

HOUSE OF COMMONS  
MINUTES OF EVIDENCE  
TAKEN BEFORE  
JUSTICE COMMITTEE

*(uncorrected transcript of oral evidence to be published as hc 75 - vi)*

**Devolution: a decade on**

Tuesday 1 April 2008

LORD BARNETT

Evidence heard in Public Questions 399 - 457

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## Oral Evidence

Taken before the Justice Committee

on Tuesday 1 April 2008

Members present

Mr Alan Beith, in the Chair

Mr David Heath

Mrs Siân C. James

Alun Michael

Julie Morgan

Robert Neill

Dr Nick Palmer

Mrs Linda Riordan

Mr Virendra Sharma

Mr Andrew Turner

Mr Andrew Tyrie

Dr Alan Whitehead

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Witness: Lord Barnett, a Member of the House of Lords, gave evidence.

Q399 Chairman: Lord Barnett, welcome, we are very glad you have agreed to come before us. I at least remember the days when you were a Treasury Minister, and certainly you do. I wonder if you could briefly remind us of the economic and political context in which the Barnett Formula was created.

Lord Barnett: I should say at the outset, Chairman, first of all, thank you very much for inviting me. It was not a formula then. When I devised the system of allocating expenditure, which later became known as a formula, I do not know precisely when, but I left it in 1979 for reasons that some voters decided I should leave it, and it was then carried on, the method of allocating expenditure, by first of all Margaret Thatcher and then John Major for 18 years, and at some point in that time, the word "formula" was added to the system. I do not know exactly when, but I published a book on my life in the Treasury, called "Inside the Treasury", in 1982, and I never even referred to it, so it was not a formula then. As I say, it became one when it was carried on for 18 years by those two Prime Ministers. It did not help very much, I am bound to say, because every seat in Scotland was then lost by the then former Government, for which I claim personal credit, of course. Then it was carried on by Tony Blair when he became Prime Minister, and now by Gordon Brown, who for some strange reason thinks it is based on need, which needless to say it is not.

Q400 Chairman: But he repeated that today in a press conference, we have not been able to get the actual words, but I understand that he said that one of the reasons why the formula was not being reconsidered at the moment was that it was based on need.

Lord Barnett: Well of course it is not based on need, it is based on population, and it has been amended slightly with changes in population, but it is a population-based allocation of expenditure, no question about that. It always was, and it still is.

Q401 Chairman: Mr Michael has a question.

Lord Barnett: I was shaking my head when he said it in the House, when I was upstairs in the gallery.

Q402 Alun Michael: I wonder if we can make a distinction between what became known as the formula and the actual expenditure, because I think it is true to say, is it not, that the formula is applied to the increase, in other words it is a way of deciding how much in proportion to an increase in expenditure from the UK Department goes to the devolved administrations, whether it was at one time the Scottish Office and the Welsh Office, or now the Assembly and the Parliament. Therefore, the bit that was needs-based was the expenditure in the late 70s, when there was a needs-based review, was there not?

Lord Barnett: No, it is not all expenditure, of course, because social security, for example, is still based on need, and benefits are based on need.

Q403 Alun Michael: Understood.

Lord Barnett: It is all the rest, and in those days, the economy may not be in financial terms as bad as it is now, but we were cutting expenditure most years, and as Chief Secretary, it was not pleasant, it was not easy, that was not what I came into politics to do, but it made life a little easier to at least not continue having -- cutting out certain Ministers from any debate, and it was left to them, once Cabinet had approved that method of allocating it. Although I am not altogether sure I even took the system to Cabinet. Maybe you could check with Cabinet papers, which must now be available, but Cabinet accepted the system, and Scotland, Wales and Northern Ireland had this allocation based on population, of the non-benefit type of expenditure, and that is how it all began. As I say, the word "formula", I do not know precisely the date it was added, but somebody added it, and I have been told I should be proud of it.

Q404 Julie Morgan: Good afternoon, Lord Barnett. When you introduced the system of allocation, how long did you expect that to last?

Lord Barnett: I did not expect it to last long at all. If I had stayed there in that job, I would have hoped to have changed it to a policy that is truly based on need.

Q405 Julie Morgan: So the system you would have liked to have seen it replaced with would have been based on need, would it?

Lord Barnett: Indeed, that is what I have been pressing for in the other place, as we are called.

Q406 Julie Morgan: What measures would you use to determine the need?

Lord Barnett: Well, I am asking for an ad hoc Select Committee, I have asked once before and been rejected. I did not press it to a vote on the floor, but I think I would have won it at the time, and I have now narrowed the terms of reference, so that other things cannot be considered, purely considering the Barnett Formula; whether it is fair, whether it should be based on need, in which case, the Select Committee would define the need, which I would not, of course, be a member of; and the Select Committee would then decide how need should be defined and how it should then be allocated. It may well be that Scotland or Wales in particular could well argue that they need the amount they are getting now. Indeed, both would argue they want even more, and certainly so would Scotland, everybody asks for more, that was my life for five years as Chief Secretary, but I do really hope that when we get an ad hoc Select Committee, chaired by perhaps a former Cabinet Minister, we have quite a few in the House of Lords, an All Party Committee would look at the issue fairly, decide whether the existing system should continue, or whether it should be changed to one that is truly based on need.

Q407 Julie Morgan: Is it your view that it is not fair, from your perspective now?

Lord Barnett: What is my view?

Q408 Julie Morgan: Your view of the Barnett Formula as it operates now, is your view that it is not fair?

Lord Barnett: If you look at the broad figures, of course, it shows that the average allocation of the non-benefit type expenditure is £1,500 per person more in Scotland on average than in England. Of course, it varies, I am sure you have seen the figures, some regions of England are even worse, more than £1,500; others, like London, do a little better. So it is purely based on a system which cannot be right.

Chairman: Mrs Riordan, do you want to add anything to that?

Q409 Mrs Riordan: Yes, please. Lord Barnett, you have mentioned that you want an ad hoc Committee in the House of Lords and hopefully that will be created, and that you want to look at issues of the Barnett Formula as it is now called. What specific data would you be looking for from that Committee?

Lord Barnett: Well, the Committee, first of all, in my view, and under the terms of reference I have been trying to get for the Committee, would be to look at whether the existing system is fair. People have given all kinds of reasons why the system was chosen, and why it is this, and what it is going to achieve in due course. I think most of them do not know what they are talking about, to be

honest, and I hope a truly cross-party independent Select Committee would decide whether the allocation of expenditure, as between England, Scotland, Northern Ireland and Wales, is fair. One of my major worries, and I said this in the brief debate we had in the House of Lords, was that the people of England will begin -- and it is already happening, Berwick-upon-Tweed had a so-called poll, which, as you may know, found in favour of being Scottish; and I said in the House the other day, the people of Manchester, where I live, would like it as well. They have said they would like to be Scottish if they got those kind of benefits.

Q410 Mrs Riordan: And from Yorkshire, where I am from.

Lord Barnett: And in London and anywhere else.

Mr Tyrie: And Chichester.

Q411 Chairman: I think the question they were asked is whether they would be better off in Scotland, to which the answer is very obvious.

Lord Barnett: That is another matter. They have a very shrewd leader in Scotland at the moment.

Q412 Dr Palmer: Yes, thank you. How optimistic are you, if this hypothetical Committee were to be formed and were to reach a conclusion, that it would command widespread consensus that whatever it came up with was a fair solution? Do you not think that in practice, rather like with council tax, any change would attract as much opposition as the current formula?

Lord Barnett: I think there will be widespread support, but not amongst the political parties, and that is not just the Government. I was astonished to find that David Cameron, for example, on his first visit to Scotland, assured the people of Scotland that he would keep the Barnett Formula. I think he must have been raving mad. But there you are, he did, and nobody is willing to accept the conclusions that I have personally come to. When we have a review, maybe it will convince people. Mostly debates, as you will know, Chairman, do not convince anybody.

Q413 Chairman: I must plead innocence, because I belong to a party which does actually say that it wants to review the Barnett Formula and replace it with a needs-based formula. That is my cue for -

Lord Barnett: I am prepared to allow it to be called Lord Barnett Formula Mark II, based on need.

Q414 Alun Michael: I have never regarded that as an approach which could be described as innocent, Chairman. Just before I come on to a specific question, you suggest that this Select Committee could come up with a formula that would be fairer, and you also suggest that it ought to be needs-based. Now being fair and being needs-based are not necessarily identical, at least in the eye of beholders. Secondly, in my experience, in Government and opposition, I have had to deal with local government formula, police grant formula, and the RDA formulas in England, and the one conclusion I came to is that every attempt to make a formula fairer ends up with more complaints than the one before, as the only common factor. So why do you have this confidence that there must be a formula out there which would be fairer and more acceptable?

Lord Barnett: Well, I am confident that a review would find a better way of allocating expenditure. As you will know, governments do not like making changes too often, especially if they are ones -- like, for example, if it would result in reducing money for Scotland and Wales, Northern Ireland, they would fear losing votes. It is a fear that politicians have, as you may know, and so in terms of

whether it will eventually be done will depend on how good a report it is. If it is a good report, it has clearly become self-evident that it is a better method of allocating expenditure than now, then I hope it will be eventually accepted by some government in the future.

Q415 Alun Michael: I am just suggesting that is an expression of faith rather than objective analysis.

Lord Barnett: If you like, yes, but when you say faith, it is not faith that they will come up with a better formula, I think that will happen, because the present formula, based purely and simply on the size of the population in the different regions, manifestly seems to me, the figures on the surface, unfair.

Q416 Alun Michael: Coming to a specific point, can you explain your understanding of the basis on which some things were included in the calculations and others out? I mean, in recent times, the examples that have caused some discussion and controversy are things like the Thames Gateway Project being included within the formula, and the funding associated with the 2012 Olympics being excluded.

Lord Barnett: Well, that is a matter for Government, of course. The government of the day can say that any particular piece of additional expenditure should or should not be included. If it is a substantial sum that is extraneous to the normal expenditure of that region, then it is not unreasonable that a government or a Chief Secretary would then say, "Well, okay, that is excluded", and it is additional to the allocation that comes under the formula.

Q417 Alun Michael: Do you think that should still continue to be something that has to be the judgment of Ministers?

Lord Barnett: Well, it depends what happens with the new formula. But if it is a new formula based on need, and there is something like the Olympics or a huge new Parliamentary building, as in Scotland, a government of the day would probably have difficulty not giving the additional money for it.

Q418 Alun Michael: So I am bound to say that in fairness, it works both ways, because the Cardiff Bay Barrage would not have been built if it had not been regarded as outside the formula. But are you therefore envisaging a formula that would take away the need to have judgments made about --

Lord Barnett: I would see a formula that was based on the needs of regions, which includes the regions and counties of England as well as Scotland, Wales and Northern Ireland, would look at everything on a fair basis. It may well need -- and it is one of the reasons that upset me, and why I wanted to change it, every year may have to be a new allocation.

Q419 Chairman: Presumably you would not have, with a needs-based system, this particular problem. You would have other problems, but you would not have this particular problem, because expenditure in one would not automatically trigger expenditure in another. If you calculate according to spending in England, then that necessarily involves making decisions about which items then generate more spending in Scotland, and there is a triggering process. If it is a needs-based formula, only assessments of need would presumably trigger variations or changes.

Lord Barnett: That is one of the reasons why I moved to the simple one, which I thought might last at least me out, which it did, of course.

Q420 Mr Sharma: In your view, are there minor amendments that could be made to the formula, to make it fit for purpose, or does it completely need a new approach?

Lord Barnett: I am not quite clear what you mean by a new approach.

Q421 Mr Sharma: If you said that minor amendments will not make it fit for purpose.

Lord Barnett: Well, of course, because the present system, as I say, is a pure population-based system, so just amending it does not really alter it. Indeed, when Alistair Darling was Secretary of State for Scotland, he did adjust slightly, he was asked to do so annually, as the population changed a little, because it has changed a little, in terms of the number of people, for example, in Scotland, over the years. So there was that kind of change, but it did not change the population-based system. You cannot just amend that, the only way you make the major change is, as I say, you have to assess it every year on need.

Q422 Dr Palmer: Yes, on the need point, if you did have frequent re-assessments, would that not have the effect of penalising success; if Scotland, for instance, were able to make progress in reducing poverty and need for benefits, we would congratulate them and give them less money.

Lord Barnett: Well, one of the reasons why governments do not want to do any kind of change, particularly if it resulted in Scotland getting less money, then the net result of that would be that the government of the day would not do it, for fear of upsetting the Scots. So if they did change it to need, they would try to make appropriate adjustments, if I can put it that way, to ensure that they would not upset too many people.

Q423 Dr Palmer: So you are saying your needs-based formula --

Lord Barnett: You get a bit cynical after a while.

Q424 Dr Palmer: Your needs-based formula would work better because the Government would still be able to fudge it, is that your position?

Lord Barnett: Yes, I am saying that.

Q425 Alun Michael: On the question of transparency, really. Do you think that if new arrangements were brought through, that it still ought to remain a matter of judgment by Ministers, or do you think there ought to be a neutral organisation or an appeals process for the decisions about how allocations are made?

Lord Barnett: When public expenditure is involved, no matter how many independent commissions you have, at the end of the day, it will be a matter for Government. That applies on everything for that matter, it is not just expenditure of this kind. But when you are talking about public expenditure that affects people's lives, and if an independent commission came up with something a government did not like, I would be astonished if they did not seek to do whatever is required to help.

Q426 Chairman: Do you think you could bypass the whole problem by going for full fiscal autonomy, at least for Scotland?

Lord Barnett: Oh, I have no wish to get involved in fiscal autonomy, that is an entirely different matter. If you are going to give total fiscal autonomy, in the sense that you are saying the people of

Scotland, Lancashire or wherever should raise their own funds, that is such a big issue that it is quite separate from this.

Q427 Mrs James: Lord Barnett, there is a commission currently taking place in Scotland, chaired by Sir Kenneth Calman which will be looking at the Barnett Formula. If that commission should recommend abandoning the Barnett Formula, maybe adopting another needs-based formula, would it then be credible for the formula to continue in Wales and Northern Ireland?

Lord Barnett: I am bound to say, if I wanted to set up a commission to review the formula, I would not ask a commission based in Scotland, with respect, to be objective and independent. So I would be astonished if it did come up with the kind of revision that I would like to see.

Q428 Mrs James: But you do not see that it would then put pressure -- you would rather go with the commission that you have suggested, looking at it on a UK-wide basis and on a needs basis?

Lord Barnett: I do, because it does not just affect Scotland. And I do not want to see a break-up of the United Kingdom, I want the United Kingdom to continue, so when you are talking about giving new powers of raising funds in a big way, which is what it would be, that is quite outside a review of the formula.

Q429 Mr Tyrie: We have talked about break-up of the United Kingdom, do you think that the risk of a break-up of the United Kingdom will be greatly increased if we do not address the Barnett Formula soon?

Lord Barnett: Yes, I do. It is very worrying. Indeed, there is an indication of it in the media now, that people all over England are getting very worried. I mean, you saw what happened in that poll in Berwick, as I say.

Q430 Chairman: I would not place too much reliance on it if I were you, but that is another story.

Lord Barnett: But if you ask people anywhere whether they want another £1,500 per head spent on them, they will say yes, so yes, I am worried about it. I think there is a serious problem here. That is why I think there is a need for a review of the formula urgently.

Q431 Mr Tyrie: If you can see that so clearly, why do you think it is that the Prime Minister is clinging to the argument that we have a needs formula already, and that this will probably mean he can kick this issue further into the long grass? Is it just a misjudgment on his part?

Lord Barnett: You will have to ask him, I cannot tell you why he thinks it is based on need, or why David Cameron assured the people of Scotland that he would keep it. You will have to ask them. Maybe you will, I do not know. I gather David Cameron is thinking, from an interview I saw he gave, that maybe at some point in time there would be a need for review, but not now, not before an election, I do not think.

Q432 Mr Tyrie: Have you already in your mind, bearing in mind that you have asked for this inquiry in the other place, the type of needs assessment you would want to put in place and the main ingredients and the main headings that would comprise the needs assessment; the weightings, for example?

Lord Barnett: Yes, it can be done, of course it can be done.



Q433 Mr Tyrie: Have you done any work in that area, or have you been involved in helping others do it?

Lord Barnett: Before I devised the system, before that, I used to have bilateral meetings with all Ministers, including the Scottish Secretary of State, the Welsh and all the rest, all asking me for more money, and giving me very good reasons why they should have more money. I would think about it, and I knew how little I had, and I would say no to most people. That was my job, and I would tell my Private Secretary to arrange a good time for me to give them a gin and tonic at least, but no more money.

Q434 Mr Heath: Thank you. You have mentioned several times the view in Berwick, and I know the Chairman is at pains to perhaps not put so much emphasis on the view in Berwick.

Lord Barnett: I did hear somebody close to him spoke in the same vein.

Q435 Mr Heath: If there is that degree of discomfort in the North East with a less than £500 differential in expenditure with Scotland, I think it is reasonable to suppose that in an area like mine, the West Country, where, by my calculations, the expenditure per head in Scotland is £1,946 more, and in Northern Ireland, £2,708, so almost half as much again is spent per head given this formula in one part of the United Kingdom than in our region in the West Country, that does suggest that these regional disparities within England are at least as important as the disparities between nations, and England is, under the formula, seen as a homogenous mass. I think you said this earlier, but I would like you to confirm it: do you feel there should be a needs-based formula which cuts below the level of England as a state, and looks at the regions of England as well, is that correct?

Lord Barnett: Well, obviously, what is happening in England would have to be taken into account by Government. If one changed the formula of allocating funds to Scotland, Wales and Northern Ireland, one would have to look at it in comparison with what is being given in public expenditure terms to the different regions of the country.

Q436 Mr Heath: So you would see a formula which actually identifies needs in each of the regions of England and allocates accordingly, rather than simply treating England as a single unit for this purpose?

Lord Barnett: Well, I would hope that the allocation of funds in England, in the different regions of England, is now being based on, to some extent, need, it is certainly not based on a population basis.

Q437 Mr Heath: Well, is there any evidence that it is based on need?

Lord Barnett: People of the North East and the North West where I come from, Manchester, some parts up there, will say it is not fair, but the figures are very, very interesting. I mean, actually, some of the worst areas in comparison with expenditure, if you look at the figures, is even the South East, where the expenditure is very low, but there may be good reason for that. They may have greater income in those areas than in Scotland or Wales, who therefore deserve extra money, or less money. Just looking at the bald figures, all one can say is they are not right.

Q438 Mr Heath: But if we had a needs-based formula, based on the regions of England as well as the nations, then we would identify that, would we not? We would identify whether the South East was receiving a fair allocation, for instance.

Lord Barnett: Well, to some extent, I would imagine the allocation of funds in the English regions is now being based on need. If it is not, then those regions or the regions that are doing badly have got great cause for complaint, and some of them are complaining very loud and clear.

Q439 Mr Turner: For areas such as the East, the East Midlands, the North West, is money allocated out to them or is it allocated out to smaller units such as Norwich, Manchester and so on?

Lord Barnett: No, it is done on a wider regional basis, the allocation of expenditure, than taking individual cities.

Q440 Mr Turner: So by what means?

Lord Barnett: Well, the Chief Secretary would decide it in negotiations with those regions.

Q441 Chairman: Are you sure that is true? Other than for the expenditure of regional bodies, surely how much money gets spent in different parts of the North West depends on a whole series of government programmes, local government funding allocation?

Lord Barnett: Of course, but that ultimately would be a negotiation that would take account of all that.

Q442 Mr Heath: Negotiation with who though? Because there is no Secretary of State for the South West, in the way that there is a Secretary of State for Wales and Scotland.

Lord Barnett: But the Chief Secretary to the Treasury has to decide how money will be allocated everywhere, whether he is negotiating with a Secretary of State or with some lesser figure.

Q443 Mr Turner: Yes, but the question is: who takes the decision, and at what level is it spent? Because you are asserting that this money is spent to somebody for North West, but how much of that is spent by Macclesfield and how much of it is spent by Manchester?

Lord Barnett: That would be a matter for whoever is in charge of regional expenditure as a whole.

Q444 Mr Turner: But nobody in this place -- are we talking about --

Lord Barnett: No, nobody -- when you say this place, do you mean the Commons?

Q445 Mr Turner: Yes, or for that matter, the Lords.

Lord Barnett: If you really want to try, you would have to get the Chief Secretary here.

Q446 Chairman: Actually, is it not a compendium of different decisions made by different departments and different bodies?

Lord Barnett: As I say, it may have changed, it is a little while since I finished, nearly 30 years.

Q447 Robert Neill: Actually, that point is interesting, because since we have had this formula, we have had a move, for example, to formula funding of local authority expenditure in a very different way to that which existed perhaps at your time, Lord Barnett, and you have, let us say, health service funding on a different formula with a different department taking that decision. Now you

have something called the Sustainable Communities Act, which is going to, for example, permit the publication of all the totals of public expenditure across local authorities, as opposed to regions. Is it possible to maintain the existing Barnett-type arrangements without perhaps a greater transparency of the methodology on how these other bits of formulas work out? People say, well, we cannot really work out how a formula grant is arrived at very easily. Is there a conflict there, do you think, or not?

Lord Barnett: If you want a simple formula, you continue with it as it is.

Q448 Robert Neill: If you move to needs, as you have advocated, does that not follow that you have to have a fairly transparent basis for -- how would we get the formula?

Lord Barnett: It is now 30 years, and the expenditure has been allocated on a per capita basis, and here you are asking me how you can make it transparent. You are in charge. I am an outsider on these matters.

Robert Neill: I think what we are thinking is it has actually become more opaque for other reasons, nothing to do with anything you intended.

Chairman: I will come back later, but Dr Whitehead has been very patient.

Q449 Dr Whitehead: Just two things really. The first thing is the Treasury is, I believe, preparing a factual statement, it claims, of where we now stand on the Barnett Formula. Have you been consulted about the preparation of that factual statement?

Lord Barnett: I am sorry, I am not quite with you on that.

Q450 Dr Whitehead: The Treasury is, it is supposed, and certainly indicated by Parliamentary replies, preparing a factual statement on where the nation now stands as far as the operation of the Barnett Formula is concerned, and it has indicated that it will introduce that statement as part of a process of discussion and debate. Have you been consulted about that factual statement, and if you were consulted, how would you input to it?

Lord Barnett: The Treasury does not want to discuss it, it has been made crystal clear to me, not in an arm-twisting way, because my arms are no longer easily twisted, but it has been crystal clear to me that the Treasury do not want to consider any change at all, because they fear upsetting people in different places. The fact that they are upsetting a lot of people in England now will get home to them at some time soon, I hope.

Q451 Dr Whitehead: So would you conclude, in terms of the frankly extraordinary longevity of the Barnett Formula, in terms of the changes that have taken place over the period, that you could say it is a question of holding onto nurse for fear of finding something worse, that actually, the reluctance of the Treasury, as you suggest, could precisely be explained on the basis that you would then have to change so many other things relative to a revised formula, that you may well find a number of unforeseen consequences in whatever you have changed?

Lord Barnett: Oh yes, I suppose it is possible, if I was 30 years younger and still Chief Secretary, I would not want to change it either, but I know it was done with a view to creating a fair system; it was done, I suppose, in some ways, to make life a little easier for me, but it was thought to be fair at the time, based on population, and now, 30 years later, it is seen not to be fair, at least on the surface. A review may show that it is fair.

Q452 Dr Whitehead: The original logic, so I understand, of the creation of the Barnett Formula, temporary though it was supposed to be, was effectively to place the question of Scotland outwith the various adjustments that would take place that we have described within, say, the English regions, and then presumably adjustments within Scotland based on need would follow from that cutting off of that debate within the context of the UK as a whole. If you then went back to an overall needs-based formula, would that not, as it were, undermine the question of the issue of the devolution of funding that has been effectively achieved so far?

Lord Barnett: Well, that would be difficult, or there would be problems attached to it, and people would be worried, indeed they are now, but how and when and why the formula was devised 30 years ago by me, many reasons have been given that I have never heard of, mostly. I have told you exactly how I came to do it. But people are now putting all kinds of reasons behind it which, as I say, I have not heard of. Well, I have heard of them since, but I did not hear of them at the time. Indeed, my Private Secretary at the time, Sir Michael Scholar, is now in charge of statistics, maybe you should have a word with him.

Alun Michael: I wonder if I can just take you back: as a matter of fact, a lot of money is allocated according to a variety of formulae. For instance, Regional Development Agency spending within England is based on a whole set of objective factors, including levels of unemployment and so on, so that not surprisingly, the level per head comes up higher in the North of England than other places. Police funding is based on an incredibly complex set of factors, which includes everything, including levels of crime and rurality, by the way.

Mr Heath: And terraced houses, which did very well in the Royal Crescent.

Q453 Alun Michael: No, but you pick one out, the one that you do not like, which is a typical approach -- it is a very complex formula. It also includes the amount of coast that a police authority will have. Looking at all that complexity, which is very difficult for even those of us who have had to work within it, to understand the nature of the application, is there not actually some virtue in having a simple formula that cuts through all this, and produces a solution which may be roughly fair, rather than precisely incomprehensible, and is that not why people have praised the formula which is associated, however unfairly, with your name?

Lord Barnett: Yes, I am sure you are right. When you think about it, public expenditure in money terms now is in excess of £500 billion; millions are no longer used, it is billion, £500 billion. Allocating expenditure of that size is a complex matter, and making major changes are going to upset people. Ministers have enough troubles, they have plenty to do, so they would rather leave it alone, and that is what has happened over 30 years.

Q454 Alun Michael: But to put it the other way, the civil servants love a new plan to develop, whether it be a formula or a scheme for the future, it is what they do, they are very good at it, and would it not be fair for any Minister contemplating a new plan or a new formula to say, "I know what is going to happen here, there are going to be winners and there are going to be losers", otherwise there is no point in the exercise, and we will hear nothing from the winners and we will hear a great deal from the losers.

Lord Barnett: I am sure you are right. That for the moment is what will happen, but I am hoping a serious review would so expose the situation that somebody is bound to act.

Q455 Dr Palmer: Just on a factual point, I have seen it said that the discrepancy between the Scottish and English spending will diminish gradually on current trends, and probably disappear in about 20 years. Is that your view? I do not pretend to know the formula well enough.

Lord Barnett: I have heard that argument, but it is not based on any serious analysis. It cannot be.

Q456 Dr Palmer: Is it false?

Lord Barnett: I have never seen adequate analysis to explain why people are coming up with such a view. There is no evidence --

Q457 Chairman: The Barnett squeeze, as it is known.

Lord Barnett: Well, 30 years ago, it is said that I devised it in such a way as it would eventually be fair. I wish it were true.

Chairman: On that very frank and honest note, we would like to thank you for your very kind assistance this afternoon, you have entertained us as well as informed us, so thank you very much indeed.