

# Smith report on Scottish devolution sets off further devolution throughout UK

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The Smith Commission's proposals on the devolution of further powers to the Scottish parliament were released on Thursday.

The cross-party commission, comprising representatives from the Scottish National Party (SNP), Conservatives, Labour, Liberal Democrats and the Greens, was established immediately following the September 18 referendum on Scottish independence, which was defeated by 55 percent to 45 percent.

The vote in favour of remaining within the United Kingdom was higher than opinion polls had suggested. In the last weeks of the referendum campaign, one had suggested that the independence vote could even win. That sent the Conservative, Liberal Democrat and Labour parties, which opposed independence, into panic. Just days before the ballot, Conservative prime minister David Cameron, Liberal Democrat deputy prime minister Nick Clegg and Labour leader Ed Miliband made a public "vow" of greater powers to Holyrood in the event of a no vote.

The pledge effectively overturned the decision to rule an option on greater devolution (Devo Max) out of the referenda. It meant that, despite the no vote, it was the SNP that claimed victory—asserting that it had only been won by promising further decentralisation.

Within hours of the result, Cameron announced the formation of a commission headed by Lord Robert Smith. Its task was to come up with proposals that would satisfy the pledge for greater powers, while maintaining the unitary character of the British state.

To this end, the commission proposes that the Scottish parliament should have complete control over setting income tax rates and bands, and should control the first 10 percent of VAT (Value-Added Tax) revenue. It should also have control over certain welfare benefits, workfare programmes, air passenger

duty and the licensing of onshore oil and gas extraction (fracking) in Scotland. It further proposes transferring responsibility for managing the crown estate's economic assets, and extending the vote to 16- and 17-year-olds, allowing them to vote in the 2016 Scottish parliamentary election.

The proposal to devolve abortion law to Scotland was dropped in the final draft.

The recommendations will mean that Holyrood will be directly responsible for raising approximately 50 percent of funding for public services in Scotland—up from 15 percent.

The *Financial Times* commented on the breakneck speed with which the government was moving to implement the greatest decentralisation of powers in the history of the 307-year union between Scotland and England, noting wryly that "consultation on landfill is normally granted more time." Legislation is to be drawn up by January 25 of next year.

Lord Smith claimed the agreement was "an unprecedented achievement" that had "demanded compromise from all of the parties. In some cases, that meant moving to devolve greater powers than they had previously committed to, while for other parties it meant accepting the outcome would fall short of their ultimate ambitions."

Even if the proposals are agreed on, however, they will resolve nothing. SNP deputy first minister John Swinney said that while his party will sign up for them, they fell "far short" of the vow made by Cameron, Clegg and Miliband. "Under these proposals, less than 30 percent of our taxes will be set in Scotland and less than 20 percent of welfare spending will be devolved to Scotland," he complained. "That isn't home rule—it's continued Westminster rule."

While the block grant from the UK government to

Scotland will continue under the Barnett formula, it will be reduced in line with the extra revenues raised by Holyrood.

SNP leader Nicola Sturgeon said her party will make demands for “beefing up” Smith’s recommendations central to its manifesto for the 2015 General Election.

Noting plans to give Northern Ireland control of corporation tax levels, Sturgeon said the move “simply blows apart any claims it would not be possible for Scotland too.”

Commentators have described the Smith proposals as the first step towards the federalisation of the UK. But this arises not simply from the powers that are to be extended to Holyrood, but from their implications for the rest of the UK.

Labour had insisted on a clause on the Smith Commission report stating, “MPs representing constituencies across the whole of the UK will continue to decide the UK’s Budget, including Income Tax.”

This was aimed at preventing calls to bar Scottish MPs in Westminster from voting on “English” matters. However, this is already in tatters, with Cameron’s announcement that the Conservatives intend to bring forward legislation on “English vote for English laws” (EVEL) in the next weeks.

Cameron argued that, with income tax devolved to Scotland, the case for EVEL was now “unanswerable”. Former Conservative foreign secretary William Hague is chairing a cabinet committee to make recommendations for EVEL.

It was Labour that had made the greatest concession in the cross-party talks, dropping its opposition to devolving income tax. Earlier, former chancellor Alistair Darling, who led the “No” campaign, had ruled out supporting the move. Writing in the *Financial Times*, he warned that it would end in a “flood of tears” because it would undermine the principle that risks must be shared across the UK.

Miliband abandoned his party’s opposition, however, fearing that it would cost Labour seats in the 2015 General Election. The party faces an electoral meltdown in Scotland, with the SNP poised to capture many of Labour’s former constituencies.

The party is also split in England, with many of its MPs and local councillors demanding greater devolution for the English regions. Carwyn Jones, Labour first minister for Wales and the Local

Government Association, representing councils in England, is calling for a constitutional convention to this end.

A campaign for “decentralised fiscal reform” has been launched by the Core Cities group, representing Birmingham, Bristol, Leeds, Liverpool, Manchester, Newcastle, Nottingham and Sheffield, and London’s 32 local authorities. Arguing that combined they account for “over half England’s economy and around half its population,” it is demanding greater control over taxation.

As in Scotland, demands for greater devolution in England and Wales have nothing to do with extending democracy or ensuring greater accountability, much less overcoming the devastating impact of austerity and government cutbacks. Reflecting the interests of big business, it is aimed at slashing corporate tax rates and nationally agreed pay levels, setting workers throughout the UK into a race to the bottom.



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