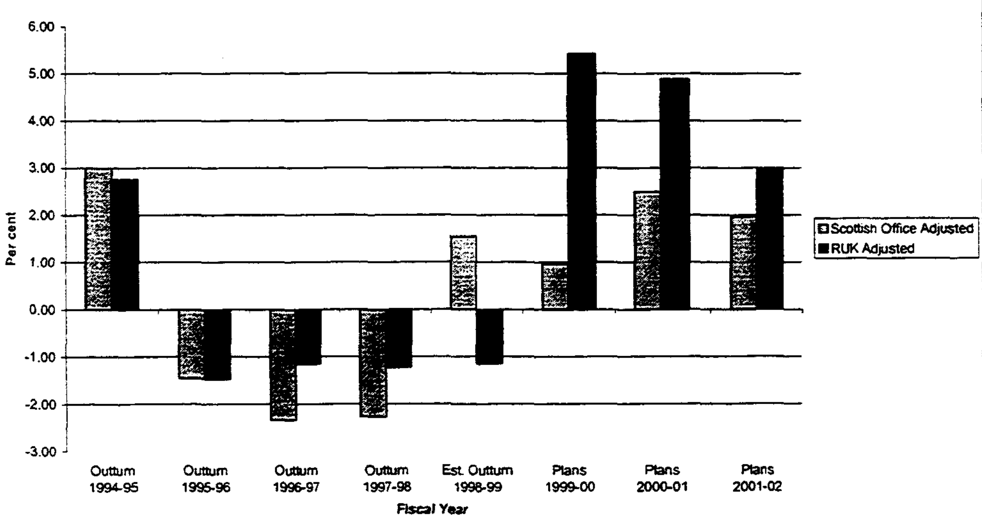
Source: The Government's Expenditure Plans 1999-00 to 2001-02 (Cm 4215) March 1999; Comprehensive Spending Review (Cm 4011), July 1998; Financial Statement and Budget Report, March 1999; FAI calculations.

Figure 3: Scottish Office and Rest of UK (Adjusted) Departmental Expenditure Limits @1997-98 prices Per cent Change, 1994-95 to 2001-02



Source: The Government's Expenditure Plans 1999-00 to 2001-02 (Cm 4215) March 1999; Comprehensive Spending Review (Cm 4011), July 1998; Financial Statement and Budget Report, March 1999; FAI calculations.

Figure 4: Scottish Office and Rest of UK Adjusted Total Managed Expenditure 1994-95 to 2001-02, Per cent change @ 1997-98 prices



Source: The Government's Expenditure Plans 1999-00 to 2001-02 (Cm 4215) March 1999; Comprehensive Spending Review (Cm 4011), July 1998; Financial Statement and Budget Report, March 1999; FAI calculations.