

112

TERRITORIAL EXPENDITURE

1. [REDACTED]

PART I: THE RECENT PATTERN OF PUBLIC EXPENDITURE PROVISION

BACKGROUND: the Block and Formula System

2. The block system and the formula were introduced for Scotland in 1978 to eliminate the need for annual negotiation between the Treasury and the Secretary of State across all his programmes. Originally a temporary measure, it was extended to Northern Ireland in 1979 and to Wales in 1980, and has become the established mechanism for determining public expenditure allocations.

3. The programmes covered by the block vary between territories, but in all cases roads and transport, housing, other environmental services, education, arts and libraries, health and personal social services, tourism and other public services are included. Annex A shows in detail the coverage of the block for each territory.

4. The size of the block each year is adjusted by amounts calculated using a population based formula applied to changes in the corresponding English programmes: for example, if the English housing programme is increased or decreased by £85 million, there is a change of £10 million in the Scottish block. This formula (whose numbers differ for each territory) operates entirely automatically, and there is no scrutiny by Treasury Ministers. Within the block totals so determined, the Territorial Secretaries of State have discretion to allocate resources between block programmes according to local priorities, subject to a ring fence restricting transfers into or out of local authority current expenditure; to collective Ministerial policy decisions; and to the Treasury's right to be consulted on repercussions, etc. The relativities between the different territories were therefore largely fixed on the date on which the block was first established. Two issues arise: First, are the baselines fair, taking account of any changes in each territory since the 1970s; and second are the ratios applied to marginal changes still appropriate?

5. An interdepartmental study of relative public expenditure needs was completed in 1979. The intention was not to determine the absolute levels of public expenditure required according to 'need', but to assess relativities. By examining objective economic and social statistical data relevant to each of the programmes covered in the study, a figure of relative need was derived. This was compared with the pattern of expenditure in 1976-77. The departments concerned agreed that the methods of assessment used were a long way from providing wholly definitive measures of relative expenditure needs, and that there is therefore no 'right' answer. But in summary the outcome of the study was as follows:

TABLE 1

	<u>Relative Need</u>	<u>Relative Expenditure</u>
England	100	100
Scotland	116	122
Wales	109	106
Northern Ireland	131	135

Figures are per capita, for 1976-1977

Source: Needs Assessment Study 1979.

6. However, whatever the correct interpretation of this study, it is relevant to note that no change to the block/formula arrangements was made as a result of it. The Treasury has nonetheless used figures based on the study to secure cumulative non-formula reductions of £233 million from the Scottish block since 1980. These reductions relate to block resources totalling £56.2 billion over the period 1980-81 to 1988-89. The knock-on effect of this is that the block baseline for Scotland in 1989-90 will be some £90 million lower than it would otherwise have been.

7. Short of a full updating of the 1979 study, it is not possible to give an assessment of how relative needs have changed, except in one important respect: the population of Scotland has fallen, while that of Northern Ireland and England has increased. Other changing factors of need relate largely to individual services and require detailed study. We have, nonetheless, in figures 1-3, drawn together some statistics on GDP per head, personal disposable incomes, and unemployment for the four territories between 1976 and 1984 or 1985. The changes in population or economic circumstances could provide a basis for defending in public a further reduction in the Scottish block: this is developed in Part II of the report.

Public Expenditure Developments

8. In comparing the provision for the different territories, three comparisons can be made:

- (i) on the basis of expenditure on programmes covered by the block and formula;
- (ii) on the total expenditure within the control of the relevant Secretary of State. Except in Northern Ireland, this comprises the block programmes plus other programmes outside the blocks and not subject to the formula (principally agriculture, industry and employment, and nationalised industry EFLs)*, and
- (iii) on 'total identifiable public expenditure' which includes both the block and non-block programmes under the Secretary of State's control plus spending by other departments operating on a UK or GB basis which can be allocated by territory. This includes, for example, Social Security in Scotland and Wales. (Expenditure on defence and foreign affairs is, however, excluded.)

* In Northern Ireland, agriculture, trade/industry/energy, and social security are included in the block, and comparison with other blocks is therefore difficult. However, in this paper social security (which is demand led and not covered by the comparability formula) has been excluded from the data to provide a more accurate comparison for the four territories.

9. This paper is mainly concerned with trends in block expenditure, but in considering whether the distribution of resources is equitable it is important to bear in mind that this accounts for only about half to two thirds of total identifiable public expenditure. The following table shows the relative importance of each of these totals for 1984-85, the most recent year for which full information is available.

TABLE II

	Block Expenditure	Secretary of State's Expenditure	E billion Total identifiable Expenditure
England	-	-	82.7
Scotland	6.3	7.0	11.4
Wales	2.4	2.6	5.4
Northern Ireland	2.8	2.8	4.2
(including Social Security	4.0	4.0	4.2)

10. The following tables show the trends in block expenditure over the last five years and plans for the next three for each territory compared with corresponding total of English programmes (which is of course different for each territory), first in cash terms and then as percentages. (Fuller information including data for individual programmes is given in Annex B, both in cash and in constant prices.)

TABLE III

Trends in Block Expenditure for each territory compared
with the corresponding English Programme

	1980-81 outturn	1985-86 plan estimated outturn	£ billion 1988-89 plan
Scotland	5.0	6.6	7.1
English Programmes	34.8	45.7	48.6
Wales	1.9	2.5	2.8
English Programmes	30.2	38.5	40.9
Northern Ireland	2.2	3.0	3.3
English Programmes	40.7	53.1	55.2
Total Public Expenditure	92.6	134.2	148.7

Note: Northern Ireland Figures exclude Social Security
Source: Cabinet Office, derived from PEWP

TABLE IV

Territorial Expenditure as a Percentage of corresponding English Programmes

	1980-81	1985-86	1988-89
Scotland	14.4	14.4	14.6
Wales	6.4	6.5	6.8
Northern Ireland	5.4	5.6	6.0

11. When the changes in block expenditure are expressed in per capita terms, the following pattern emerges:

TABLE V

	Relative Block expenditure per capita		Relative total identifiable expenditure per head	
	1980-81	1984-85	1980-81	1984-85
England	100	100	100	100
Scotland	130	128	127	126
Wales	107	106	110	109
Northern Ireland	160	160	151	152

12. The changes in population or economic circumstances could provide a basis for defencing in public a further reduction in the Scottish block: this is developed in Part II of this report.

Conclusion

13. While these figures for expenditure naturally conceal a number of movements and changes within individual programmes reflecting the discretion of the Secretaries of State to make switches, the broad conclusion must be that since the block and formula arrangements were established the aggregate territorial expenditure blocks have moved roughly in line with the corresponding programmes in England, as one would have expected.

PART II: SCOPE FOR REMEDIAL ACTION

14. [REDACTED]

15. There are two ways of reducing or eliminating any imbalance in provision. The real resources devoted to the blocks can be reduced either outright or, alternatively, by financing additional services out of the blocks with no compensating increase in provision. The problem is both presentational and practical: the operation of the block and formula system is closely scrutinised by Parliament and outside commentators, and the relevant Secretary of State would need to be able to provide an adequate justification for the change; he would also have to work out how to make reductions in services already within the block or moved into it if real term cuts were to be achieved.

16. The scope for 'invisible' reductions in the Scottish block has been extensively examined in the 1984 and 1985 PES. The upper limit was shown to be only £5-10 million a year, and was expected to decline over time. So while the baseline has effectively been ratcheted down by this means (as indicated in paragraph 6), by about £50 million between 1980 and 1986, there is little further scope for changing the balance of expenditure by invisible savings.

Changes to reflect shifts in population

17. One possible way of making a real terms cut in the Scottish provision might well be to up date either the formula or the base line to take account of changes in population since 1979, although it should be noted that population was not taken into account when the original base lines were established and not all services in the blocks are directly dependent on population.

(i) Changes in the formula

18. There are two ways in which the comparability formula might be amended. First, the ratios used to determine the marginal changes to the territorial blocks could be adjusted on the basis of the existing formula in line with the change in population since 1979. If this had been in force in the 1985 PES it would have altered the figures by approximately the following amounts:

TABLE VI

Effect of a change in the existing formula on the block provision

	1986-87	1987-88	£ million 1988-89
Scotland	- 2	- 2	- 2
Wales	0	0	0
Northern Ireland	0	0	0

Note This table shows what the change in formula consequentials would have been in the 1985 PES round had the formula constants changed from their 1979 values (10/85, 5/85, 2.75 per cent) by the same percentage as the population ratios are projected to change.

19. An alternative would be to adopt a new formula, constructed to represent the actual relative populations as of now. Had this been in force, it would have altered the figures by approximately the following amounts:

TABLE VII

Effect of adopting a new formula on the block provision

	1986-87	1987-88	£ million 1988-89
Scotland	- 9	- 7	- 6
Wales	+ 1	+ 1	+ 1
Northern Ireland	+ 2	+ 1	+ 1

Note This table shows what the change in formula consequentials would have been in the 1985 PES round had the formula constants been replaced by the projected population ratios for each year.

20. It should be noted however, that the formula applies equally to marginal increases and decreases in provision, so that updating the formula for population changes may therefore be broadly neutral over time: indeed over the whole period since 1979 comparability increases and decreases for all three territories have largely cancelled out.

(ii) Change in the baseline

21. A more radical option would be to adjust the base line once-off to reflect the change in population ratios since 1979. This would give the following results:

122

TABLE VIII

Effect of changing the baseline to reflect current populations

	1986-87	1987-88	£ million 1988-89
Scotland	- 109	- 133	- 163
Wales	- 8	- 8	- 8
Northern Ireland	+ 34	+ 34	+ 35

Note: This table shows the affect of applying the percentage changes in projected population ratios since 1979 to the baselines in the plan year.

22. If Ministers wished to use this option to justify any reduction in provision for Scotland, it would, of course, be necessary to decide whether it could be done in isolation or whether consequential adjustments would also need to be made in respect of Northern Ireland and Wales.

Changes to reflect economic circumstances

23. It would be possible also to adjust either the baseline or the formula to reflect changes in economic circumstances since they were first established. But since the data shown in Figures 1, 2, and 3 do not point to any clear of sustained divergence in the fortunes of the territories since the blocks were established it would be hard to use them to justify any specific changes.

Transfers to the Scottish block

24. The alternative approach is to ask the Secretary of State for Scotland to take on extra responsibilities to be funded out of the block without a corresponding increase in provision, so that there could be a net saving to the Exchequer. We have identified a number of candidates which are listed and briefly discussed in Annex C. It must be stressed, however, that they are put

forward without any commitment by the Scottish Office or the Treasury, and because of the sensitivity of this exercise they have not been discussed with the departments which currently have responsibility for the activities concerned. In most cases we would expect current sponsor Departments to argue against transfer, and in considering them Ministers will wish to bear in mind the following considerations:

- a. the extent to which a transfer could be confined to Scotland alone, leaving the same responsibilities for other territories with the GB or UK Minister;
- b. the extent to which comparability could be established so that the Scottish block would in future receive formula consequences in respect of the transferred programmes;
- c. the extent to which it is judged necessary to maintain uniformity of policy throughout GB or UK and control by a single Minister;
- d. whether legislation would be necessary and the timetable for its enactment;
- e. wider political considerations.

25. More generally most of the proposals put forward would raise the fundamental issue of managerial control: if the Secretary of State for Scotland is to take financial responsibility then he should generally also exercise policy and managerial supervision responsibility for the activities concerned. This might create a risk of either divided responsibilities between the English and Scottish departments for common activities, or alternatively different policy objectives, priorities, and levels of service north and south of the border.

26. If Ministers wished to pursue further any of these possibilities, detailed study in conjunction with the department currently carrying responsibility would be necessary.

CONCLUSIONS

27. This brief study has shown that:

(i) Since they were established, the size of the territorial blocks has moved roughly in line with the corresponding programmes in England;

(ii) One possible way of making a substantial real terms cut in the Scottish provision might well be to amend the baseline to reflect changes in population since it was established. Changes to the formula would produce much smaller reductions.

(iii) there are a number of options for achieving real terms reductions by transferring items of expenditure into the Scottish block, but these would give rise to complex issues, which would need to be considered further with the Departments with primary responsibility for the items concerned.

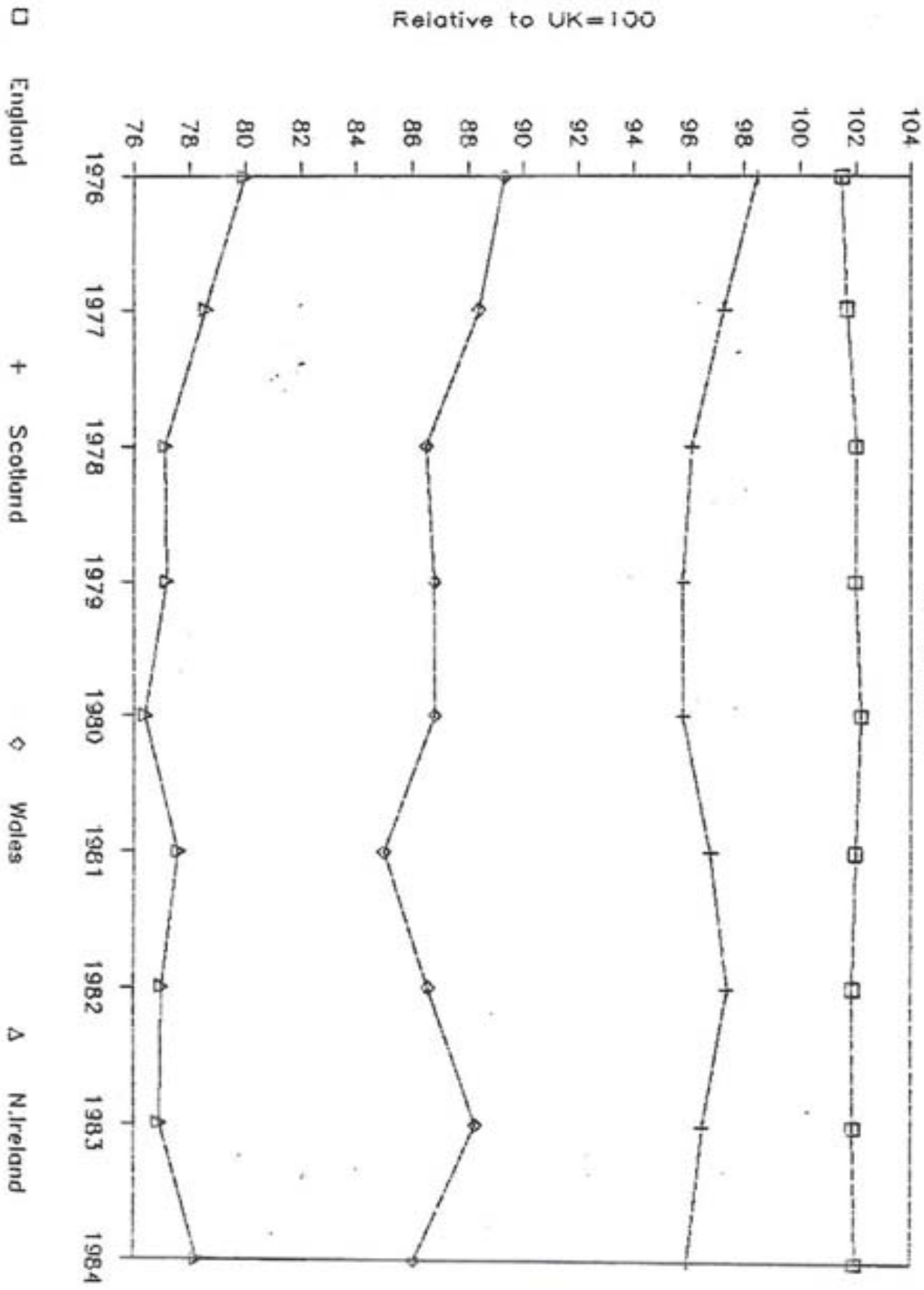
Cabinet Office

16 April 1986

Gross Domestic Product Per Capita

Fig 1

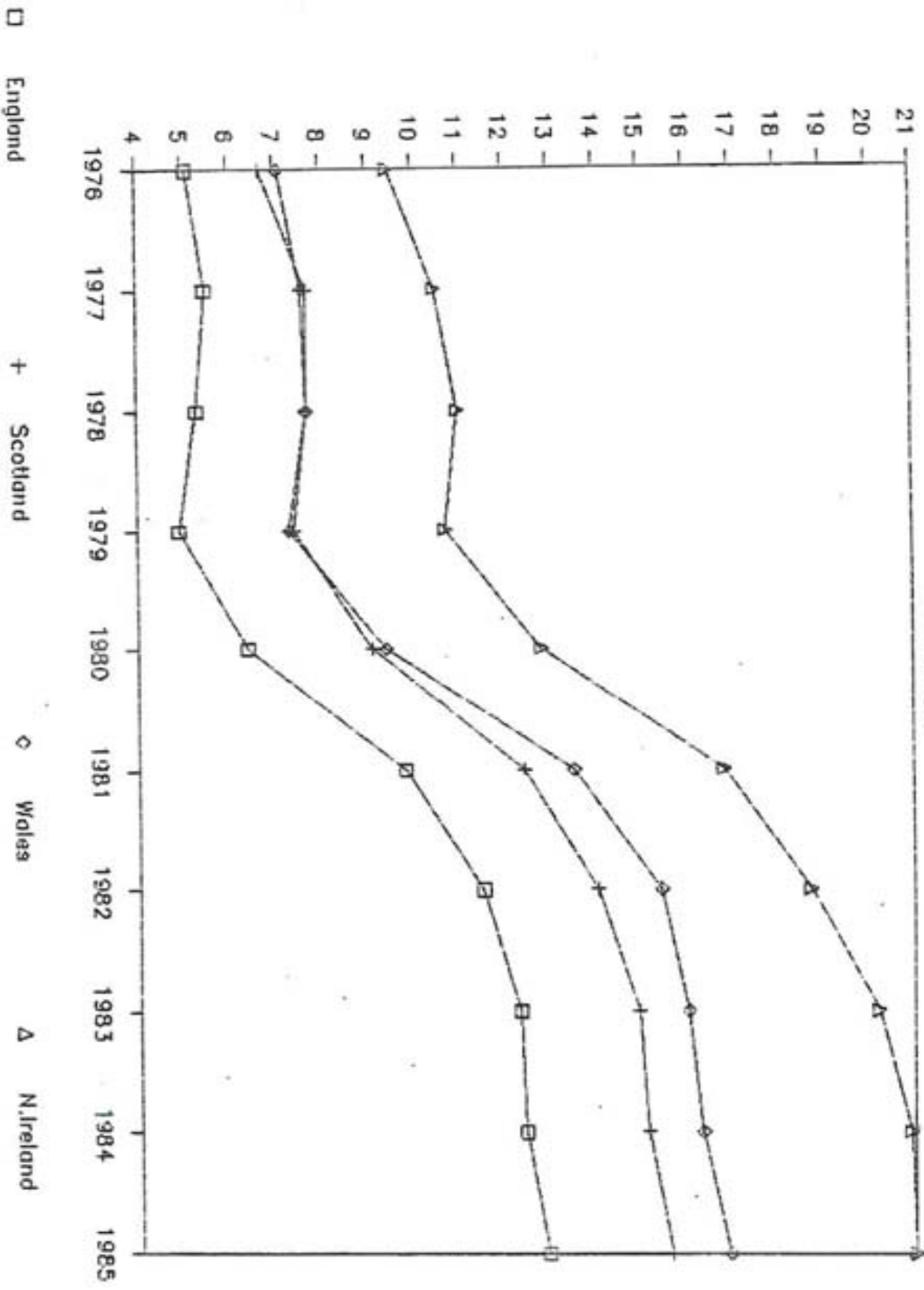
At Factor Cost



Unemployment Rates

Percentages

Fig 3



Annex A

	Scotland	Wales	Northern Ireland
Agriculture, Food and Fisheries			x
Industry, Energy, Trade, Employment (except Tourism)			x
Tourism	x	x	x
Roads and Transport	x	x	x
Housing	x	x	x
Other Environmental Services	x	x	x
Law, order and protective services	x		x
Education	x	x	x
Arts and Libraries	x	x	x
Health and Personal Social Services	x	x	x
Other public services	x	x	x
Social Security			x

Note In Northern Ireland an element of agriculture expenditure comes within the Block a major portion is also borne on MAPF votes.

Table 1

SCOTLAND

EXPENDITURE BY TERRITORY

£ million

	Estimated									
	Outturn					Plans				
	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	
Industry, energy (trade, emp't tourism)	8	9	11	11	13	12	13	13	13	
Roads/Transport	389	449	481	493	498	555	587	599	598	
Housing	781	720	689	717	646	619	645	673	700	
Other Environ Svcs	441	466	497	520	535	586	589	596	604	
Law, Order etc	307	357	398	446	480	518	570	580	583	
Education	1386	1556	1635	1715	1749	1821	1792	1796	1801	
Arts/Libraries	55	62	63	64	69	73	75	75	75	
Health and PSS	1558	1769	1911	2035	2181	2311	2443	2534	2621	
Other PS	74	79	77	96	97	104	110	113	115	
LA no to S							19	19	19	
Total Block	5000	5468	5765	6100	6269	6600	6841	6997	7129	
Ag. fish. food	154	151	151	163	184	209	190	185	189	
Ind. En etc	121	125	158	160	203	296	302	232	239	
EFL's	109	95	159	277	376	253	239	1	-124	
Total non-block	384	371	468	600	763	758	731	418	303	
Total for SCS	5383	5839	6234	6700	7032	7358	7573	7413	7433	

	EXPENDITURE BY TERRITORY									
	WALES									
	£ million									
	Estimated									
	Outturn 1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	
Industry, energy (excl. tourism)	4	5	5	5	6	7	8	8	8	8
Roads/Transport	224	258	280	311	263	276	300	319	325	325
Housing	205	121	125	195	139	127	140	140	144	144
Other Environ Svs	220	230	258	268	254	277	293	287	287	287
Education	546	594	641	679	696	710	730	732	734	734
Arts/Libraries	22	24	26	28	29	30	31	31	31	31
Health and PSS	693	782	859	916	986	1042	1115	1156	1206	1206
Other PS	22	23	24	31	31	35	37	37	38	38
Total Block	1936	2038	2219	2431	2404	2504	2655	2711	2770	2770
Ag. fish, food	60	54	62	79	79	106	77	78	80	80
Ind, En etc	83	94	80	74	108	146	157	135	132	132
EFL's	27	30	29	25	31	27	16	12	13	13
Total non-block	170	178	171	178	218	279	250	225	225	225
Total for SAs	2105	2215	2389	2609	2622	2783	2904	2937	2997	2997

Table 3

N. IRELAND
EXPENDITURE BY TERRITORY
£ million

NI DEPTS	Estimated									
	Outturn 1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	
Ag. fish. food	53	56	68	76	78	79	82	85	87	
Ind, En, Emo. etc	338	359	347	357	403	417	465	458	464	
Roads/Transport	120	125	111	123	122	122	120	123	125	
Housing	239	234	284	315	337	357	355	362	357	
Oth Environ Svcs	122	129	140	153	158	164	173	173	174	
Law, Order etc	10	12	14	15	18	20	21	20	21	
Education										
Arts/Libraries	458	499	534	564	591	628	666	680	702	
Health and PSS	484	546	587	634	666	700	738	767	800	
Other PS	16	16	19	20	23	25	30	31	30	
Common Services	18	22	23	29	33	41	45	52	52	
Total (ex SS)	1858	1998	2129	2286	2429	2553	2695	2752	2813	
Social Security	716	865	995	1084	1172	1282	1361	1454	1505	
Total N.I. Depts	2574	2864	3124	3368	3599	3835	4057	4210	4324	
NI OFFICE										
Law, Order etc	308	339	356	372	401	435	464	474	486	
Total Block	2882	3203	3480	3740	4000	4270	4521	4684	4810	
Total -SS	2166	2338	2485	2656	2828	2988	3160	3230	3305	

Table 4

SCOTLAND CONSTANT PRICES

EXPENDITURE BY TERRITORY

Estimated

Outturn Plans

£ million

	Outturn 1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89
Industry, energy (trade, email tourism)	10	11	12	11	13	11	12	11	11
Roads/Transport	501	525	525	515	498	529	535	527	511
Housing	1005	841	752	749	646	590	587	593	598
Oth Environ. Svcs	568	544	542	543	536	558	536	525	510
Law, Order etc	395	417	434	466	480	493	519	511	498
Education	1784	1818	1785	1793	1749	1734	1632	1581	1539
Arts/Libraries	71	72	69	67	69	70	68	66	64
Health and PSS	2006	2067	2085	2127	2181	2201	2225	2231	2240
Other PS	95	92	84	100	97	99	100	99	98
LA na to S							17	17	16
Total Block	6437	6388	6289	6374	6269	6286	6231	6160	6094
Ag. fish, food	198	176	155	170	184	199	173	163	161
Ind, En etc	156	146	172	167	203	282	275	204	204
EPL's	140	111	173	289	376	241	218	1	-106
Total non-block	494	433	511	627	763	722	666	368	259
Total for SCS	6930	6822	6801	7001	7032	7008	6898	6527	6354

Table 5

WALES CONSTANT PRICES EXPENDITURE BY TERRITORY £ million

	Estimated									
	Outturn					Plans				
	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	
Industry, energy	5	6	5	5	6	7	7	7	7	7
Trade, emol (tourism)	288	301	305	325	263	263	273	281	278	278
Roads/Transport	264	141	136	204	139	121	128	123	123	123
Housing	283	269	281	280	254	264	267	253	245	245
Other Environ Svcs	703	654	699	709	696	676	665	644	627	627
Education	28	28	28	29	29	29	28	27	26	26
Arts/Libraries	892	914	937	957	986	992	1016	1018	1031	1031
Health and PSS	28	27	26	32	31	33	34	33	32	32
Other PS										
Total Block	2492	2381	2421	2540	2404	2385	2418	2387	2368	2368
Ag. fish. food	77	63	69	83	79	101	70	69	68	68
Ind, En etc	107	110	87	77	108	139	143	119	113	113
EFL's	35	35	32	26	31	26	15	11	11	11
Total non-block	219	208	187	186	218	266	228	198	192	192
Total for SoS	2710	2589	2606	2726	2622	2650	2645	2586	2562	2562

Table 6
N. IRELAND CONSTANT PRICES
EXPENDITURE BY TERRITORY
£ million

NI DEPTS	Estimated									
	Outturn					Plans				
	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	
Ag. fish, food	68	65	74	79	78	75	75	76	74	
Ind. En. Em. etc	435	419	379	373	403	397	424	403	397	
Roads/Transport	154	146	121	129	122	116	109	108	108	
Housing	308	273	310	329	337	340	323	319	305	
OTH Environ Svcs	157	151	153	160	158	156	158	152	149	
Law, Order etc	13	14	15	16	18	19	19	18	18	
Education										
Arts/Libraries	590	583	583	589	591	598	607	599	600	
Health and PSS	623	638	643	662	660	667	672	675	684	
Other PS	21	19	21	21	23	24	27	27	26	
Common Services	23	26	25	30	33	39	41	46	44	
Total ex SS)	2392	2334	2323	2389	2429	2431	2455	2423	2404	
Social Security	922	1011	1085	1133	1172	1221	1240	1280	1286	
Total N.I. Depts	3314	3346	3408	3519	3599	3652	3695	3707	3696	
NI OFFICE										
Law, Order etc	396	396	388	389	401	414	423	417	415	
Total Block	3710	3742	3796	3908	4000	4067	4118	4124	4111	
Total-SS	2788	2731	2711	2775	2828	2846	2878	2844	2825	

Table 7 CHANGES IN TERRITORIAL EXPENDITURE

SCOTLAND	Percentage Change	Percentage Change
	1985/86 cf 1980/81	1989/89 cf 1985/86
Industry, energy	50.0	8.3
trade, emol tourism)	42.7	7.7
Roads/Transport	-20.7	13.1
Housing	32.9	3.1
Oth Environ Svcs	68.7	12.5
Law, Order etc	31.4	-1.1
Education	32.7	2.7
Arts/Libraries	48.3	13.4
Health and PSS	40.5	10.6
Other PS		
LA no to S		
Total Block	32.0	8.0
Ag, fish, food	35.7	-10.0
Ind, En etc	144.6	-19.3
EFL's	132.1	-149.0
Total non-block	97.4	-60.0
Total for 905	36.7	1.0

Table 8 CHANGES IN TERRITORIAL EXPENDITURE

WALES	Percentage Change	
	1985/86 c/f 1980/81	1988/89 c/f 1985/86
Industry, energy trade, emp't tourism)	75.0	14.3
Roads/Transport	23.2	17.8
Housing	-38.0	13.4
OTH Environ Svcs	25.9	3.6
Education	30.0	3.4
Arts/Libraries	35.4	3.3
Health and PSS	50.4	15.7
Other PS	59.1	8.6
Total Block	29.3	10.6
Ag. fish, food	76.7	-24.5
Ind, En etc	75.9	-9.6
EFL's	0.0	-51.9
Total non-block	64.1	-19.4
Total for SoS	32.2	7.7

121

Table 9 CHANGES IN TERRITORIAL EXPENDITURE.

N. IRELAND	Percentage Change	
	1985/86 c.f 1980/81	1988/89 c.f 1985/86
NI DEPTS		
Ag, fish, food	49.1	10.1
Ind, En, Em, etc	23.4	11.3
Roads/Transport	1.7	3.3
Housing	49.4	0.0
Oth Environ Sys	34.4	6.1
Law, Order etc	100.0	5.0
Education		
Arts/Libraries	37.1	11.8
Health and PSS	44.6	14.3
Other PS	56.3	20.0
Common Services	127.8	26.8
Total(ex SS)	37.4	10.2
Social Security	79.1	17.4
Total N.I.Depts	49.0	12.8
NI OFFICE		
Law, Order etc	41.2	11.7
Total Block	48.2	12.5
Total-SS	38.0	10.6

Table 10

PERCENTAGE CHANGES IN BLOCK EXPENDITURE

	1985/86 cf 1980/81		1988/89 cf 1985/86	
	Actual	Average Annual	Actual	Average Annual
Scotland	32.0	5.7	8.0	2.5
England	31.3	5.6	6.3	2.1
Wales	29.3	5.3	10.6	3.4
England	27.5	5.0	6.2	2.0
N.Ireland	48.2	8.2	12.6	4.0
Great Britain	30.5	5.5	4.0	1.3
N.Ireland-SS	39.0	6.5	10.6	3.4

NOTES 1: Each territory compared with comparable programme

2: Outturn figures and plan figures are not strictly comparable and therefore the percentage change figures shown which compare 1985/89 with 1985/86 need to be used with caution, in particular, because of local authority current overspending in both England and Scotland in all outturn years (1980-81 to 1985-86), the apparent growth of the Wales and Northern Ireland blocks is overstated throughout this table.

Potential Candidates for Transfer to the Scottish Block

Scottish Arts Council: £12.8m 1985/86

Currently being explored by SED and OAL. SAC has had declining share of ACGB funds (£105m) during abolition of GLC/MCCs. SO has helped out and SAC might hope to gain from formal transfer. Remaining ACGB funds would become comparable for formula purposes. SED would need extra staff to sponsor SAC and maintain policy links with OAL eg in respect of National companies. Value for money from the change is open to doubt since no administrative savings at OAL. Would require legislation.

Scottish Universities: £225m 1985/86

Recommended by recent Report from Scottish Tertiary Education Advisory Council (STEAC). Consultation proceeding and responses as mixed as during pre-devolution consideration. Represents about 15 per cent of UGC Budget (not 10/85 so comparability difficult to apply). More non-Scots at Scottish Universities than Scots going elsewhere. Produce 18 per cent of UK medical and dental graduates whereas NHS in Scotland only requires about 11 per cent. SED would require considerable extra staff to carry out DES and/or UGC functions. Would require legislation.

Forestry Commission: £126.9m gross (£53.42m net) 1985/86

More than 60 per cent of FCs activities in Scotland. Could legislate for SO to become sole sponsoring department (despite FC activities in other territories) and remove present confusion of commissioners and three sponsoring Ministers. Alternatively SO could fund Scottish activities separately but leads to split Accounting Officer responsibilities and comparability difficult when majority of expenditure is in territories. Alternatively 3 separate commissions but poor value for money in breaking up intergrated operation and forestry industry bound to be puzzled.

Nature Conservancy Council - Approximately £8m in 1985/86

Legislation not essential; links would need to be established between SO and NCC with management and manpower consequences for both. Remainder of NCC Budget would become comparable. Divergence of policy priorities likely if NCC in Scotland sponsored by Scottish Office.

Manpower Services Commission - £134m - 1985/86

Already on a Scottish Vote but PES with Department of Employment who insist (with Treasury support) that absolute uniformity is very important. Separation of MSC (Scotland) would assist greater co-ordination with distinctive Scottish education system and with industrial and economic framework eg integration with activities of SDA/HIDB. Legislation not required since tripartite Ministerial responsibility already. In previous considerations, MSC claimed that separation would require significant additional manpower for them and sponsoring departments.

Dounreay: £70-80m (Treasury Estimate)

Transfer implies share of policy responsibility for UK fast reactor research so need to give SO powers. Would involve shared responsibilities with Department of Energy Ministers and Accounting Officer even under trading fund arrangements. Legislation still likely to be needed. Problems of monitoring UKAEA's expenditure and accounting for it to PAC. Scottish electricity industry has no more advantageous access to UKAEA research than does CEGB. Dounreay's electricity not essential to Scottish boards, cannot be offered as firm capacity and UKAEA can do nothing else with it.

Scottish Development Agency (£100m) and Highlands and Islands Development Board (£25m)

These agencies are at present funded from the non-block programmes of the Scottish Office. If they were transferred into the block the size of the total Scottish Office programme could be reduced accordingly. The position of the Welsh Development Agency and the Development Board for Rural Wales would have to be considered.

