

## Appendix B – the Barnett Formula: a worked example<sup>1</sup>

The following is based on a worked example of how the Barnett formula operates provided in the HM Treasury evidence to the Commission.<sup>136</sup>

If for example:

- the Government decides to increase the DEL budget of the Department of Innovation, Universities and Skills by £100 million; and
- the comparability percentage for that particular department for each devolved administration is 79 per cent (because that Government department carries out some expenditure at an all United Kingdom level); and
- the population proportions are 10.08 per cent for Scotland, 5.84 per cent for Wales and 3.43 per cent for Northern Ireland of England's population;

then the following changes are added to each Devolved Administration's overall budget:

- for Scotland, £100 million (change in Government department's budget) x 79 per cent (comparability percentage) x 10.08 per cent (population proportion as a percentage of England's) giving a net change of £7.96 million;
- for Wales, £100 million (change in Government department's budget) x 79 per cent (comparability percentage) x 5.84 per cent (population proportion as a percentage of England's) giving a net change of £4.61 million; and
- for Northern Ireland, £100 million (change in Government department's budget) x 79 per cent (comparability percentage) x 3.43 per cent (population proportion as a percentage of England's) giving a change of £2.71 million. This amount is then abated by 2.5 per cent to reflect the fact the Northern Ireland Executive do not require funding to meet Value Added Tax costs incurred as these are refunded by HM Customs and Excise. The net change for Northern Ireland is therefore £2.64 million.

---

<sup>1</sup> Evidence provided by HM Treasury to the Calman Commission (2008) presented as Annexe C of the Commission's 1st Report (2nd Dec 2008 Vol 1)

<http://www.commissiononscottishdevolution.org.uk/papers.php>