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FISCAL DEVOLUTION AND THE BARNETT FORMULA*

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ABSTRACT (ITA): Il sistema di finanziamento territoriale del Regno Unito è una componente cruciale del sistema finanziario del Paese, concepito per ripartire la spesa pubblica tra le diverse nazioni che lo compongono. Questo articolo si propone di fornire un'analisi completa della *Barnett formula*, delle sue origini, della sua evoluzione e dei vari elementi che costituiscono il sistema di finanziamento territoriale del Regno Unito. L'obiettivo è comprendere il funzionamento della formula, il suo impatto sulle amministrazioni decentrate e le sfide e le opportunità che essa presenta.

ABSTRACT (ENG): The United Kingdom's territorial funding arrangement is a crucial component of the country's financial system, designed to allocate public spending among the different nations that make up the UK. This article aims to provide a comprehensive analysis of the "Barnett formula", its origins, evolution, and the various elements that constitute the UK's territorial funding arrangement. The objective is to understand how the formula operates, its impact on the devolved administrations, and the challenges and opportunities it presents.

PAROLE CHIAVE: devoluzione fiscale, *Barnett formula*, Scozia.

KEYWORDS: fiscal devolution, Barnett formula, Scotland.

1. Introduction.

The territorial question has been a persistent topic in the history of the United Kingdom. Although traditionally a unitary state, the various nations within the UK have, to varying extents, expressed aspirations for self-government over time. The United Kingdom's territorial structure traces its roots to the 1707 union of the English and Scottish Parliaments, formalized through the Acts of Union, which established the United Kingdom of Great Britain. Ireland's independence in 1916, following the collapse of Home Rule, along with the gradual decline of the colonial empire, played a crucial role in shaping the modern framework (Kendle 1997). This structure underwent significant change in 1999 with the introduction of devolution for Scotland, Wales, and Northern Ireland. Devolution implies the transfer to a subordinate elected body on a geographical basis, of functions exercised by the British Parliament (Bogdanor 1979, 2). These functions can be both legislative and executive. Although its origin dates back to the Gladstone era, the modern version of the policy has been used as a technique to deal with Scottish, Welsh and Irish nationalism in the hope that it will lead to better government in these territories and defuse separatist or nationalist feeling (Bogdanor 1979, 4). Devolution resulted in the establishment of new constitutional relationships between the different parts of the United Kingdom, imposing limitations on the sovereignty of Parliament fostering intergovernmental

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cooperation (Bogdanor 2009, 111-119). The success of devolution, if it can be considered as such, cannot be understood without the financial element that underlies it. Ensuring that devolved administrations have enough resources to finance their powers have been a key and contentious element that has marked the evolution of the UK territorial constitution. The funding of the devolved governments is governed by the "Barnett formula". Introduced in 1978 as a temporary method for allocating funds among executive departments managing affairs in Scotland, Wales and Northern Ireland, the formula has persisted and gained significant importance with devolution (Bogdanor 1999, 249-250). It was aimed at preventing internal disputes among government ministers over changes in public expenditure, reinforcing the principles of unity, solidarity, and equality among the three nations in line with the UK's traditional unitary framework (Heald 1980, 12). Its endurance can be attributed to its simplicity and the shared recognition of the need to ensure sufficient funding for devolved administrations. This article examines the origins, mechanics, and implications of the "Barnett formula". It explores the formula's objectives, its rationale, and the practical consequences of its application, including its role in adjusting the budgets of devolved administrations in response to changes in UK government spending. It explores the role of intergovernmental financial relations, emphasizing the role of the British Treasury in managing the UK block grant while discussing both historical and contemporary challenges. Further, it highlights the difficulties devolved administrations face at elaborating their budgets, particularly in long-term financial planning as they are dependent of the spending reviews of the UK government.

2. Origins and evolution.

Disputes over the allocation of financial resources across nations existed even before the introduction of devolution. In fact, this was already an issue in the 19th century, leading to then Chancellor of the Exchequer George Goschen to develop a mechanism to calculate funding for services in Scotland and Ireland in relation to England and Wales in 1888. The so-called "Goschen formula" allocated the funds based on population, with a distribution of 80 (England and Wales), 11 (Scotland) and 9 (Ireland) (House of Lords 2009, 19). The second half of the 20th century witnessed the birth of a new mechanism that, although ignored at the time by its creator, would be forever associated with a the most relevant development in the UK territorial constitution: devolution. The "Barnett formula" was designed in 1978 by Joel Barnett, Chief Secretary to the Treasury. It was conceived as a temporary solution to allocate public spending to Scotland within the UK government, that would bring convergence in per capita spending across the UK over time (Heald 1980, 12). The formula was extended to Northern Ireland in 1979 and to Wales in 1980. However, despite its temporary nature, the "Barnett formula" has remained in place and gained significant importance with the process of devolution (Rutherford 2013, 39). The "Barnett formula" is a mechanism used to calculate changes in public spending allocated to the devolved administrations of Scotland, Wales, and Northern Ireland. It operates on the principle that any change in public spending in England on devolved functions leads to a corresponding change in the budgets of the devolved administrations. The formula is defined as follows:

Change in the devolved budget = Change in UK government spending x Comparability percentage x Population share

The comparability percentage reflects the extent to which a policy area is devolved, a circumstance that might change from nation to nation as devolution can be asymmetrical. It ranges from 100% for fully devolved areas (like health and education) to 0% for areas solely managed by the UK government (such as defense and foreign affairs). The population share of each devolved nation is determined annually by the Office for National Statistics in relation to England (HM Treasury 2021, 43). Since its introduction, the "Barnett formula" has undergone several modifications, particularly with the implementation of devolution in 1999. Despite calls for its replacement with a more sophisticated allocation model, the "Barnett formula" has persisted due to its simplicity and the political convenience it offers (Heald 2020, 522).

3. The formula: aim, rationale and practical consequences.

The "Barnett formula" is a policy of the British government, set out in an internal document of the Treasury known as the Statement of Funding Policy. Hence, it is not legally entrenched in any legal statute. This means that the British government can change the allocation system at any time without consulting the devolved administrations or securing parliamentary approval (Keep 2025, 12). The UK government finances devolution through a block grant system. These grants are revised each year using the "Barnett formula", which takes into account the population size of each nation and a comparability index reflecting the degree to which a policy area is devolved (Heald 2020, 522). The purpose of the formula is to guarantee that funding adjustments are applied equally per capita across all devolved governments. The total funds distributed to the devolved administrations by the UK government are determined indirectly within the national budget, depending on expenditure levels set for England (Edmonds 2001, 9-12). As a result, when spending in England rises, the devolved governments receive larger transfers, whereas reductions in English spending lead to decreased funding for the devolved administrations. These adjustments to the block grant of the devolved administrations are typically referred to as "Barnett consequentials" (Keep 2025, 10). This model grants the British executive considerable flexibility to respond to economic shocks and maintain macroeconomic stability, though it does so at the cost of subnational government finances. Nevertheless, the formula-based approach reduces uncertainty within the system, as devolved administrations can anticipate adjustments to their block grants once Whitehall announces the budget. The funding of devolution relies on a block grant system, where the British government distributes resources from its general revenue. However, not all financial transfers to devolved administrations are governed by the "Barnett formula", as it does not factor in expenditures on areas like welfare (Bell 2015, 211). Rather than determining the total funding, the "Barnett formula" establishes how spending adjustments for Scotland, Wales, and Northern Ireland are calculated based on previous allocations. The initial block grant levels, including per capita spending, were set in 1979 and have since been adjusted in response to changes in England's expenditure. Additionally, modifications have been made over time to account for the transfer of new fiscal powers and welfare responsibilities to the devolved governments (Keep 2025, 21-22).

Because Scotland and Wales lagged behind England economically, the initial block grant allocated them a disproportionately high level of public funding relative to their population sizes (Barnett 2000, 70). This led to significantly higher per capita spending in these nations compared to England. In 1979, for instance, Scotland's per capita public expenditure was 22% greater than that of England (House of Lords 2009, 21). These disparities were originally expected to be temporary, as the formula was designed to gradually bring per capita spending on comparable devolved services closer together across all four nations (Bell 2015, 210). Since the devolved nations already received more funding per capita, uniform increases resulted in smaller percentage gains for them, progressively reducing the spending gap a process commonly referred to as the Barnett squeeze. Over time, this mechanism is intended to ensure that new public funding is distributed equally across the four nations, eventually leading to full alignment in resources for comparable devolved services. The anticipated pace of convergence has proven to be slower in practice. Several factors contribute to this slow process. Firstly, the formula does not account for different population growth rates (Heald 2020, 523). Although it adjusts spending variations based on the population share of each devolved nation, the baseline – the block grant – remains unchanged. Since the first block grant translated into surplus per capita spending for the devolved administrations, higher spending levels in Scotland and Northern Ireland – and to a lesser extent in Wales – compared to England were embedded into the system. Additionally, as England's population continues to grow steadily, Scotland's population share has decreased, further slowing down convergence (Cuthbert 2020, 435-437). Secondly, convergence only occurs when spending in England increases. If it decreases, as seen during austerity periods, convergence is reversed, widening the per capita spending gap between England and the devolved nations (Paun, Cheung, and Nicholson 2021, 15). Moreover, formula-bypasses also hinder convergence. These are adjustments to the block grant made outside the scope of the "Barnett formula" and thus do not result in "Barnett consequentials". Examples include spending on the London Olympics or increased funding to Northern Ireland as part of a 2017 Confidence and Supply agreement between the Conservative Party and the Democratic Unionist Party. The Barnett system focuses only on revenue capacity without incorporating any assessment of expenditure needs. This was a deliberate decision aiming at simplicity as the system was intended to be a "stopgap until a needs-based system came into operation" (Barnett 2000, 69). Despite the passage of time and multiple rounds of devolution, the formula has persisted without addressing the spending needs of these territories. Consequently, the Barnett system has kept per capita spending in the devolved nations higher than in England, causing dissatisfaction among

English politicians who view it as inequitable, including Barnett himself[1]. This has been particularly the case in relation to Scotland, which enjoys markedly higher public spending than England, despite being close to the UK average in terms of economic output per person (Paun, Cheung and Nicholson 2021, 20). The discontent does not primarily stem from Scotland receiving more funding per person, but rather from the belief that this amount surpasses what it actually requires. This view relies on various evaluations conducted by the Treasury over time. While these analyses acknowledged that factors like geography and socio-economic conditions create higher demands in the devolved nations compared to England, they also determined that Scotland, Wales, and Northern Ireland receive excess funding relative to similar needs in England (Paun, Cheung, and Nicholson 2021, 17). A 2009 House of Lords study further highlighted this, noting Scotland's funding exceeded its needs by the widest margin (18 percentage points), with Wales (10 points) and Northern Ireland (5 points) following behind (House of Lords 2009). Ongoing debates about reforming or discarding the "Barnett formula" to incorporate needs-based standards have been fueled by perceptions of unfairness. In 2019, the Holtham Commission, established by the Welsh Government to explore devolution funding, presented one of the most thorough proposals for change. Replacing the Barnett system with a needs-driven formula was recommended in their report, which highlighted how Wales' greater public service funding needs, compared to England, are ignored by the current framework (Independent Commission on Funding & Finance for Wales 2010, 16-29). Six variables – children's population, elderly numbers, ethnic diversity, income poverty levels, health issues prevalence, and population sparsity – were suggested by the commission as proxies to evaluate public service requirements and justify higher funding allocations (Independent Commission on Funding & Finance for Wales 2010, 20). Since the mid-20th century, public spending levels in Scotland, Wales, and Northern Ireland have consistently outpaced those in England, a disparity upheld by the "Barnett formula." Designed in theory to eventually align spending with England, the anticipated "Barnett squeeze" has yet to occur. As a result, the formula's real-world effect has enabled the devolved nations to sustain higher per capita spending than England, with no immediate prospect of the dreaded squeeze emerging. The British government declined to swap out the "Barnett formula," yet the UK leadership consented to weave in a needs-based element dubbed the "funding floor" to ease worries about potential underfunding tied to convergence. Ensuring devolved spending allocations from the formula do not dip below 115% of England's per capita spending on comparable services, this floor caps the convergence impact at that level. For now, a temporary 105% factor holds as long as per-head funding for the Welsh Government exceeds 115%, per the 2016 agreement between the Welsh and British authorities (Paun, Cheung, and Nicholson 2021, 20). Yet, preserving this spending gap between England and the devolved nations stirs political controversy. Not only does it leave England relatively underfunded, but it also

[1] See Barnett's fierce criticism of his own creation in an article published in the Daily Mail the 21 September 2014:https://www.dailymail.co.uk/debate/article-2763744/I-demand-shamefully-unfair-Barnett-Formula-scrapped-LORD-BARNETT-architect-hated-subsidy-Scotland.html

ignores varying needs across English regions. Research from the Institute of Government reveals stark internal disparities in England: northern regions and the Midlands lag in funding, while London enjoys disproportionately high per-person spending (Paun, Cheung, and Nicholson 2021, 20). This imbalance, paired with stalled convergence – especially in England's most deprived areas – could heighten regional tensions and spark resentment toward the Barnett system. Such concerns are not new; as early as the late 1970s, during initial devolution talks, an English backlash over spending differences was flagged as a risk (Heald 1980, 11). One remedy might involve adopting a needs-based model or splitting England into regions, mirroring London's 1998 devolution path. However, the former seems politically unfeasible due to potential outrage in devolved nations especially Scotland, where it could fuel secessionist arguments while the latter lost traction after the 2004 North East England devolution referendum failed. Funding for devolved administrations in Scotland, Wales, and Northern Ireland comes with no strings attached, unlike the strict oversight the British government imposes on local and health authority spending in England, which must align closely with UK priorities (McLean and McMillan 2003, 47). This freedom allows Edinburgh, Cardiff, and Belfast to decide independently how to use their block grants, unbound by minimum service standards or Whitehall's choices (Bell 2015, 211). While "Barnett consequentials" tie grant increases or cuts to England's spending shifts, devolved leaders can redirect these funds or savings as they see fit, a flexibility seen as a key strength of the formula (Edmonds 2001, 13). For example, extra health spending in England does not force devolved governments to follow suit; they could instead lower taxes or build surpluses, though demand-driven spending often limits such options in practice (Edmonds 2001, 10). Legally, this lack of conditionality holds firm, but politically, it's less clear-cut. Justifying service underfunding to voters would be tough if London's transfers remain steady. Conversely, if England cuts spending, devolved leaders can pin their own reductions on the central government, framing them as fallout from the Barnett system. Scotland's unconditional overfunding, in particular, lets the UK tout it as a Union perk, aiming to bolster Scots' loyalty to the broader UK project and counter independence movements.

4. Intergovernmental financial relations and dispute resolution: past and present challenges.

Responsibility for managing the UK block grant falls solely to the British government, woven into its broader economic and fiscal powers. The British Treasury oversees setting the allocation rules – currently guided by the "Barnett formula" – and channels funds to the devolved nations to support their devolved responsibilities. This setup means that spending in Scotland, Wales, and Northern Ireland hinges on how effectively English ministers advocate for the devolved administrations during budget planning. Such collaboration stems from the deep trust embedded across the UK, extending beyond devolution transfers to include other UK government grants, like those for welfare or public sector pensions, which fall outside the Barnett framework and are hashed out through negotiations between London and the devolved governments (Keep 2025, 5-7). Discussions and negotiations on financial issues between the UK government and devolved administrations have historically centered on the Finance Ministers Quadrilateral, an intergovernmental body where the Chief Secretary to the Treasury convenes with devolved finance ministers to tackle devolution funding (Gallagher 2012, 201). Yet, this forum has been hampered by the UK's fragile intergovernmental framework, lacking formal structure and meeting irregularly, often at the mercy of political climates and the British government's discretion. Recent reforms to the UK's intergovernmental system have tackled some of these weaknesses (Anderson and Schnabel 2022), leading to the establishment of the Finance: Interministerial Standing Committee (F:ISC). Scheduled to meet quarterly, the F:ISC aims to assess how economic and financial issues impact the UK[2]. While it is premature to judge its impact, signs point to the Treasury retaining its dominant position, reinforcing the centralized control over devolution funding (McEwen 2022). This persists despite ongoing grievances from devolved administrations – particularly Scotland – whose calls for change often seem to fall on deaf ears at the Treasury, a trend likely to endure. A 2009 House of Lords report proposed establishing an independent, arm's-length agency modeled on Australia's system to address this gap in intergovernmental collaboration (House of Lords 2009, paras. 72-76). This body would oversee and review Treasury decisions on the "Barnett formula," including whether specific spending initiatives trigger "Barnett consequentials" for devolved nations. While this approach could strip away much of the political influence from these choices, the UK government's unwillingness to cede control makes it an improbable fix in reality. The Institute of Government offers a more practical alternative: assigning the National Audit Office or the Office for Budget Responsibility to "produce yearly reports detailing how devolved budget changes are determined, spotlighting subjective calls on whether programs warrant "Barnett consequentials" or highlighting disputes over rule application" (Paun, Cheung, and Nicholson 2021, 38). Despite this suggestion, no steps have been taken toward implementation, and movement in the near term seems doubtful. Intergovernmental cooperation in the UK, though typically weak and informal, ramped up in financial affairs following the pandemic, with more frequent meetings and enhanced information sharing (Guderjan 2023, 84-90). The health crisis prompted devolved administrations to push for extra funding to roll out their response plans, unwilling to wait for "Barnett consequentials" tied to England's spending timeline. They argued that uncertainty over additional allocations – exacerbated by the British government's shifting decisions – hampered efficient planning. For instance, some initially promised "Barnett consequentials" vanished when the UK opted to shuffle existing budgets rather than inject new funds, a move that left devolved nations short of anticipated resources (Hudson 2020). Since the "Barnett formula" only kicks in for spending increases or cuts – not internal fund reallocations – these shifts didn't trigger the expected payouts. To tackle these grievances, the Treasury

[2] Terms of Reference for the Finance Interministerial Standing Committee paras 2 and 6.

rolled out a bold fix: an "unprecedented upfront guarantee" (HM Treasury 2020). This move locked in a baseline of coronavirus-related funding for devolved administrations, offering budget certainty and flexibility regardless of England's actual spending (HM Treasury 2020). Though a departure from the norm, this step underscores a growing cooperative streak in the UK system, fueled by strong mutual trust. This can be considered as another sign that the Treasury, despite its centralized grip, is increasingly attuned to devolved demands, helping to offset the divisive risks of a top-down structure. Adjusting the block grant to account for newly devolved tax powers or welfare duties stands out as a particularly intricate and contentious part of the system's management. Known as block grant adjustments (BGA), these tweaks aim to keep both the UK government and devolved administrations financially neutral after fiscal powers shift (Keep 2025, 21). When welfare responsibilities move to a devolved body, increasing its spending needs, the block grant rises; conversely, it shrinks when tax powers are handed over, reflecting the devolved administration's boosted revenue capacity. Beyond these initial base-year shifts, the BGA requires annual indexing to factor in elements like inflation or economic growth, preventing imbalances that might strain either the UK government or the devolved entity. The technical approach for these adjustments gets hashed out between the UK executive and the relevant nation through fiscal framework agreement[3]. Scotland's block grant adjustments (BGA) gained prominence after the 2017 partial devolution of income tax, with the Fiscal Framework introducing safeguards to shield the Scottish Government's funding levels from shifts in population growth relative to the rest of the UK[4]. Through this framework, the UK and Scottish governments settled on a method to tweak the block grant to account for tax and welfare power transfer changes. These talks are rarely straightforward, blending technical intricacy with hefty political stakes. As a result, the agreed approach was set as a temporary fix, slated for reassessment by an independent commission after the 2020 UK and 2021 Scottish Parliament elections[5]. The commission's findings guided a renewed joint pact between the UK and Scottish governments[6] in 2023, highlighting yet again how devolved nations help mold financial ties with the UK through intergovernmental dialogue[7]. Though the "Barnett formula" was designed as a simple, clear-cut way to distribute spending across the three nations, disputes have still emerged. These conflicts split into two key issues. First, tensions arise from how the Treasury assigns territorial scope to spending decisions, since this directly shapes how the formula is applied. For example, labeling a program "UK-wide" means no "Barnett consequentials" flow to devolved budgets. If the devolved administrations view that spending as disproportionately

[3] See The agreement between the Scottish government and the United Kingdom government on the Scottish government's fiscal framework, 25 February 2016 and The agreement between the Welsh government and the UK government on the Welsh government's fiscal framework.
[4] The agreement between the Scottish government and the United Kingdom government on the Scottish government's fiscal framework, 25 February 2016, paras. 17 and 19.
[5] *Ibid.*, para. 22.
[6] *Ibid.*, para. 23.
[7] The agreement between the Scottish Government and the United Kingdom Government on the Scottish Government's fiscal framework, August 2023.

focused on one area, frustration often follows. Similarly, problems crop up when spending is tagged as covering England and Wales – due to a non-devolved issue in Wales – but ends up entirely in England. The Welsh Government finds this unjust, as it triggers "Barnett consequentials" for Scotland and Northern Ireland, yet leaves Wales empty-handed. Disputes have surfaced over how the Treasury interprets and applies the "Barnett formula," sparking friction with devolved administrations. When such clashes occur, the Treasury refers to the Statement of Funding Policy, pledging to review the matter and reply to the devolved body if there's a belief that the outlined principles have been breached (HM Treasury 2021, 8). Yet, this process aligns with the Treasury's standard dealings with UK departments (HM Treasury 2020, 8), leaving it with ultimate authority effectively serving as both arbiter and decision-maker. This stems from the Treasury's stance that funding policy and UK-wide public spending allocation fall outside devolved powers, resting firmly under the UK Government's control (HM Treasury 2021, 8). One of the most glaring disputes erupted when the Treasury labeled all spending for the London 2012 Olympics as UK-wide, sidelining it from the "Barnett formula" and blocking any "Barnett consequentials." This included funds for East London's regeneration and transport links, which devolved nations argued would have triggered consequentials if executed outside the Olympic context (Keep 2025, 12). In response, they lodged a formal dispute under the 2013 Memorandum of Understanding (MoU) and Supplementary Agreements between the UK Government, Scottish Ministers, Welsh Ministers, and Northern Ireland Executive[8]. The MoU established the Joint Ministerial Committee (JMC) to handle unresolved disputes, convening ministers from all sides – chaired by a neutral UK minister – to seek resolution, with provisions for independent analysis if needed (Paun, Cheung, and Nicholson 2021, 22). After multiple rounds of talks, a deal emerged: the devolved administrations secured £30.2 million in "Barnett consequentials" (£16 million for Scotland, £8.9 million for Wales, £5.4 million for Northern Ireland) for Olympic-related spending post-2010 (Cabinet Office, 2011). That contrasts with a 2020 complain by the Welsh Government over the Treasury's classification of a high-speed rail project as spending in England and Wales. Cardiff protested that, despite no benefit to Wales – since the line sits entirely in England – it generated "Barnett consequentials" for Scotland and Northern Ireland but not for Wales. The Treasury held firm, arguing rail infrastructure is not devolved to Wales, so it could not be tagged as England-only. This clashed with a 2015 precedent where a similar project was deemed England-specific, fueling Welsh outrage and reinforcing claims of the Treasury's arbitrary sway over the block grant system, acting as judge and jury (Trench 2010). A second friction point has emerged in Scotland due to devolution of income tax powers. Disputes here typically tie to the fiscal framework, which governs block grant adjustments (BGA) but not broader Treasury calls on "Barnett consequentials." The framework outlines a tiered resolution: officials first attempt a working-level fix[9]; if that fails,

[8] Memorandum of Understanding and Supplementary Agreements, arts. 24 and 26.
[9] The agreement between the Scottish government and the United Kingdom government on the Scottish government's fiscal framework, 25 February 2016, para 99.

Ministers step in for talks. Persistent deadlock pauses the disputed funds – no action proceeds until resolved[10] – while both sides seek technical input to break the impasse[11]. If no deal is reached, the dispute is considered as rejected with no transfer being made[12], nudging Scotland toward compromise under Treasury dominance. Either party can escalate to the Finance: Interministerial Standing Committee (F:ISC), which superseded the MoU's dispute protocol, though its practical impact remains untested. Court challenges offer another route, but the "Barnett formula's" lack of legal entrenchment makes a UK Supreme Court case unlikely. Even with the Court's perceived neutrality – or slight pro-devolution lean – such disputes aren't enforceable legally, mirroring trends in Canada and Australia where similar issues rarely reach high courts. While the British system has established various mechanisms for resolving disputes through intergovernmental cooperation, their effectiveness ultimately depends on the Treasury's willingness to seek a mutually acceptable solution. This is because the existing framework grants the UK government the authority to settle disputes in which it is directly involved, without being required to fully justify decisions such as whether a particular spending commitment triggers additional funding for devolved administrations (Paun, Cheung, and Nicholson 2021, 38). Historically, the Treasury has demonstrated some responsiveness to the concerns of devolved governments, as seen in the case of the Olympics. Likewise, fiscal cooperation has helped address disputes over Block Grant Adjustments, particularly when UK policy changes – such as increasing the personal allowance – reduce Scotland's tax revenue due to spillover effects. However, political dynamics continue to shape these interactions, with the Treasury maintaining unilateral decision-making power, as evidenced by the dispute over Wales' exclusion from high-speed rail funding.

5. Review and update.

Although the "Barnett formula" is aimed at achieving convergence in per capita spending across the UK, this does not mean that it would cease to exist in case this circumstance would materialize. In fact, there is no formal obligation for the Treasury to revise the formula or to consult eventual changes with the devolved governments. Despite the absence of formal requirements for periodic reviews, the Treasury still carries out evaluations to assess how funding is allocated. As mentioned earlier, HM Treasury oversees this process through the Statement of Funding Policy, which is periodically updated during spending reviews. These reviews determine how the UK government distributes total expenditure across departments (Keep 2025, 6). Conducted on a multi-year basis, they follow no fixed schedule. For example, the 2021 review set departmental budgets up to 2024/2025, marking the first multi-year spending review since 2015 (Harari et al. 2021, 4). Spending reviews significantly influence the budgets of devolved administrations, as the "Barnett formula" calculates changes to block grants based on adjustments in UK government

[10] *Ibid.*, para 100.
[11] *Ibid.*, para 102.
[12] *Ibid.*, para 103.

department spending. Consequently, the timing of these reviews is critical, as decisions made at the UK level directly shape the budget planning process for devolved administrations, which rely on knowing the "Barnett consequentials" to establish their spending limits. The devolved administrations view the typical two-to-four-year duration of spending reviews as advantageous, as it provides a measure of stability for planning their medium-term expenditures. Nevertheless, despite the multi-annual structure of these reviews, it is not uncommon for the UK Government to amend the allocations designated for specific departments – referred to as departmental expenditure limits – during other fiscal events, such as the annual budget or subsequent budgetary revisions. These alterations place the devolved governments in a challenging position, given that their budgets are contingent upon these modifications, which directly influence the overall funding available. Furthermore, the lack of transparency from the UK Government when announcing new spending initiatives exacerbates the difficulties faced by devolved administrations in forecasting their budgets. The precise "Barnett consequentials" stemming from such announcements remain unclear, as the Treasury's internal computations are seldom disclosed prior to the subsequent UK budget (Hudson, 2020). Consequently, the devolved administrations are often compelled to defer finalizing their budgets until the UK Government has confirmed its own, thereby ensuring clarity regarding the financial resources they will receive from London for the forthcoming fiscal year.

6. Concluding remarks.

The "Barnett formula" has played a significant role in the UK's territorial funding arrangement since its introduction in 1978. Despite its temporary nature, it has remained in place due to its simplicity and political convenience. The formula has facilitated elevated public expenditure in Scotland, Wales, and Northern Ireland beyond what their population sizes might warrant, thereby bolstering the fiscal resilience of these devolved administrations (House of Lords 2009, 21). Although it was anticipated that per capita spending would gradually align across the UK, this convergence has proceeded at a far slower pace than projected, allowing the devolved administrations to sustain higher per capita spending levels compared to England, to their advantage (Heald 2020 523). Additionally, the "Barnett consequentials" provide unconditional funding, granting the devolved administrations complete discretion over its allocation (Edmonds 2001 13). Thus, the Barnett system allows room for the UK government to use it to increase loyalties towards London, as shown by the different formula-bypasses carried out in recent years or the introduction of a funding floor in relation to Wales (Independent Commission on Funding & Finance for Wales 2010, 20). The flexibility that Barnett entails has fostered the cultivation of a sense of belonging to the common polity of the UK at the expense of creating some resentment in England (Romero Caro 2024, 309). This dynamic is especially pronounced in Scotland, where the UK Government leverages the region's overfunding to underscore the fiscal benefits of union membership-benefits that would likely dissipate in the event of secession, potentially destabilizing Scotland's finances (McLean 2012, 647). Unsurprisingly, the Scottish

Government has consistently opposed transitioning to a needs-based funding model, which would diminish Scotland's per capita allocation (Paun, Cheung, & Nicholson 2021, 17). The management of the funding system by the British Treasury remains a highly contentious aspect, given its dual role as both arbiter and decision-maker in disputes (Keep 2025, 12). Nevertheless, tensions have been largely mitigated by a well-established practice of engaging with devolved administrations on matters pertaining to the Statement of Funding Policy (HM Treasury 2021, 8). Recent developments have further solidified this collaboration, notably through the establishment of intergovernmental entities such as the F:ISC (Anderson and Schnabel 2022). The COVID-19 pandemic has acted as a catalyst, intensifying financial coordination and prompting the introduction of innovative mechanisms to secure funding for devolved administrations (HM Treasury, 2020). This heightened cooperation has also encompassed block grant adjustments arising from the devolution of additional fiscal powers to Scotland, where effective advocacy by the Scottish Government has ensured that potential adverse impacts on its public finances are averted[13]. The "Barnett formula" has proven far more enduring than originally anticipated, transcending its intended provisional status as a funding allocation mechanism among the UK's nations (Barnett, 2000, 69). As territorial autonomy has incrementally evolved, the formula has emerged as a foundational pillar of devolution, transforming financial arrangements into a means of reconciling diversity and preserving national unity. It achieves this by ensuring elevated per capita spending for the devolved nations relative to England, while simultaneously moderating funding disputes (Heald 2020, 523). Nonetheless, the system exhibits potential for refinement, particularly in enhancing the involvement of devolved governments in its administration (Paun, Cheung, & Nicholson 2021, 38). The recently reformed UK intergovernmental relations framework presents a promising avenue for such progress, though it remains uncertain whether the Treasury will cede its dominant role and adopt a more collaborative stance with the devolved administrations (McEwen 2022).

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