

Committee for Finance and Personnel

Terms of Reference

Review of the operation of the Barnett Formula for allocating public expenditure to Northern Ireland

Background: In February 2012 the Committee for Finance and Personnel (CFP) received [evidence from expert witnesses](#) which indicated that, while historically the Barnett formula has provided generous funding to Northern Ireland, due to various factors, the point has been reached when it appears Northern Ireland ‘will not do particularly well out of the Barnett formula in future’ in terms of relative need. With this in mind, the Committee notes the commitment made by the three main Westminster party leaders in advance of the Scottish Independence Referendum that there will be a ‘continuation of the Barnett allocation for resources’. Also mindful that the present arrangements for devolution in the UK are under consideration, the Committee agreed to proceed with an urgent review of this topical issue on 24 September 2014.

Purpose: The Review will explore the scope for improving the operation and administration of the Barnett formula with a view to safeguarding the interests of Northern Ireland in the future.

Objectives: The Review has the following key objectives:

- To examine the operation of the Barnett formula in allocating resources to Northern Ireland to date, including the extent to which there has been convergence with the average level of public spending per head in the UK;
- To consider what factors could influence the pace and extent to which further convergence could occur in the future;
- To explore whether the Barnett formula should be supplemented with an additional mechanism to take account of relative need and economic circumstances in Northern Ireland;
- To examine concerns relating to the administration of the Barnett formula to date (e.g. ‘formula bypass’, availability of related public finance data), including any identified by the devolved institutions; and
- To specify the issues which, if addressed, would support devolution in Northern Ireland by improving the future operation and administration of the Barnett formula.

Output: The intention is that the Review will result in the publication of a review paper, accompanied by research and evidence from expert witnesses, which will be debated in the Northern Ireland Assembly. This will aim to inform the Department of Finance and Personnel and the wider Executive in terms of any future developments in relation to the devolution arrangements for Northern Ireland and also to contribute to the wider UK debate in this regard.