The future of devolution after the referendum, HC 700
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Watch the meeting

Members present: Mr Graham Allen (Chair); Paul Flynn; Fabian Hamilton; Mr Andrew Turner

Questions 63 - 90


Q63 Chair: Jim, do you want to start off with a comment or two or do you want to jump straight in?

Professor Gallagher: I would like to make a few declarations, if that is convenient. As you know, I am an academic, but I was involved in the Better Together campaign in the referendum. Nothing I have to say here is anything to do with them; they are now finished and over. Also I advised one of your competitor Select Committees, the Scottish Affairs Committee, and they are not to blame for me either.

Chair: We will kick off then, Jim, if we may. Paul, you were going to start us off.

Q64 Paul Flynn: I think we old lags of the devolution debate found the whole of the campaign exciting, with unexpected events taking place. What do you think the priorities should be for the new devolution settlement for Scotland?

Professor Gallagher: That is the first of two big and important issues that are on the table at the moment. I think the challenge in setting and creating a new devolution settlement is to ensure that we have one that is consistent with the maintenance of the union that was described and defended in the campaign itself. The simple proposition that devolution is good and therefore more devolution must be better is not the right answer to that kind of question. It is a settlement that needs to be consistent with the structure of the UK as a political union, with the integrated economy of the UK, which was defended during the campaign, and what I would describe as a social union, that is to say social solidarity inside the United Kingdom, because without all of those the UK will not be stable in the long run. That is what the people voted for, that is what they were offered, and that is what they should get.
Q65 Paul Flynn: Do you take the vote as one that indicates the will of the people of Scotland, in view of the strange manoeuvres that took place particularly in the last week or so and the fact that there seemed to be a great rush of new people both voting and supporting devolution? Do you think that result fairly represents the settled view of the people of Scotland?

Professor Gallagher: In the end one must assume that the votes that people cast are cast in whatever knowledge they have. I think it is remarkable that apparently 97% of the population registered to vote and 85% voted. These are extraordinary numbers and that gives the decision in the referendum a remarkable level of legitimacy. When more people register than historically ever registered anywhere and when the turnout is higher than any of us can remember, that tells you that is indeed a decision of the people. It was a decision by just over 55%, so just under 45%, to remain in the United Kingdom.

Q66 Paul Flynn: If we look at the campaign, if we believe the opinion polls—and they turned out to be right in the end, I believe—there were great movements of opinion during the campaign and the famous vow came right at the end, the death throes of what seemed to be the Better Together campaign, and it had a remarkable effect on reviving it. Looking at the vow and the timing of the vow and this sudden unity between the unionist parties, and it is a very tight timetable that is being negotiated now, do you think that it is feasible to get sensible legislation in after we have had electioneering and legislation by panic in the last few weeks?

Professor Gallagher: There are, if I may say so, two different questions in there. The first is about how the campaign went and the extent to which, first of all, the announcement of a timetable, and secondly, what was described as the contents of more devolution were or were not panicked, whether they were or were not, that they were made. The practical question is can the Smith process produce something in the very tight timetable, and I agree, it is an extremely tight timetable. The answer to that is yes, remembering, first of all, its genesis. Its genesis was the three pro-union parties. Each had plans for more devolution set out in various party commissions. The plans had a lot in common but were not identical. There was no common plan before the beginning of the referendum campaign, or indeed before the vote itself, and what was agreed was that a common plan should be developed after the vote.

The process is one that involves what has been described as heads of agreement, which would be, in very broad terms, the content of a change to the devolution settlement and then legislative clauses produced on a slightly slower timetable on the basis that any incoming administration would then have material that can be turned into a new Scotland Act after the general election. Remember that that process between now and the end of November and January, I think it is, for the close, is pretty tight. There is then a substantial legislative process both here and in the whole of Parliament to turn that into an Act of Parliament.

Q67 Paul Flynn: What do you think the consequences of the present situation will have for the devolution in the rest of the United Kingdom, and possibly of links with the Irish Republic in a future federal system?

Professor Gallagher: I think you are right to move on to what is the second big question: what does this mean for the UK as a whole? It was very easy to forget in the heat of the Scottish debate that devolution was not an issue that applied to Scotland alone. The union that was defended in the Scottish debate was the Anglo-Scottish union, but it is a much wider union than that; it involves Wales and Northern Ireland and, of course, England. My own view—is this a purely personal view—is that one of the defects of our system of devolution in the UK as a whole is that we have never looked at it as a whole. We have not looked at it and described it through the lens of not merely a series of bilateral deals but an overall narrative about three smaller nations inside a larger multinational state. That does not mean that each of the devolution settlements needs to be identical, although differences that have arisen purely by historical accident need to be looked at.
quite carefully. One of those, in my view, is the legislative structure of the Welsh settlement, which we can come on to, if you wish.

You are right also to say that the special circumstances of devolution in Northern Ireland include the fact that, unlike Wales and Scotland, there is not just an east-west but a north-south aspect to the Good Friday agreement. Unless and until the people of Northern Ireland want to change that, Northern Ireland remains part of the UK, but there is that pair of relationships to worry about.

**Q68 Paul Flynn:** How did you react to two developments since the referendum, that is the increase in young people supporting the parties that seek division between Scotland and the rest of the United Kingdom, with a huge increase in membership for the SNP, we are told, and also the rise in English nationalism, expressed here in asking for English laws? Do you think that the second one, the rise in English nationalism, is a guaranteed slippery slope to the break-up of the United Kingdom?

**Professor Gallagher:** On the first of the two questions, it remains to be seen whether the remarkable increase in the membership of this country’s national party from people who were involved in the Yes campaign, which sought—in my view, ineffectually—to distinguish itself from the SNP, is permanent or ephemeral. If it is permanent, does it change the nature of the SNP? These are not people who were members before and they tend to have a different demographic and a different background. How will the SNP leadership manage that? That is all an open question.

As for English nationalism, I would characterise English nationalism more, to be honest, expressed by support for the UK than demand for English laws. That is because nationalists traditionally define themselves against the other. Scottish nationalists define themselves against the wicked English, and UK nationalists define themselves against the wicked Europeans. What we have seen, and there is a lot of data to support this, is an increase in England’s understanding of itself as a political unit. That is not so much in response to the Scottish referendum but to the fact of devolution. If one looks at all the data, there has been some very good work done by a consortium with the universities and IPPR, and I am sure the Committee will have access to those reports. More people see themselves as having an English political identity and not merely an English cultural identity. My own view, which I have had for many years now, is that something should indeed be done about English votes for English laws.

This comes back to your question, Mr Flynn, about how one sees the union as a whole. If we see Scotland, Wales and Northern Ireland as three of the small nations, if I can use that word, inside a multinational union, the big one is England. In the case of each of these smaller nations, it seems to me that in principle they should have some control over their domestic affairs, subject to continued membership of the union, and in a way that ensures that the union remains stable. That is equally true as a principle for England, but because England is 10 times the size of Scotland, near enough 20 times the size of Wales, near enough 30 times the size of Northern Ireland, the application of that principle in English circumstances is quite different.

The two principles to cling on to when you are considering this question of English votes are, first, that Parliament is England’s Parliament as well as the United Kingdom’s Parliament and, secondly, that the Government formed in this Parliament is England’s Government as well as the United Kingdom’s Government. Subject to those principles, finding a way that English opinion can have a voice, indeed a vote, although not necessarily always a decisive vote, on English legislation, seems to me to be the right and proper thing to do.

**Q69 Paul Flynn:** You do not see it leading to a stronger definition of nationalism in all four countries? English nationalism was a slumbering giant for a long time, people were hardly conscious of being English nationalists, but it stretches beyond UKIP to parties represented by my friend, Mr Turner. People were pushing for this, and Conservatives at the moment in Parliament, but as English nationalism becomes more self-conscious, it will strengthen the sense of Welsh, Scottish and Irish nationalism, surely. As that process goes on, those who advocated devolution as an end in itself are very few, but when your opponents suggested it was a slippery slope, then many people voted against
it because of that but other people voted for it because they saw it as a slippery slope. The best way of accelerating the process of the break-up of the United Kingdom is the growth of English nationalism, surely?

**Professor Gallagher**: I take a slightly different view in two respects. First, I think feelings such as nationalism are exogenous; they are there. The political system cannot simply ignore them but should, so far as it can, seek to accommodate them because that which does not bend will in the end break.

In respect to Scotland, I take a slightly different view from the slippery slope view. In particular, I have long thought that one should see the Scottish question through the lens that Scotland has always been a separate and distinct part of the United Kingdom. The question is merely how that separate and distinct nature is given its expression. For the first 300 years after the union it was given its expression through separate legal, ecclesiastical and administrative systems, but that is not sustainable in the late 20th or the 21st century, when such separate systems properly require democratic accountability. I am not really a slippery slope man.

**Paul Flynn**: That is extremely helpful. Thank you very much.

**Q70 Mr Turner**: Can I start by asking you what people were saying when they said no? You seem to me to be suggesting that those who voted yes were in favour of a break-up and those who were saying no were saying something else. I thought they were merely saying, “We do not want independence”.

**Professor Gallagher**: That is a nice question. Can I start by answering its mirror image and that will take us through to answer its reality, I hope? First of all, many of those who voted yes were voting for independence. A lot of those voted yes were voting against all sorts of things; they were voting against austerity and the wicked Tories, the recession, the nuclear weapons, all sorts of things. To the extent that the nationalists were successful in the campaign, it was to take their core vote of people who really believed in independence, which might be 30%, and add to it people who objected to other things and thought that independence was a way of securing those objectives. They were misled, in my view, into that. Nevertheless, that was part of the dynamic of the 45% or so who voted yes.

As for the people who voted no, certainly they were rejecting the uncertainties and risks of independence. There is no doubt about that. If one looks at what the campaign issues were, they were issues about economic uncertainty, about uncertainty on tax and public spending, about uncertainty in the UK’s or Scotland’s place in the world. People were opting in, if you like, to the mirror image of those risks, so they were opting into greater economic certainty through buying into an integrated economic union rather than an autarchic Scottish economy. Ironically, even the nationalists wanted an integrated economy, which took us into all that interesting debate about whether you can have a separate currency and still be an independent country.

But it is very plain to me that they were also opting into a system in which the UK pooled both risks and resources for public spending. That was particularly clear in relation to the issue of pensions, which may well be why many pensioners voted no, but it was also clear in relation to the issue of public services. One of the ironies of the campaign is that, with admirable chutzpah, Mr Salmond announced a vote for yes was a vote to save the British National Health Service. That may well have gained him some support, but the truth of the matter—and that takes us back to the question of the vow that Mr Flynn raised—was that the maintenance of a UK fiscal system sharing public expenditure and taxation revenues was the better way to save the NHS. My view is that those who voted no both rejected risk and uncertainty but opted positively into economic integration and social solidarity.

**Q71 Mr Turner**: Would you expect that to be what happens generally with a referendum, that the pros are in favour of one thing and the antis are in favour of another?
Professor Gallagher: One of the risks about referendums is that voters are a bit like university students. They are prone to answer the question they wish they had been asked rather than the question they were asked. Many people in the Scottish referendum thought that they knew the answer to the question, “Would you like Scotland to be a fairer country?” or, “Would you like Scotland to be a richer country?” and for those reasons, conflated the idea of independence with fairness or wealth, and that persuaded a number of people to give the answer yes to what was essentially a different question.

Q72 Mr Turner: Should we go ahead with a convention, which seems to be the approved movement of the Liberal Democrats and the Labour Party, or the Conservative proposals, which have been about since 2001—in fact before, when William Hague was the Opposition leader—that there should be a pretty quick introduction for EVEL, I think it is called?

Professor Gallagher: EVEL, indeed. It rather depends what you want a convention to do. You are the Constitutional Reform Committee. Again, let me answer this question in chunks. First, it is often wrongly said that Britain does not have a written constitution. Of course Britain does have a written constitution; it is just written down in all sorts of different places. My view is that in relation to what I would call the territorial constitution—that is to say the allocation of powers, responsibilities and a fiscal system that governs the relationship between the nations of the UK—we should write more of that down in a formal way and some process or other, legal experts’ conventions, call it what you will, should be initiated to do that work. That will take a little while and I see absolutely no reason why it should not be done.

I think it would be an error to extend that to be a process that tried to write down our entire constitution, because that would fail. I say that with some feeling. I have been advising Ministers as a civil servant on these constitutional questions since 1999 and every time we have come to that question the answer has been, “It will never get off the ground”, and I am sure that is right. I think that the constitution is an elephant to be bitten in chunks, and the territorial one is the first chunk to bite.

But coming to your specific question, the element of that territorial constitution that expresses English votes, I think two things about that: first, that it should be seen as part of this overall territorial deal but, secondly, that the principal mechanism for expressing it should be Standing Orders of this House. It might be that it could have a legislative underpinning and the legislation of underpinning would obviously be necessary for the rest of the territorial constitution, but in purely practical terms, explaining at what point a committee of English Members considers a Bill, which Bills are considered, at what point the Bill comes back into process on the floor of the House and so on, is quintessentially a matter for Standing Orders of this place.

Mr Turner: In which you appear to have support from Sir William Cash, who says very much the same things.

Professor Gallagher: That does not mean I am wrong.

Q73 Mr Turner: Nonetheless, nonetheless. That could be introduced within, say, six months or a year.

Professor Gallagher: That being Standing Orders?

Mr Turner: Yes.

Professor Gallagher: Standing Orders are relatively quick to do, as you will understand better than I. I think the challenge is to make sure that whatever is done with English votes is, first of all, consistent with the union—and I think that some of the things that Mr Hague has had to say suggest that it might not be—and, secondly, that it is coherent with the rest of the territorial constitution. Nothing is going to happen on this before the general election—in my view, that seems to be the reality of things—and I feel it would be better to get it right.
Q74 Mr Turner: Just for the sake of clarity, does that not also apply to Scotland? There is a proposal that there will be a draft Bill, but there would not be a change to the law until after the next general election.

Professor Gallagher: I do not expect a change in the law, a new Scotland Act, until after the election.

Q75 Mr Turner: Thank you very much. Could I move on to the question of the Barnett formula? It appears suddenly to have become the policy that we keep the UK Barnett formula. I knew it was there, of course, but I did not know we were committed to it by this vote against a referendum. Somehow we seem to be in the difficult position that Scotland will, for eternity, have an unfair advantage and, “Don’t worry about us. We have a great number of benefits for that”, we English people have, but Wales suffers dreadfully about the lack of a Barnett formula for Wales. Does that mean we have to make English even more down the line if Wales is pushed up the line?

Professor Gallagher: First of all, on the generality of the Barnett formula, I joke that some years ago I founded a society called the Friends of the Barnett Formula, which has two members: I am one, and the Chancellor of the Exchequer is one, whoever he or she might be. The reason for this is that the Barnett formula works. It has been surprisingly robust for a long period and there are good reasons why it works. As for the outcome of the Barnett formula, which is this question of what is fair and what is unfair, I have a lot of sympathy with people in Wales who say that they are one of the poorest regions of Britain but, nevertheless, its public expenditure is not as generous as the public expenditure in Scotland. Historically, it is certainly the case some years ago now that governments have found ways of diverting a little more resource to Wales on top of the Barnett formula to deal with issues like that, essentially for good reasons, in my view, of regional economic development, and the Welsh economy does need further investment, there is no doubt about that.

But it was very striking that during the referendum campaign all of the three political parties committed themselves to the Barnett formula for Scotland. My society gained some new members, which was a bit of a surprise, but what that was about was going back to this question of what is the nature of the union that the UK constitutes. It is an economic union, it is a political union but, in my jargon, it is a social union also. That is expressed not merely in the fact that there are uniform pensions and benefits, the UK social security system, but there is a system of sharing UK taxes across the geography of the UK, including the three devolved nations. That ensures that no matter what the taxable capacity in Wales, Scotland or Northern Ireland, people can expect broadly the same levels of guarantees of public services, notably the NHS, which of course was a big issue in the referendum campaign, as I mentioned earlier on. The way that we do that today, and since 1978 or so, has been the Barnett formula, and in that sense the promise of the Barnett formula was a promise about continued sharing of resources to support public services.

Q76 Mr Turner: Yet there are places in Scotland such as Edinburgh that are relatively wealthy and there are places in Wales like Cardiff, one of whom gets the Barnett formula and one who does not get the Barnett formula.

Professor Gallagher: No, the Barnett formula applies in Scotland, Wales and Northern Ireland. The Barnett formula is a piece of algebra, if you like, which is applied each year to calculate the changed devolved budgets in each of Scotland, Wales and Northern Ireland by reference to change in the budgets in the comparable programmes in England. It applies and has applied for many years, in each of the three devolved nations. The difference is that, for a variety of historical reasons, public expenditure in Scotland is higher than in Wales, though not as high as in Northern Ireland, and Northern Ireland is the poorest of the three devolved nations, Wales is the next poorest. The Holtham commission, which looked at this on behalf of the Welsh Assembly Government, calculated that broadly speaking Wales’s level of public expenditure was more or less
what it would have been had the distribution formulae that applied to English regions applied to Wales, but it is calculated via the Barnett formula.

**Q77 Mr Turner:** Poor parts of England such as Cornwall, and particularly, for my benefit, the Isle of Wight, have an average income of about £16,000. Why is it that Scotland and Wales have different ways of adjusting this to the benefit of the rich parts of those countries but Cornwall and the Isle of Wight do not have these benefits?

**Professor Gallagher:** No, I do not think that is quite fair. What the Barnett formula does is calculate a total expenditure for Wales, Scotland and Northern Ireland on devolved services, which are most services, excluding of course social security. Distribution within Scotland, Wales and Northern Ireland is a matter for the devolved administrations and so if they want to divert money to poorer areas, as they do, they have the power to do so.

**Q78 Mr Turner:** Sorry, could I ask if this is something that happens or something that could happen?

**Professor Gallagher:** In fact, it is something that happens. From my own experience I know that public expenditure in the different parts of Scotland varies quite markedly. It is quite possible—and I am afraid I have not researched the public spending in your area, the Isle of Wight—that public expenditure in the Isle of Wight per capita is lower than public expenditure per capita in Edinburgh. It is certainly true that it is lower per capita than it is in London, that is for sure. I have done a lot of research on this over the years and tried to correlate public expenditure per head on services with other variables, and one of the strongest correlations between public expenditure and health and education and so on is with public expenditure on social protection. If you look at the regional spend of different parts of England, Scotland, Wales and Northern Ireland, you will see the higher the level spent on social protection, which is mostly pensions and benefits, the higher the level of public spending. There are three outliers: London, Scotland and Northern Ireland. Wales fits on to that graph quite neatly.

**Mr Turner:** Thank you very much.

**Q79 Fabian Hamilton:** Jim, you have argued for varying the relationship between the state and the regions of England in order to allow better regional economic development. Of course we had that under the last Government with the regional economic development agencies, but what executive powers do you think should be devolved to existing local political structures or new ones in England itself? What should the test of readiness be for these powers? I am thinking particularly of Leeds City Council, the area I represent in Leeds, where I was a councillor for 10 years, which has the structure already there that could easily take more devolved powers that would involve economic development, inward investment, something I was responsible for many years ago.

**Professor Gallagher:** Fair question. I think that the preconditions are preconditions that we can deduce from the relative success of devolution and the preconditions are that there are effective administrative systems in place. It may be that in the area you describe, Mr Hamilton, such administrative systems are in place. Secondly, that there are effective measures of democratic accountability for them, which is a bit more challenging for cross-local authority groupings or for bodies like RDAs, which were essentially quite good, so administrative systems and democratic accountability. The third precondition is that the convoy must not wait for the slowest, that is to say the Napoleonic idea that you must have an RDA for everywhere or you must have a regional government for everywhere is a guarantee for slowness and failure. We should be ready to allocate powers where they are wanted, where the preconditions exist, whether or not the neighbour or somebody else has them.
Q80 Fabian Hamilton: Is it what we might call horses for courses?

Professor Gallagher: Horses for courses; asymmetric devolution. The lesson of England, Wales, Scotland and Northern Ireland is that horses for different devolved courses seemed to work. I am strongly of the view that horses for different decentralised English courses ought to be different as well.

Q81 Fabian Hamilton: Let me give you an example. In West Yorkshire, we have quite a concentrated population, combined around a number of cities and centres of population: Leeds, Bradford, Huddersfield, Wakefield and Halifax. There is a combined authority being set up, but that includes York and Harrogate as well, because they want to be part of this even though they are in North Yorkshire. That would work very well, but it would exclude the vast rural areas north of Harrogate: Ripon, Richmondshire, right up to the coast in Whitby. How would you see devolution working for them and regional development?

Professor Gallagher: If I may say so, what you are pointing out is the mirror image of what I have just said.

Fabian Hamilton: Yes, absolutely.

Professor Gallagher: That is, if you cannot have it for everyone, you should not have it for anyone. I do not accept that, but to answer the first half of your question: what powers do these folks exercise? I think that every level of government that exercises these kinds of powers should have democratic accountability and should be forced to raise some money, whether that is through the business rates, which have been notoriously centralised over many years, or whether it is through some other taxation powers. The obvious taxation powers to decentralise are taxation on property, because it does not move around. Secondly, we are clearly talking about the exercise of the powers to support industry, and section 7 of the Industry Act is the obvious example currently exercised by Ministers.

Q82 Fabian Hamilton: You mentioned democratic accountability. Do you think that people in the localities and the wards of the local authorities that vote three years out of four for their local councillors would be happy to be voting for councillors who had money-raising powers, tax-raising powers, provided only that those taxes were not additional taxes to what they already have to pay, in other words a true devolution of taxation to a much lower level?

Professor Gallagher: Certainly I am for the devolution of taxation. It is quite a difficult technical task to manage, but if it can be managed technically, I am for it. I would not put the constraint that these should not be new or additional taxes. It should certainly include some present taxes, but it is quite hard to find new taxes—windows are out at the moment—but if there are new taxes—

Fabian Hamilton: Bedrooms.

Professor Gallagher: Mansions is a current example and I do not necessarily dissent from that. Stamp duty is another interesting one that has been devolved in Scotland and I think may be devolved in Wales. I noticed Boris Johnson’s London Commission suggesting that he might get his hands on some of London’s stamp duty revenue. I am not wholly against that. Taxes on property are good things to decentralise, but it cannot be assumed that you have decentralisation to counties, palatine or whatever you want to call them, but that taxes might not increase. Levels of government have to have the choice whether to increase or decrease taxes. It is not a one-way bet.

Q83 Fabian Hamilton: Thank you for that. Can I move on to managing the union? You have considerable experience of the way the union has been managed from the centre under previous administrations.

Professor Gallagher: Yes. That went well.
Fabian Hamilton: Yes. I believed you recently advocated a Minister for the Union as part of Government—

Professor Gallagher: Yes.

Fabian Hamilton: —heading, I think you said, a substantial institution of Government whose job it is to manage all devolved relationships and to place them in the context of the UK as a whole. How do you think the union could be better managed? You have already mentioned a few, but—

Professor Gallagher: Indeed. I have spent many years, on and off, in government, both in devolved government and here in Whitehall, struggling with how one manages these relationships. I say “struggling” because, of course, when I first had that responsibility back in 1999 everything was absolutely new and we were very much feeling our way. Latterly, the principal issue has been managing the fact that we have a secessionist movement in one part of the UK. Now that the decision is made that Scotland remains in the United Kingdom, we should start thinking about how we manage this stably for the long run. I think one can draw some lessons from federal states. Most federal states take it for granted that one of functions of the federal government is to manage intergovernmental relations. I have had a good look at the Canadian system, which is conceptually very similar to ours, lacking of course the obvious asymmetry. There is a very substantial secretariat at the centre of government and a senior Minister and what the Canadians call a Deputy Minister, that is a Permanent Secretary.

In the end, it seems to me that I am not quite so worried about a Minister for the Union, because I can see the argument that the Welsh want the Welsh Secretary and the Scots want the Scottish Secretary. This is the civil servant in me speaking: Ministers are all very fine but what you do need is a substantial institution of government, that is to say resources and people who are dedicated to this task over the long run. If I may, I will offer you two reasons why. The first is a simple and obvious managerial one. I worked for 35 years in government, and the one lesson I learnt—I did not learn very many—was the things that I put resources behind were done and the things that I did not put resources behind did not get done. The blunt truth is that the UK Government has not put substantial resources behind the management of its territorial nature. I am very fond of many people in the Scotland Office and the Wales Office, but they are tiny departments with almost no staff and the resources that they would need are an order of magnitude short of the task that they should have.

Q84 Fabian Hamilton: My next question was going to be what do you think a Minister for the Union could do over and above what the existing Secretaries of State for Northern Ireland, Scotland and Wales can do, but I think you have answered that by saying resources.

Professor Gallagher: Resources, yes. But what would you do with those resources? First, you would make sure that there was an understanding both here in Westminster and Whitehall, but also in Edinburgh and Cardiff and London, that the UK Government had a role and responsibility and was discharging it. Successive Secretaries of State for Scotland have struggled to make their own place and find their space. Secretaries of State for Wales have moved in and out of that capacity over the years, depending essentially on their political relationships. Similarly, to be fair, Secretaries of State for Scotland have depended on their personality and style.

Q85 Fabian Hamilton: But would you combine all three of those Secretaries of State into this one Minister for the Union?

Professor Gallagher: Personally, I think I would. There are arguments both ways on that: the argument that you lose your seat around the Cabinet table might resonate with someone in Wales or in Scotland; Northern Ireland is a slightly different case. I myself would, because the Cabinet is far too big already, and if you are going to have a big department of government, you need a big Minister to run it.
**Fabian Hamilton:** That is very clear. Thank you very much, Professor.

Q86 **Chair:** Jim, thank you very much for your evidence this morning. Is there anything left unsaid that you want to leave us with?

**Professor Gallagher:** I did not take the opportunity to orate out here at the beginning, which is always very wise in these circumstances, I think, but the one thing I would want to leave you with is that the aftermath of the Scottish referendum is a time of real opportunity to crystallise the territorial constitution of the UK. It is something that if we do not do it now—and I speak from years of experience of this—we will slide back into business as usual in Westminster and Whitehall. If we slide back into business as usual, if you always do what you have always done, you will get what you have always had and we will be back again here in 10 or 15 years’ time. Perhaps not you or me, Chair.

**Chair:** Andrew, did you want to come in at the end?

**Mr Turner:** As we have a moment or two, would that be all right?

**Chair:** Just one.

Q87 **Mr Turner:** I am trying to work out if the Barnett formula continues but the amount devolved to Scotland is changed significantly—for instance the Conservatives are pushing that all income tax be devolved—would that lead to a reduction or would that not? I am very unclear about this.

**Professor Gallagher:** I do not blame you for being unclear, because nobody is entirely clear what the long-term effect would be, but let me explain how it might work. It does not matter whether it is all of income tax or some of income tax. Some of income tax will be devolved in 2016 no matter what, and what we need to do—and the Government and the Scottish Government have agreed how this will be done for the Scotland Act 2012 provisions—is that the Barnett formula continues but an allowance is made for the expected stream of revenue that Scotland will get directly through income tax and stamp duty and so on, so that expected stream of revenue will be deducted from what the Barnett formula would produce. The trick, of course, is to ask yourself who bears the risk if that stream of revenue is bigger or smaller than expected, and the principles are quite clear. Obviously if the UK Government changes the tax base, if it changes what is taxable, what income tax applies to, let us say it gives greater tax allowances to pensioners or something of that sort, then the UK Government makes that decision and it bears that risk.

On the other hand, the Scottish Government rightfully, first of all, bears the risk of any tax decision it takes. If it puts the income tax up a penny, it gets the money; if it takes it down a penny, it loses the money but it also bears the risk of where the Scottish economy goes. If Scottish income tax receipts go up because the policies of the Scottish Government in relation to economic development have created great wealth, then the Scottish Government gets the benefit of that revenue. On the other hand, if they make a cod of economic development, they will feel it in their budget. That seems to me to be right and proper. Therefore, what we cannot know is whether expenditure will be bigger or smaller, because it will depend on the performance of the Scottish economy and that is, it seems to me, how it ought to be.

Q88 **Chair:** A very quick one from me, Jim. You have probably seen in the papers this morning that the Prime Minister is suggesting that devolution certainly to Manchester, because of the Jim O’Neill commission reporting yesterday, could happen on the same timetable, as fast as the Scottish devolution question. There is a little bit of reaction that this is for Manchester and does not apply to a lot of other cities in England, the other areas, but do you welcome that development?

**Professor Gallagher:** I have not seen the detail of it, Chairman, but I would certainly welcome the proposition that any English city has the right set of powers, because if one gets them all will want them and I approve of that.
Q89  Chair: Just so I am accurate, the Prime Minister has welcomed the report, and the report contains the proposal that it could be done in the same timescale as Scotland. I do not want to misrepresent the Prime Minister.

Professor Gallagher: If that were the case and it were possible to do it on a quick timescale, I do not see why it should not be done. Of course, all these things operate in a political environment and that is just the reality of the world. If Ministers or Opposition politicians think that these are popular measures, they might do them in a hurry. Well, good.

Q90  Chair: That would be capitalising upon the opportunity that you said in your concluding remarks, that there is a moment in history now where this can be seized for devolution being a principle rather than expedient in the union.

Professor Gallagher: I would strongly agree with that.

Chair: Jim, thank you so much for your time today.

Professor Gallagher: Thank you. A pleasure.

Chair: We really appreciate it. Thank you for joining us this morning.