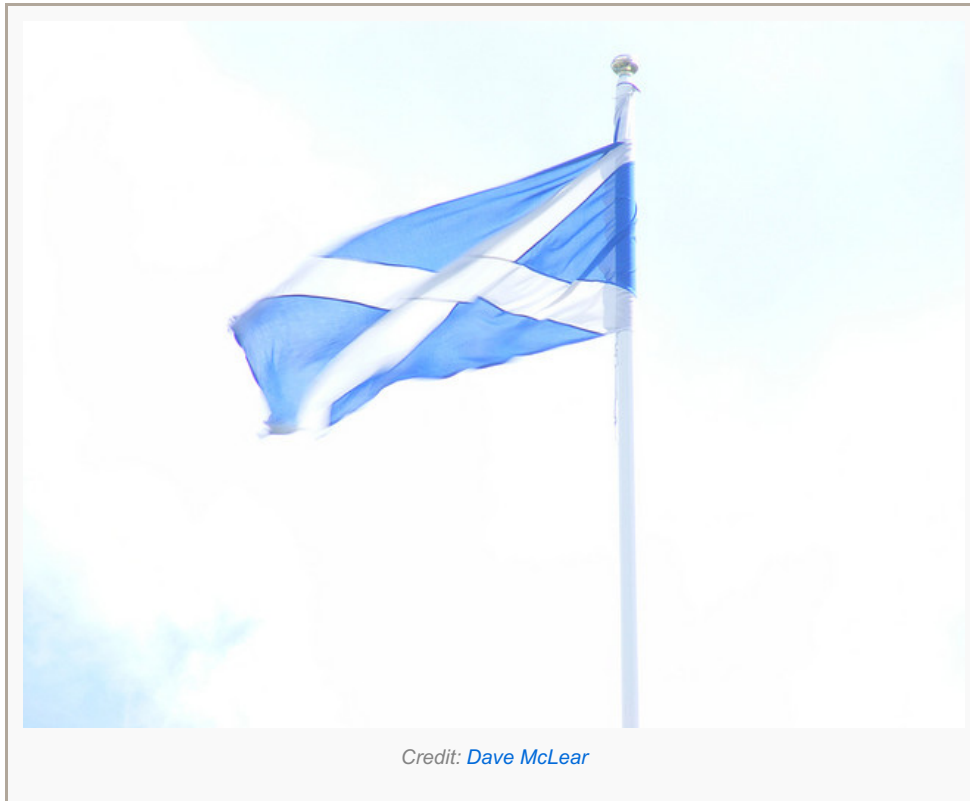


The Smith Commission Report is short, but packs a big punch

By Democratic Audit UK

*The Smith Commission recently announced its recommendations for the future of Scottish governance. **Iain McLean** argues that the Commission has astutely wrought concessions from the main political parties involved, and packs quite a punch for a short (28 page) document.*



Credit: [Dave McLear](#)

The [Report of the Smith Commission](#) on further devolution of powers to the Scottish Parliament is a modest document – only 28 pages long. But it packs a big punch. In summer 2014, Lord Smith delivered the Commonwealth Games in Glasgow without fuss and to budget. By some magic, he has now got all five parties in the Scottish Parliament to agree to a set of proposals, which the UK Government also endorsed as soon as they were published on 27 November. The process involved some huge compromises, on all sides.

Smith got all-party agreement to:

- Embed the Scottish Parliament so that it cannot be abolished by an Act at Westminster;
- Make statutory the rules for inviting one parliament to tread in the patch of the other;
- Make the Scottish Parliament responsible for franchise and electoral regulation for all Scottish elections;
- ... and for the Scottish operations of the Crown Estate;

On tax-and-spend, the agreement covers the devolution of four taxes and the assignment of revenues from a fifth:

- Some welfare responsibilities, including the so-called ‘bedroom tax’, and the corresponding block grant;
- all income tax rates, bands and thresholds (but not the personal allowance, nor income tax on savings and investments);
- Aggregates Levy and Air Passenger Duty (APD); and
- assignment of the proceeds of the first 10 percentage points of VAT raised in Scotland (not to devolve VAT because EU law prohibits that).

The agreement promises to retain the Barnett formula for financing the difference between tax raised in Scotland and public spending in Scotland.

So what are the huge concessions that Lord Smith has cajoled out of the parties?

- The **SNP**: for two months it was rumoured that they would denounce Smith and walk out. They haven't. Of course they have attacked Smith's proposal as inadequate. But they have accepted them. Their first responses from John Swinney and Nicola Sturgeon were eloquently silent about Smith's recommendation *not* to devolve North Sea Oil revenue. After 40 years of insisting that it is Scotland's oil, the SNP has maybe started learning to beware what it wishes for. Especially in a week where the oil price has plummeted, it must be secretly glad that the UK continues to bear the resulting pain.
- The **Labour Party** was opposing the full devolution of income tax until the last moment, based on a fear that this would be fatal to Scottish MPs' powers or numbers at Westminster. Facing an SNP wipeout, they have switched. There will still be enough for Scots MPs to do (declaring war and peace for instance).
- The **UK government parties** have made concessions that were unimaginable before the now-notorious September 'Vow'. They have conceded control of some cherished DWP functions, including the widely hated 'bedroom tax', and of the Scottish operations of the Crown Estate. They have abandoned the insistence that the Treasury can unilaterally set the rules for devolution funding. They have accepted that further devolution to Scotland has been delinked from English Votes on English Laws (although the Prime Minister does not seem to have read that bit).

In promising to protect the Barnett formula, they were promising less than their readers may have realised. Contrary to widespread misconception, Barnett does not protect the relatively higher public spending per head in Scotland. If allowed to run on, it erodes it. That will now happen.

The day after Smith reported, there was a powerful English backlash, and hence a Scottish backlash to the backlash (a "frontlash", perhaps). The Prime Minister immediately said that Smith made English Votes on English Laws (EVEL) more essential than ever, and specifically that Scottish MPs should be banned from voting on UK income tax rates. This despite an explicit promise to the contrary in the report that had been endorsed by his party's delegates: *MPs representing constituencies across the whole of the UK will continue to decide the UK's Budget, including Income Tax*. It is surprising when a Prime Minister does not read a report that his own party has signed off. The PM has proposed that a scheme for EVEL will be ready in the new year, although there are no signs that his Cabinet committee on that difficult subject, headed by William Hague, is ready to report, nor that it has got round some well-known problems with EVEL.

Some of the backlash seems misplaced. APD is a tiny tax (worth about £2.8 bn in the UK, about 0.5% of tax receipts). It is imperceptible: as it is rolled into the price of air tickets, passengers are unaware that they are paying it. And the English airport most affected (Newcastle) is 100 miles of single-carriageway road away from the nearest Scottish commercial airport. But for the sterling efforts of the director of Newcastle Airport, nobody in England would even notice if Scotland abolished APD altogether. And, of course, if it does that, or cuts any other tax, it has to make up the difference elsewhere, or cut spending to match. Smith continues what the Calman Report of 2009 started: the task of making the Scottish Parliament fiscally responsible.

All in all, not bad for a 28-page report.

Note: this piece is an extended version of short contribution that Prof McLean made to Democratic Audit's 'Ask the Experts' series. It gives the views of the author, and not the position of Democratic Audit, nor of the London School of Economics. This piece also appears on the LSE Politics and Policy blog. Please read our [comments policy](#) before posting.

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